

## Company Announcement

The following is a Company Announcement issued by Borgo Lifestyle Finance p.l.c. (the “Company”) bearing company registration number C88245 and having its registered office address situated at Vault 14, Level 2, Valletta Waterfront, Floriana, FRN 1914, Malta, issued in terms of the Rules of Prospects, the market regulated as a multi-lateral trading facility operated by the Malta Stock Exchange (‘Prospects MTF Rules’).

### Approval of Annual Report and Financial Statements for 2019

The following is a Company Announcement issued by Borgo Lifestyle Finance Plc (hereinafter the “Company”) pursuant to the Prospects MTF Rules.

#### Quote

The Company’s Board of Directors met on 30<sup>th</sup> June 2020 via teleconference facilities, and duly considered and approved the Consolidated Audited Financial Statements for the financial period ended 31<sup>st</sup> December 2019 (herewith attached), which are available for viewing on the Company’s website:

<https://borgolifestylefinance.mt/investor-relations-section/>

The Company is setting out below the directors’ report on the following variances which arise when comparing the original 2019 forecast published under section 11.2 and Annex D of the Company Admission Document (the “CAD”) issued on 25<sup>th</sup> June 2019 and the 2019 audited financials statements.

	Projected 2019	Actual 2019	Variance	% Variance
Revenue	€ 1,520,000	€ 1,393,071	(€ 126,929)	-8%
Direct costs	(€ 262,000)	(€ 695,744)	(€ 433,744)	-166%
Gross Contribution	€ 1,258,000	€ 697,327	(€ 560,673)	-45%
Administrative Expenses	(€ 290,000)	(€ 213,976)	€ 76,024	26%
EBITDA	€ 968,000	€ 483,351	(€ 484,649)	-50%
Depreciation	(€ 275,000)	(€ 275,000)		
Waiver of amounts due		€ 309,666		
EBIT	€ 693,000	€ 518,017	(€ 174,983)	-25%



## Borgo Lifestyle Finance

Interest payable	(€ 250,000)	(€ 223,973)		
Others financial costs		(€ 6,186)		
<b>Result</b>	<b>€ 443,000</b>	<b>€ 287,858</b>	<b>(€ 155,142)</b>	<b>-35%</b>

Annual revenues of around €1.393 million are 8% less than projected revenue of €1.520 million. This is mainly a result of discounts given to certain categories of clients, including repeat clients.

### Direct costs:

Actual direct costs are 166% higher than those projected (actual was €695,744 as compared to budgeted amount of €262,000). There are a number of reasons for the increase in costs as follows:

Charter commissions have increased due to the association with the MYBA The Worldwide Yachting Association circuit, which is the highest quality channel on the cruise contractor circuit and which attracts a higher commission payable than originally budgeted.

The cost for salaries has increased due to the recruitment of new staff dedicated exclusively to customer support. Costs were also incurred for flexible staff who operated on the boat to replace a worker who had to leave his job.

The cost for diesel was higher due to higher percentage of motorized navigation hours compared to budget. Substantial Repairs and maintenance costs were incurred which are not expected to recur annually. The cost of winter storage was also higher.

### Administrative expenses:

The group has managed to be more efficient in its administrative processes and has reported a positive variance in its administrative expenses, reporting €213,976 as compared to an original budget of €290,000.

### Other income:

The group also reports a one-off income item of €309,000 not originally forecast being a waiver of amounts due.

### Result:

The original consolidated projections forecast a profit before tax of €443,000 while the actual profit before tax at 31<sup>st</sup> December 2019 is €278,858.

In the consolidated statement of financial position, the group reports total equity of €6.91 million, or a 4% decrease when compared to original equity forecast of €7.218 million.

The group is very proud of the quality of its service offering and is confident that future performance of the business will continue generating sufficient profitability and liquidity to service its financial commitments going forward.



**Unquote**

A handwritten signature in blue ink, consisting of a large, stylized 'J' followed by a horizontal line and a small flourish.

Dr Jeremy Debono  
Company Secretary

Date: 30 June 2020  
Reference No: BLF 05/2020

**BORGO LIFESTYLE FINANCE P.L.C.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2019**

**BORGO LIFESTYLE FINANCE P.L.C.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

	<b>Page</b>
<b>Annual Report:</b>	
Company Information	1
Directors' Report	2
Statement of Good Corporate Governance Compliance	7
<b>Independent Auditors' Report</b>	13
<b>Financial Statements:</b>	
Consolidated Statement of Comprehensive Income	17
Consolidated Statement of Financial Position	18
Consolidated Statement of Changes in Equity	19
Consolidated Statement of Cash Flows	21
Notes to the Consolidated Financial Statements	22

## **BORGO LIFESTYLE FINANCE P.L.C.**

### **COMPANY INFORMATION**

<b>Board of Directors:</b>	Mr. Claus Thottrup - Chairman Mr. Niels Bentzen Mr. Stuart P. Blackburn
<b>Company Secretary:</b>	Dr. Jeremy J. Debono
<b>Company Registration Number:</b>	C 88245
<b>Registered Office:</b>	Vaults 14, Level 2, Valletta Waterfront Floriana FRN 1914 Malta
<b>Bankers:</b>	Banco BPM Cassa di Risparmio di Lucca Pisa Livorno Piazza Davanti, 3 50123 Firenze Italy
<b>Auditors:</b>	Baker Tilly Malta Level 5 Rosa Marina Buildings 216, Marina Seafront Pieta' PTA 9041 Malta



## **BORGIO LIFESTYLE FINANCE P.L.C.**

### **DIRECTORS' REPORT**

#### **FOR THE PERIOD 11 SEPTEMBER 2018 TO 31 DECEMBER 2019**

##### **Board of Directors:**

Mr. Claus Thottrup - Chairman  
Mr. Niels Bentzen (appointed on 15 November 2018)  
Mr. Stuart P. Blackburn (appointed on 15 November 2018)

The directors present herewith their annual report together with the audited financial statements of Borgo Lifestyle Finance P.L.C. ("the Company") for the period from 11 September 2018, this being the date of incorporation of the Company, to 31 December 2019.

##### **Registration**

The Company was incorporated as a private limited company on 11 September 2018 with the name of Borgo Lifestyle Finance Limited. On 12 December 2018, the company passed an extraordinary resolution to convert the status of the company into a public limited company and the name was consequently changed to Borgo Lifestyle Finance P.L.C.

The companies making up the Borgo Lifestyle Finance P.L.C. group ("the Group") include that of its subsidiary, namely Big Blue Cruising Limited, and that of its sub-subsidiary, namely Big Blue Yachting Yaticilik AS, a company in liquidation.

The Borgo Lifestyle Finance P.L.C. Group in turn forms part of the Borgo Lifestyle Group srl. ("the Parent Company"), an Italian company whose interests overseas include, property development and restoration, the operation of a restored villa in Tuscany, Italy as a luxury hotel, the running of a cooking school, and also the operation of a Michelin starred restaurant in the city of Florence, Italy.

##### ***The Company***

During the first period of operations the Company invested in a subsidiary company operating luxury yacht charters, as well as acted as a finance company to Group and related companies. The company generated interest income from loans receivable from the subsidiary company and related company and incurred interest costs with respect to the bond issue. The Company registered a loss for the period. The Board of Directors believes that in order to attain a positive financial performance, the Company will need to negotiate a better rate of interest for the loans advanced to its subsidiary and related companies, and such action will be discussed in the near future.

##### ***The Group***

Revenue generated by the Group during the first period of operations was encouraging and the Group registered a marginal operating profit for the period. However, after accounting for the waiver of a related company payable balance, the Group registered a profit for the period. The Board of Directors note that the Group was well established to have a very good year going forward, however the COVID-19 pandemic wreaked havoc on business around the globe, and the Group was no exception, especially since it operates in the hospitality industry.

##### **Outlook**

The Group's focus will continue to be that of investing and financing the subsidiary company and a related company as well as the operation of luxury yacht charters undertaken by the subsidiary company. Following the outbreak of COVID-19, the Group has taken steps to apply for short term financing whilst taking steps to mitigate losses from cancelled or postponed business because of such outbreak. Following the relaxation of certain measures, the subsidiary company has undertaken measures to sanitise the yacht and installed state of the art sanitization systems in order to ensure the utmost safety for its guests and staff whilst being able to undertake charters. These measures have been positively received, and whilst most of the previously booked charters for 2020 have been postponed for the forthcoming year, the subsidiary company has seen renewed interest from new clients to undertake charters during 2020. This is very good news for the Group however, it is still very early to make any solid predictions, and therefore, the Group still envisages to incur a loss for the year 2020.

## **BORGIO LIFESTYLE FINANCE P.L.C.**

### **DIRECTORS' REPORT**

**FOR THE PERIOD 11 SEPTEMBER 2018 TO 31 DECEMBER 2019**

#### **Principal Activities**

The principal activities of the Company are those of acting as a holding and finance company to related companies.

On 12 February 2019, the Company issued € 5,000,000 5% Secured Callable Bonds maturing 2026-2029 at a nominal value of € 100 per bond, issued at par. These bonds were admitted to the official list of the Malta Stock Exchange with effect from 12 February 2019 and trading in the bonds commenced on 13 February 2019.

In accordance with the provisions of the Prospectus dated 25 January 2019, the proceeds from the bond issue have been advanced by way of two loan facilities as follows:

- (i) a loan for € 2,000,000 to Big Blue Cruising Limited, a subsidiary company which is also acting as the Guarantor and which owns, operates and charters the superyacht MY SATORI. The purposes of refinancing of the debt due in respect of the construction of the said yacht; and
- (ii) a loan for € 2,820,000 to Relais Borgo San Pietro srl., a related company which owns and operates an 800 year old restored villa in Tuscany, Italy, which was converted into a luxury hotel development. The purposes for the loan is that of partly financing an upgrade project.

#### **Principal Risks and Uncertainties**

The Company is essentially a special purpose vehicle set up to act as a finance company for companies within the Borgo Lifestyle Group ('the Parent Company'). It has raised finance through the issue of bonds which are quoted on the Malta Stock Exchange and guaranteed by property held by Big Blue Cruising Limited ('the Subsidiary Company'). The proceeds from the bond issue, net of expenses, have been advanced in the form of interest bearing loans to its Subsidiary Company and to Relais Borgo San Pietro srl. ('the Related Company').

Since the Company does not carry out any trading activities itself, it is therefore, economically dependent on the business prospects of the Subsidiary and Related companies and whose core operations comprise the ownership, management and operation of the luxury superyacht MY SATORI, as well as that of the Relais Borgo San Pietro, which is a luxury hotel development in Tuscany, Italy. Therefore, the risks intrinsic in the business and operations of the Group and Related companies have a direct effect on the ability of the Company to meet its obligations in connection with the payment of the interest on the Bond and repayment of the principal when due.

The Group is subject to normal risks associated with the luxury segment within the hospitality and yacht industry. However, early in 2020 following the outbreak of COVID-19, the Group has seen the hospitality and yacht sectors come to an abrupt standstill as country after country closed their borders in order to contain the spread of the pandemic. This of course wreaked havoc on the world economies and has also negatively affected the Group's activities. Furthermore, the market in which the Group operates may also be affected by a number of other factors, such as the national economy, political developments, government regulations, international travel restrictions and changes in consumer demands.

The Group's growth is relying on key senior personnel working within the Parent Company organisation. The Group's growth since inception is partly attributable to the efforts and abilities of the key personnel of the foreign parent company. Being that the Group forms part of the Parent Company organisation, the Group does not consider having any undue risks with respect to relying on key senior personnel working within the Parent Company organisation.

The Group is also affected by reputational risk that can have a negative effect on the Group's ability to retain customers. Being that the Parent Company organisation has been operating within the luxury hospitality industry for some years, the Group is confident that even here the Group does not have any undue risks associated with such matter.

The Group is also exposed to economic conditions whereby negative economic factors and trends could have a material impact on the business of the Group generally and may adversely affect its revenues.

Finally, additional risks arise from natural disasters, terrorist activity and war, environmental and health liabilities and piracy risk.



## **BORGIO LIFESTYLE FINANCE P.L.C.**

### **DIRECTORS' REPORT**

**FOR THE PERIOD 11 SEPTEMBER 2018 TO 31 DECEMBER 2019**

#### **Guarantor Performance for 2019 and prospects for 2020**

Big Blue Cruising Limited's revenues for 2019 continued to grow and were very encouraging. The company kept on building on its reputation for offering luxury charter experiences for the discerning connoisseur. The company registered positive operating results of € 197,118 which were further enhanced by the waiver of a related company payable balance of € 290,250. After accounting for finance costs, the company registered a profit of € 378,659.

Big Blue Cruising Limited's activity has been severely affected by the COVID-19 outbreak and the cash flow shortage and loss of income has had a significant negative short term impact on the ability of the company to settle its running costs, and therefore the Subsidiary company has applied for a loan of € 150,000 which would assist it in enabling the settlement of dues to local creditors. In more recent weeks, the outlook for the operating subsidiary has improved as better explained in the COVID-19 note below.

#### **COVID-19**

The Coronavirus (COVID-19) pandemic is affecting economic and financial markets worldwide, and virtually all industries are facing challenges associated with the economic conditions resulting from efforts to address it.

The directors have assessed the effects of COVID-19 on the Company's and the Group's operations, and although these were initially envisaged to have a devastating effect on results because it was thought that a whole year's transactions were going to be cancelled or postponed, in recent weeks, following the relaxation of measures undertaken by certain governments and following the installation of state of the art sanitisation systems by the subsidiary company operating the yacht charters, the subsidiary company has seen a renewed interest by new clients to undertake charters during 2020.

This is very good news for the Company and the Group, however, it is still very early to make any solid predictions, and therefore, the directors envisage that the Group will still incur a loss for the year 2020. However, the long-term assessment is that the Company's and Group's assets will be preserved and consequently the going concern basis applied to these financial statements is still applicable.

#### **Results, Dividends and Reserves**

The results for the period and the movement on the reserves are as set out on pages 17, 19 and 20 of the financial statements respectively. No dividends were recommended or paid during the period and no dividends are being proposed to be declared.

#### **Directors**

The members serving on the Board of Directors and movements thereon are listed above. In accordance with the company's Articles of Association, the directors at date of this report are to remain in office.

## **BORGIO LIFESTYLE FINANCE P.L.C.**

### **DIRECTORS' REPORT**

**FOR THE PERIOD 11 SEPTEMBER 2018 TO 31 DECEMBER 2019**

#### **Statement of Directors' Responsibilities for the Financial Statements**

The Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") requires the directors of Borgo Lifestyle Finance P.L.C. (the "Company") to prepare consolidated financial statements for each financial period which give a true and fair view of the financial position of the Company and the Group as at the end of the financial period and of the profit or loss of the Company and the Group for that period in accordance with the requirements of International Financial Reporting Standards as adopted by the EU.

In preparing these financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing and maintaining such internal controls 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. The directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Statement pursuant to the Listing Rule 5.68 issued by the Listing Authority**

We confirm that to the best of our knowledge:

- The financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The annual report includes a fair review of the development and performance of the business and the position of the company, together with the description of the principal risks and uncertainties that the Company may face.

#### **Going Concern Statement pursuant to Listing Rule 5.62**

In accordance with the Listing Rule 5.62 issued by the Listing Authority, the Directors confirm, that having reviewed the Company's and the Group's budget and forecast for 2020, and as described in the notes to the financial statements, the Company and the Group have adequate resources to continue in operation and existence for the foreseeable future. Accordingly, the directors have adopted the going concern basis in preparing these financial statements.

**BORGIO LIFESTYLE FINANCE P.L.C.**

**DIRECTORS' REPORT**

**FOR THE PERIOD 11 SEPTEMBER 2018 TO 31 DECEMBER 2019**

Statement pursuant to the Listing Rule 5.64 issued by the Listing Authority

We confirm that the shareholding of the Company is as follows:

Borgio Lifestyle Group srl (Italy)	Italian Co. Reg. No. MI-2082215	171,199	Ordinary Shares
Mr. Claus Thottrup		1	Ordinary Share

The shares of Borgio Lifestyle Group srl are equally held by Mr. Claus Thottrup and Mrs. Jeanette Thottrup.

**Contracts of Significance with the Related Parties**

The holding company has advanced amounts borrowed by the Company by way of bonds listed on the Malta Stock Exchange to its Subsidiary company and a Related company, namely Big Blue Cruising Limited and Relais Borgio San Pietro srl, respectively. The terms of the loan agreements are set out in the notes to the financial statements for the period ended 31 December 2019.

**Directors' Interest**

The directors' beneficial interest in the shares of the Company as at 31 December 2019 is limited to 1 ordinary share having a nominal value of € 1 held by Mr. Claus Thottrup.

**Auditors**

Baker Tilly Malta have intimated their willingness to continue in office. A proposal to reappoint Baker Tilly Malta as auditors of the Company will be put to the General Meeting.

Approved by the Board of Directors on 30 June 2020 and signed on its behalf by:

Mr. Claus Thottrup  
Director

Mr. Stuart P. Blackburn  
Director



## **BORG0 LIFESTYLE FINANCE P.L.C.**

### **CORPORATE GOVERNANCE - STATEMENT OF COMPLIANCE**

#### **Introduction**

Pursuant to the requirements of the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority, Borgo Lifestyle Finance P.L.C. (the 'Issuer' or the 'Company') together with its wholly owned subsidiary Big Blue Cruising Limited (the 'Guarantor'), hereby reports on the extent to which the Company has adopted the 'Code of Principles of Good Corporate Governance' appended to Chapter 5 of the Listing Rules as well as the measures adopted to ensure compliance with the same Principles.

The Board of Directors of the Company notes that the Code does not dictate or prescribe mandatory rules but recommends principles of good governance. Nevertheless, the Board strongly maintains that the Principles are in the best interest of both the shareholders and investors, since they ensure that the directors adhere to internationally recognised high standards of corporate governance.

The Board recognises that in line with Listing Rule 5.101, the Company is exempt from making available the information set out in Listing Rules 5.97.1 to 5.97.3; 5.97.6 and 5.97.8

#### **The Guarantor**

The Guarantor, Big Blue Cruising Limited, is a private company and, accordingly, is not bound by the provisions of the Code set out in the Prospectus Rules of the Malta Stock Exchange. While the Guarantor is not required to adopt the provision of the Code, the Audit Committee, which is set up at the level of the Company, has been specifically tasked with keeping a watchful brief over the performance of the Guarantor and other related Companies.

#### ***Part 1: Compliance with the Code***

The Board of Directors (the "Board") of Borgo Lifestyle Finance P.L.C. (the "Company") believe in the adoption of the Code and has endorsed them except where the size and/or particular circumstances of the Company are deemed by the Board not to warrant the implementation of specific recommendations. In this context, it is relevant to note that the Company has issued bonds to the public and has no employees. Accordingly, some of the provisions of the Code are not applicable whilst others are applicable to a limited extent.

#### **Principle 1: The Board**

The Board of Directors is responsible for devising a strategy and setting policies of the Company. It is also responsible for reviewing internal control procedures, financial performance and business risks facing the Company. The Board is also responsible for decisions relating to the redemption of the Bond, and for monitoring that its operations are in conformity with the Prospectus and all relevant rules and regulations.

The Board is composed of Mr. Claus Thottrup (Chairman), Mr. Niels Bentzen and Mr. Stuart P. Blackburn.

During the financial period ended 31 December 2019, Mr. Claus Thottrup occupied various senior positions within the Borgo Lifestyle Group companies. The remaining directors, namely Mr. Niels Bentzen and Mr. Stuart P. Blackburn were appointed after the company registration date, to act as non-executive and independent directors, since they are each free of any business, family or other relationship with the Issuer, its ultimate beneficial shareholder, of the management of either, that creates a conflict of interest such as to impair their judgement.

During the financial period under review the Board of Directors met on 4 occasions.

The Board delegates specific responsibilities to an Audit Committee, details of which are found in Principle 5 hereunder.



## **BORG LIFESTYLE FINANCE P.L.C.**

### **CORPORATE GOVERNANCE - STATEMENT OF COMPLIANCE**

#### **Principle 1: The Board (Contd.)**

The Directors and Restricted Persons (as defined in the Listing Rules) are informed and are aware of their obligations on dealings in securities of the Company within the established parameters of the law and the Listing Rules. Each such Director and Senior Officer (as defined in the Listing Rules) has been provided with the Code of dealing required in terms of Listing Rule 5.106 and training in respect of their obligations arising thereunder.

The Memorandum and Articles of Association sets out the procedures to be followed in the appointment of the directors in an extensive manner. Shareholders having voting rights are entitled at the Annual General Meeting to appoint directors. Appointed directors shall hold office for a period of three years but shall be eligible for re-election.

#### **Principle 2: Chairman and Executive Director**

The functions of the Chairman and Executive Director are vested in the same individual, namely Mr. Claus Thottrup. The Chairman's main function is to lead the Board, set the agenda and ensure that all Board members partake in discussions of complex and contentious issues.

The Executive Director has specific authorities from the Board to manage the Company's operational activities within the strategy and parameters set by it.

#### **Principle 3: Composition of the Board**

The Board considers that the size of the Board, whilst not being large, is appropriate, taking into account the size of the Company and its operations. The combined and varied knowledge, experience and skills of the Board members provides the balance of competences that are required and adds value to the functioning of the Board and gives direction to the Company.

The Board of Directors shall consist of a minimum number of three directors and a maximum of six members. The Board is composed of 1 executive director and 2 non-executive directors, as listed in Principle 1 above. Each non-executive director has submitted a declaration to the Board declaring their independence as stipulated under the Code Provision 3.4.

#### **Principle 4: The Responsibilities of the Board**

The Board has the first level responsibility for executing the four basic roles of Corporate Governance, namely accountability, monitoring, strategy formulation and policy development. The Board seeks to monitor effectively the implementation of strategy and policy by management. Clear internal and external reporting lines are established with a view to ensuring that the Board can properly discharge its obligation to take decisions in the best interests of the Company.

An Audit Committee has been set up with clear terms of reference in line with the Listing Rules. The Committee's primary objective is to assist the Board in fulfilling the oversight responsibilities over the financial reporting of the Company and its financial policies and internal control structure. The Committee oversees the conduct of the external audit and acts to facilitate communication between the Board of Directors, management and the external auditors. The external auditors are invited to attend the Audit Committee Meetings, whose members report directly to the Board of Directors.

## **BORG LIFESTYLE FINANCE P.L.C.**

### **CORPORATE GOVERNANCE - STATEMENT OF COMPLIANCE**

#### **Principle 4: The Responsibilities of the Board (Contd.)**

The Audit Committee established by the Board is made up of the Board Members:

Mr. Stuart P. Blackburn (Chairman)  
Mr. Claus Thottrup  
Mr. Niels Bentzen

The Board considers Mr. Stuart P. Blackburn to be independent and competent in accounting and/or auditing. Such determination was based on Mr. Blackburn's substantial experience in various audits, accounting and risk management roles throughout her career.

The Audit Committee is expected to deal with and advice the Board of Directors on the following Group-wide basis:

- Evaluating any proposed transaction to be entered into by the Company or its Guarantor/s and a related party, to ensure that the execution of such transaction is at arm's length, on a commercial basis and ultimately in the best interest of the Company or its Guarantor/s;
- Maintaining open communication on financial matters between the Board of Directors, management and its external auditors, including the appointment of the auditors;
- Monitoring responsibility over the financial reporting processes, financial policies and internal control procedures.
- Preserving the Company's and Group's assets by assessing the Company's and Group's risk environment and determine how to deal with such risks.

#### **Principle 5: Board Meetings**

Board meetings concentrate mainly on strategy, operational performance and financial performance of the Company. After each Board meeting and before the next, Board minutes that faithfully record attendance, key issues and decisions are sent to the directors. Meetings were attended as follows:

<i>Members</i>	<i>Meetings Attended out of total held during tenure</i>
Mr. Claus Thottrup	4 out of 4
Mr. Niels Bentzen	4 out of 4
Mr. Stuart P. Blackburn	4 out of 4

#### **Secretary to the Board**

The Company Secretary is Dr. Jeremy Debono. The Company's Board Secretary is responsible to the Board for ensuring that the Board and Audit Committee proceedings are complied with and also aid the respective Chairman to ensure that all members receive precise, timely and objective information.

#### **Board Committees**

##### Nomination and Remuneration Committee

Due to the size and nature of the Company's limited operational functions, the Board does not consider it necessary to set up a Nomination and Remuneration Committee. Mr. Stuart P. Blackburn was due the sum of € 10,000 for services rendered during 2019. Both Mr. Claus Thottrup and Mr. Niels Bentzen waived their claim to any remuneration for the period in question. The remuneration payable to Mr. Stuart P. Blackburn was approved by the Board.

##### Senior Management

In view of the Company being primarily a finance company, the Company does not have any employees. However, the overall management comprises: Mr. Claus Thottrup as Chairman, Mr. Niels Bentzen and Mr. Stuart P. Blackburn.



## **BORGIO LIFESTYLE FINANCE P.L.C.**

### **CORPORATE GOVERNANCE - STATEMENT OF COMPLIANCE**

#### **Principle 6: Information and Professional Development**

Each director is made aware of the Company's on-going obligations in terms of the Companies Act, the Listing Rules and other relevant legislation. Directors have access to the advice and services of the Company Secretary. The Company is also prepared to bear the expense incurred by the directors requiring independent professional advice should they judge it necessary to discharge their responsibilities as directors.

#### **Principle 7: Evaluation of the Board's Performance**

The Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is always under the scrutiny of the shareholders.

#### **Principle 8: Committees**

The Directors are paid on the basis of a fixed remuneration which is approved in general meeting by the shareholders. In view of there being no executive positions within the Company, the Board has not fixed a remuneration policy for senior executives. Furthermore, the Board has not set up a remuneration and nomination committee due to the limited size and exigencies of the operations of the Company.

#### **Principle 9: Relations with Shareholders and with the Market**

The Company communicates with bondholders by way of the Annual Return and Financial Statements. The Company also communicates with bondholders with public announcements made through the Malta Stock Exchange as well as entertaining queries and requests made by individual bondholders on an ad hoc basis.

#### **Principle 10: Institutional Shareholders**

The Company and the Group are a subsidiary of Borgo Lifestyle Group srl., an Italian company which is in turn wholly owned by Mr. Claus Thottrup and Mrs. Jeanette Thottrup.

#### **Principle 11: Conflicts of Interest**

The Directors are aware that their primary responsibility is always to act in the interest of the Company and its shareholders as a whole, irrespective of who appointed them to the Board. Acting in the interest of the Company includes an obligation to avoid conflicts of interest. In such instances, the Company has strict policies in place which allow it to manage such conflicts, actual or potential, in the best interest of the Company.

#### **Principle 12: Corporate Social Responsibility**

The Group of companies understands the importance of contributing to society at large, both in terms of the well-being of its staff, as well as the contribution towards society at large. This contribution has manifested itself in a number of initiatives of the said Group. Further activities of this nature are expected to be organised in 2020.

## **BORGIO LIFESTYLE FINANCE P.L.C.**

### **CORPORATE GOVERNANCE - STATEMENT OF COMPLIANCE**

#### *Part 2: Non-Compliance with the Code*

##### **Principle 4: Responsibilities of the Board**

The Board has not yet developed a succession policy for the future composition of the Board of Directors, this in view of the limited operations of business of the Company.

##### **Principle 7: Evaluation of the Board's Performance**

At present, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of, the Board itself, the Issuer's shareholders, the market and the rules by which the Issuer is regulated as a listed company.

##### **Principle 8: Committees**

The Issuer does not have a Remuneration Committee as recommended by this principle because it is not deemed necessary in view of the very limited number of directors engaged by the Issuer. Furthermore, the Issuer does not have a Nomination Committee as recommended in Principle 8. Appointments to the Board of Directors are determined by the shareholders of the Company in accordance with the Memorandum and Articles of Association. The Issuer considers that the members of the Board provide the level of skill, knowledge and experience expected in terms of the Code.

##### **Internal Control**

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to achieve business objectives and to manage, rather than to eliminate, the risk of failure to achieve business objectives and can only provide reasonable assurance against material error, losses or fraud.

Authority to manage the business of the Company is delegated to the Executive Director within the limits set by the Board of Directors. Systems and procedures are in place for the Company to control, report, monitor and assess risks and their financial implications, and to take timely corrective actions where necessary. Regular financial budgets and strategic plans are prepared, and performance against these plans is actively monitored and reported to the directors on a regular basis.

##### **Remuneration Statement**

In terms of the Company's Memorandum and Articles of Association, it is the shareholders of the Company in General Meeting who determine the maximum annual remuneration of the directors. The amount payable to one of the directors for the period amounted to € 10,000. The other two directors waived their right to receive any remuneration for the period under review.

No part of the remuneration payable to the directors is performance based, and the executive director receives no additional remuneration. None of the directors, in their capacity as a director of the Company, is entitled to profit sharing, share options or pension benefits with respect to Borgo Lifestyle Finance P.L.C.

##### **Risk Management**

The objective of the risk management function is to minimize the cost of risks and to maximize the return on assets. The Company endeavors to achieve such objectives through procedures that involve a coordinated approach across the operations of the Company and the Group, designed to identify and measure the potential risks. Appropriate action is taken by the Board to mitigate such risks. The Audit Committee makes recommendations, as necessary, to the Board.



**BORGO LIFESTYLE FINANCE P.L.C.**

**CORPORATE GOVERNANCE - STATEMENT OF COMPLIANCE**

*Dealings by Directors and Senior Officers in the Company's Bonds*

The Board has a responsibility to monitor dealings by the directors and senior officers in the Company's Bonds. The Board approved the Code of Conduct for the transactions by directors and senior officers in compliance with the Listing Rules. The structured code of dealing, which includes names of directors and senior officials who have to comply with the Code, has been filed with the Listing Authority at the Malta Financial Services Authority.

The above information is a fair summary of the Company's adoption of the Code of Good Corporate Governance. Overall, the Company has broadly implemented the Code where the Board of Directors believes that it would add value to the stakeholders. In certain instances, it was felt that the Code was more suited to companies who held equity on the Malta Stock Exchange, and therefore, its implementation would not be useful for a limited operating company like Borgo Lifestyle Finance P.L.C.

Approved by the Board of Directors on 30 June 2020 and signed on its behalf by:

Mr. Claus Thottrup  
Director

Mr. Stuart P. Blackburn  
Director



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## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF BORGIO LIFESTYLE FINANCE P.L.C.**

#### *Report on the Audit of the Financial Statements*

We have audited the individual financial statements of Borgio Lifestyle Finance P.L.C. (the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group) set out on pages 17 to 40, which comprise the statement of financial position of the Company and the Group as at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company and the Group for the period then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

#### *Basis of Qualified Opinion*

The consolidated financial statements incorporate the unaudited financial statements of the sub-subsidiary company registered in Turkey. The financial statements of the sub-subsidiary company carry a loss for the period of € 34,144 and had a net assets deficiency position amounting to € 37,800. The said sub-subsidiary company is in liquidation.

#### *Opinion*

In our opinion, except for the effects of the matter stated in our basis of qualified opinion paragraph, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2019 and of the Company's and the Group's financial performance and cash flows for the period then ended in accordance with the requirements of International Financial Reporting Standards as adopted by the EU and have been properly prepared in accordance with the Companies Act, 1995 (Chapter 386, Laws of Malta).

#### *Material Uncertainty related to Going Concern (COVID-19)*

We draw attention to the going concern paragraph in Note 2.3 to the consolidated financial statements. This note indicates that the Company's and the Group's business operations may be severely impacted by the COVID-19 (Coronavirus). This indicates the existence of a material uncertainty which may cast significant doubt about the Company's and the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *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 are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF BORGO LIFESTYLE FINANCE P.L.C.**

#### *Loans Receivable*

The net proceeds from the Bond issue concluded during 2019 were used to finance loans receivable from its subsidiary company and a related company, which at 31 December 2019 stood at € 4,820,000. A loan of € 2,000,000 to the subsidiary company was used for the refinancing of debt on the construction of the superyacht MY SATORI, whilst another loan of € 2,820,000 was advanced to a related company and was used to partly finance an upgrade project for the latter company's 800 year old luxury hotel development in Tuscany, Italy.

During the audit process, we ascertained ourselves that the subsidiary company's audited financial statements and the related company's management accounts disclose such amounts due to the Company. We have agreed the terms of the loans to supporting loan agreements. We have also assessed the financial soundness of the subsidiary and related companies, and in so doing, we made reference to the latest audited financial statements, management accounts, forecasts and other prospective information made available to us. Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of the loans receivable.

During the period under review, the company also acquired the investment in the subsidiary company for € 170,000 from its parent company and this is further disclosed under Note 11 to the financial statements. We have confirmed this investment to supporting documentation and tested investment for impairment. We made reference to the last audited financial statements or management accounts available. The subsidiary company has a strong financial position and therefore no impairment was required.

#### *Other Information*

The directors are responsible for the other information. The other information comprises the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Companies Act (Cap. 386).

Based on the work performed, in our opinion:

- the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the Company and the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information. We have nothing to report in this regard.

#### *Responsibilities of the Directors*

The directors are responsible for the preparation of the financial statements of the Company and the Group that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and the Group or to cease operations, or have no realistic alternative but to do so.

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF BORGO LIFESTYLE FINANCE P.L.C.**

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company and the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.



## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF BORG LIFESTYLE FINANCE P.L.C.**

#### *Report on statement of Compliance with Principles of Corporate Governance*

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Governance and the effective measures that they have taken to ensure compliance throughout the financial period with those Principles. The Listing Rules also require the auditors to include a report on the Statement of Compliance prepared by the Directors.

We read the Statement of Compliance with the Principles of Good Corporate Governance set out on pages 7 to 12 and consider the implications of our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal controls included in the Statement of Compliance cover the risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risks and control procedures.

In our opinion, the Statement of Compliance with the Principles of Good Corporate Governance has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

We also read the information contained in the Directors' Report and considered whether it is consistent with the audited financial statements. Our responsibilities do not extend to any other information.

#### *Other Legal and Regulatory Requirements*

Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept.
- The financial statements are not in agreement with the accounting records and returns.

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



This copy of the audit report has been signed by  
Donald Sant for and on behalf of

**Baker Tilly Malta**  
Registered Auditors

30 June 2020

**BORGIO LIFESTYLE FINANCE P.L.C.**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD 11 SEPTEMBER 2018 TO 31 DECEMBER 2019**

		<b>Group</b>	<b>Company</b>
		<b><u>2019</u></b>	<b><u>2019</u></b>
	<b>Note</b>	<b>Euro</b>	<b>Euro</b>
<b>Revenue</b>	4	1,393,071	222,217
Direct and Operational Overheads	5	(1,194,717)	(223,973)
<b>Gross Profit/Interest Margin</b>		<b>198,354</b>	<b>(1,756)</b>
Administrative Overheads		(213,976)	(66,073)
Other Operating Income	6	309,666	-
<b>Operating Profit/(Loss)</b>	7	<b>294,044</b>	<b>(67,829)</b>
Incorporation Expenses		(4,477)	(4,477)
Finance Costs	8	(1,709)	-
<b>Profit/(Loss) before Taxation</b>		<b>287,858</b>	<b>(72,306)</b>
Tax Expense	9	-	-
<b>Profit/(Loss) after Taxation</b>		<b>287,858</b>	<b>(72,306)</b>
<b>Total Comprehensive Income/(Loss) for the Period</b>		<b>287,858</b>	<b>(72,306)</b>
<b>Earnings/(Loss) per Share</b>	10	<b>1.68</b>	<b>(0.42)</b>

The notes on pages 22 to 40 form an integral part of these financial statements.

**BORG LIFESTYLE FINANCE P.L.C.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2019**

		Group	Company
		2019	2019
	Note	Euro	Euro
<b>ASSETS</b>			
Investment in Subsidiaries	11	-	170,000
Intangible Assets	12	144,350	-
Vessels	13	8,312,500	-
Loans Receivable at Amortised Cost	14	2,820,000	4,820,000
<b>Total Non-Current Assets</b>		<b>11,276,850</b>	<b>4,990,000</b>
Inventories	15	18,731	-
Trade and Other Receivables	16	1,801,528	266,929
Cash and Cash Equivalents	17	353	65
<b>Total Current Assets</b>		<b>1,820,612</b>	<b>266,994</b>
<b>Total Assets</b>		<b>13,097,462</b>	<b>5,256,994</b>
<b>EQUITY</b>			
Share Capital	18	171,200	171,200
Reserves	18	6,159,763	-
Retained Earnings/(Losses)		579,396	(72,306)
<b>Total Equity</b>		<b>6,910,359</b>	<b>98,894</b>
<b>LIABILITIES</b>			
Borrowings	19	4,893,658	4,893,658
<b>Total Non-Current Liabilities</b>		<b>4,893,658</b>	<b>4,893,658</b>
Trade and Other Payables	20	1,284,355	264,442
Taxation Payable	9	9,690	-
<b>Total Current Liabilities</b>		<b>1,293,445</b>	<b>264,442</b>
<b>Total Liabilities</b>		<b>6,187,103</b>	<b>5,158,100</b>
<b>Total Equity and Liabilities</b>		<b>13,097,462</b>	<b>5,256,994</b>

The notes on pages 22 to 40 form an integral part of these financial statements.

The financial statements on pages 17 to 40 were approved and authorised for issue by the Board of Directors on 30 June 2020 and signed by:

Mr. Claus Thottrup  
Director

Mr. Stuart P. Blackburn  
Director

**BORGIO LIFESTYLE FINANCE P.L.C.**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD 11 SEPTEMBER 2018 TO 31 DECEMBER 2019**

**The Group**

	<b>Total</b>	<b>Share Capital</b>	<b>Distributable Reserves</b>	<b>Yacht Revaluation Reserve</b>	<b>Retained Earnings</b>
	<b>Euro</b>	<b>Euro</b>	<b>Euro</b>	<b>Euro</b>	<b>Euro</b>
<b>Cont. by Owners of Company</b>					
Issue of Ordinary Shares	171,200	171,200	-	-	-
<b>Comp. Income for the Period</b>					
Profit for the Period	287,858	-	-	-	287,858
<b>Movement on Reserves</b>					
Acquired on Acquisition of Sub.	6,451,301	-	2,317,498	4,024,775	109,028
Depreciation on Revaluation	-	-	-	(178,750)	178,750
Exchange Conversion Reserve	-	-	(3,760)	-	3,760
<b>Balance at 31 December 2019</b>	<b>6,910,359</b>	<b>171,200</b>	<b>2,313,738</b>	<b>3,846,025</b>	<b>579,396</b>

The notes on pages 22 to 40 form an integral part of these financial statements.



**BORGIO LIFESTYLE FINANCE P.L.C.**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD 11 SEPTEMBER 2018 TO 31 DECEMBER 2019**

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**The Company**

	<b>Total</b>	<b>Share</b>	<b>Accumulated</b>
	<b>Euro</b>	<b>Capital</b>	<b>Losses</b>
	<b>Euro</b>	<b>Euro</b>	<b>Euro</b>
<b>Contributions by Owners of Company</b>			
Issue of Ordinary Shares	171,200	171,200	-
<b>Comprehensive Loss for the Period</b>			
Loss for the Period	(72,306)	-	(72,306)
<b>Balance at 31 December 2019</b>	<u>98,894</u>	<u>171,200</u>	<u>(72,306)</u>

The notes on pages 22 to 40 form an integral part of these financial statements.

**BORG LIFESTYLE FINANCE P.L.C.**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD 11 SEPTEMBER 2018 TO 31 DECEMBER 2019**

		<b>Group</b>	<b>Company</b>
		<b><u>2019</u></b>	<b><u>2019</u></b>
	<b>Note</b>	<b>Euro</b>	<b>Euro</b>
<b>Cash Flows from Operating Activities</b>			
Profit/(Loss) for the Period		287,858	(72,306)
<i>Adjustments for:</i>			
Incorporation Expenses		4,477	4,477
Net Assets taken over on Acquisition of Subsidiary		2,037,867	-
Movement on Exchange Conversion Reserve		3,760	-
Intangible Assets on Consolidation		(144,350)	-
Depreciation		275,000	-
Amortisation of Bond Costs		9,668	9,668
Accrued Interest Receivable		-	(222,217)
Accrued Interest Payable		-	223,973
		(1,601,454)	(56,405)
<b>Changes in</b>			
Inventories		(18,731)	-
Trade and Other Receivables		(283,817)	(6,625)
Trade and Other Payables		840,369	32,637
Movement on Related Company Account		84,809	-
Movement on Parent Company Account		(1,251,536)	-
<b>Cash Lost from Operations</b>		(2,230,360)	(30,393)
<b>Cash Flows from Investing Activities</b>			
Payment of Incorporation Expenses		(4,477)	(4,477)
Payment for Investment in Subsidiary		-	(170,000)
Loan Advanced to Related Company		(2,820,000)	(2,820,000)
Loan Advanced to Subsidiary Company		-	(2,000,000)
<b>Net Cash used in Investing Activities</b>		(2,824,477)	(4,994,477)
<b>Cash Flows from Financing Activities</b>			
Proceeds from Issue of Shares		171,200	171,200
Proceeds from Issue of Bonds		5,000,000	5,000,000
Bond Expenses		(116,010)	(116,010)
Movement on Subsidiary Company Account		-	7,832
Movement on Parent Company Account		-	(38,087)
<b>Net Cash from Financing Activities</b>		5,055,190	5,024,935
<b>Net Movement in Cash and Cash Equivalents</b>		353	65
Cash and Cash Equivalents at Beginning of Period		-	-
<b>Cash and Cash Equivalents at End of Period</b>	17	353	65

The notes on pages 22 to 40 form an integral part of these financial statements.

## **BORGIO LIFESTYLE FINANCE P.L.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019**

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#### **1. Reporting Entity**

Borgio Lifestyle Finance P.L.C. ("the Company") is a public limited company domiciled and incorporated in Malta. The consolidated financial statements comprise the results and financial position of the parent company namely, Borgio Lifestyle Finance P.L.C. and its subsidiary and sub-subsidiary (together referred to as "the Group"), details of which are included under Note 11. The Group is primarily involved in offering luxury yacht chartering services.

The Group companies' financial statements being consolidated within these consolidated financial statements cover the period from 1 January 2019 to 31 December 2019.

The Company was incorporated on 11 September 2018 as a Private Limited Liability Company however the company changed its status to a Public Limited Liability Company effective 12 December 2018 and it issued a Bond subsequent to this.

The Company's registered office is at Vaults 14, Level 2, Valletta Waterfront, Floriana, Malta.

#### **2. Basis of Preparation**

##### **2.1 Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("the applicable framework"), which standards were issued by the International Accounting Standards Board (IASB). All references in these financial statements to IAS, IFRS or SIC/IFRIC interpretations refer to those adopted by the EU. They have also been drawn up in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta), to the extent that such provisions do not conflict with the applicable framework.

##### **2.2 Basis of Measurement**

The financial statements have been prepared on the historical cost basis, except for Vessels, which are stated at fair value.

##### **2.3 Going Concern Basis**

IAS 1 states that financial statements are required to give a true and fair view and are to be prepared on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future. Under this basis, it is assumed that the Group has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operations.

At the reporting date, the Company and the Group had positive net equity of € 98,894 and € 6,910,359 respectively and also had positive working capital of € 98,894 and € 527,167 respectively. The Company registered a loss of € 72,306 for the period whilst the Group registered a profit of € 287,858. At the reporting date, the Company had accumulated losses of € 72,306 whilst the Group had retained earnings of € 579,396.

The COVID-19 pandemic has wreaked havoc in the sectors in which the Group operates and as expected, the Group has been negatively affected. In recent weeks, the subsidiary company has seen a renewed interest by new clients to undertake charters during 2020. Irrespective of the foregoing, the directors still envisage that the Group will incur a loss for the year 2020. However, the long-term assessment is that the Company's and Group's assets will be preserved.

Based on the foregoing, the directors are of the view that it continues to remain appropriate to adopt the going concern assumption underlying the basis of preparation of the financial statements.



## **BORGO LIFESTYLE FINANCE P.L.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019**

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#### **2. Basis of Preparation (Contd.)**

##### **2.4 Functional and Presentation Currency**

These financial statements are presented in Euro (€), which is the Company's functional currency.

##### **2.5 Basis of Consolidation**

The consolidated statement of comprehensive income and statement of financial position include the financial statements of the parent company and its operating subsidiaries made up to the end of the financial year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of their acquisition up to the date of their disposal. Inter-group sales and profits are eliminated fully on consolidation.

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealized profits arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealized profits, but only to the extent that there is no evidence of impairment.

##### **2.6 Use of Estimates and Judgements**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

##### **2.7 Measurement of Fair Values**

A number of the Company and the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company and the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group accounts for its Vessels at fair value.

## BORG LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019

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#### 2. Basis of Preparation (*Contd.*)

##### 2.8 New Standards and Interpretations Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted, however the company has not early adopted the new or amended standards in preparing these financial statements.

Standards and amendments that are effective for the first time in 2019 and could be applicable to the company and the Group are:

- *IFRIC 23 Uncertainty over Income Tax Treatments*
- *IFRS 16 Leases*
- *IFRS 9 Prepayment Features with Negative Compensation (Amendments to IFRS 9)*
- *IAS 28 Long-term interests in Associates and Joint Venture (Amendments to IAS 28)*
- *Annual improvements to IFRS 2015-2019 Cycle*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*

Other Standards and amendments that are not yet effective and have not been adopted early by the company include:

- *Definition of Material (Amendments to IAS 1 and IAS 8) – Effective 1 January 2020*
- *IFRS 3 Business Combinations – Effective 1 January 2020*
- *IFRS 17 Insurance Contracts – Effective 1 January 2023*

#### 3. Significant Accounting Policies

The accounting policies set out below have been applied throughout the period presented in these financial statements.

##### 3.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

##### 3.1.1 Group Companies

The results and financial position of the foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at the average exchange rates; and
- All resulting exchange differences are recognised in other comprehensive income

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.



## **BORG LIFESTYLE FINANCE P.L.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019**

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#### **3. Significant Accounting Policies (*Contd.*)**

##### **3.2 Revenue**

The Company's revenue comprises dividend income from financial assets that are measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognised in profit or loss when the right to receive payment is established.

Revenue for the Company also comprises loan interest receivable in the ordinary course of business. Interest receivable is recognised in the income statement on the date of the company's right to receive payment is established.

The Group's revenue is derived primarily from the provision of luxury yacht chartering services. Revenues for such services are shown net of value added tax.

##### **3.3 Direct Finance Costs**

Finance costs represent interest payable by the Company on the bond in issue as set out in the notes to these financial statements. Finance costs are recognised as an expense in profit and loss in the period in which they are incurred.

##### **3.4 Bond Issue Costs**

Bond issue costs represent fees and other costs incurred in connection with the issuance of the bonds by the company to investors. The cost of issuing bonds is recorded in a contra liability account and off-set from the nominal value of the bond in order to systematically move the bond issue costs from the balance sheet to the income statement over the term of the bond. As a result, the company matches the cost of the bond to accounting periods that are benefitting from the bond being issued. The cost of the bond is amortised over the duration of the bond, being 10 years.

##### **3.5 Financial Assets at Fair Value through Other Comprehensive Income**

Equity securities which are not held for trading but are considered to be strategic investments by the company, have been considered as financial assets at fair value through other comprehensive income. Similarly, debt securities where the contractual cash flows are solely principal and interest and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets are also classified as financial assets at fair value through other comprehensive income.

On disposal of equity investments, any related balance with the fair value through other comprehensive income is transferred to retained earnings.

On disposal of debt investment (listed bonds and unlisted debt securities, any related balance within the fair value through comprehensive income is reclassified to other gains/losses within the profit or loss.

##### **3.6 Investments in Subsidiaries**

A subsidiary is an entity which is controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An investment in a subsidiary is initially measured at cost. After initial recognition, an investment in subsidiaries may be carried either under the cost method, that is at cost less any impairment losses or under the equity method. The company is measuring the investment in subsidiary company using the equity method.

Loans advanced by the Company to its subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future, are treated as an extension to the Company's net investment in those subsidiaries and included as part of the carrying amount of investments in subsidiaries.



## BORG LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019

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#### 3. Significant Accounting Policies (*Contd.*)

##### 3.7 Vessels

Vessels are measured at cost or valuation less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is recognised in profit and loss account on a straight-line basis over the estimated useful life of the sea vessel. Depreciation is provided on vessels and equipment so as to write off their carrying value over their expected useful economic lives. Depreciation is provided at the following annual rates after taking into consideration that the company's sea vessel will have an estimated residual value of € 2,400,000 at the end of 24 years:

Sailing Yacht	-	4.17%
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##### 3.8 Receivables

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. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

Receivables are written off or provided for where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure by the debtor to abide by the credit terms or failure to engage in a repayment programme with the company for the settlement of amounts due.

Impairment losses on receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off or provided for are credited against the same line item

##### 3.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventory is ascertained on the first in first out basis.

Cost comprises all costs of purchases, costs of conversion and other costs in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

##### 3.10 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, deposits at call with financial institutions, other short-term liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### 3.11 Trade and Other Payables

Trade and other payables comprise obligations to pay for goods and 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. If not, they are presented as non-current liabilities. The carrying amount of trade and other payables are considered to be the same as their fair values due to their short-term nature.

## BORG LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019

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#### 3. Significant Accounting Policies (*Contd.*)

##### 3.12 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit will be required to settle the obligation.

##### 3.13 Share Capital

Ordinary shares are classified as equity.

##### 3.14 Earnings per Share

The company presents basic earnings per share (EPS) data for ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the company by the weighted average number of ordinary shares outstanding at year end.

##### 3.15 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- (a) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- (b) temporary differences relating to investments in subsidiaries, associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

#### 4. Revenue

	Group	Company
	<u>2019</u>	<u>2019</u>
	Euro	Euro
Loan Interest Receivable from Related Company	130,971	222,217
Yacht Charter Income	1,262,100	-
	<u>1,393,071</u>	<u>222,217</u>

**BORG LIFESTYLE FINANCE P.L.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019**

**5. Direct and Operational Overheads**

	Group	Company
	<u>2019</u>	<u>2019</u>
	Euro	Euro
Bond Interest Payable	223,973	223,973
Yacht Operation Costs	970,744	-
	<u>1,194,717</u>	<u>223,973</u>

**6. Other Operating Income**

	Group	Company
	<u>2019</u>	<u>2019</u>
	Euro	Euro
Gratuities	18,497	-
Other Income	919	-
Waiver of Creditor Balance	290,250	-
	<u>309,666</u>	<u>-</u>

**7. Operating Profit/(Loss)**

The results from operating activities are stated after charging the following:

	Group	Company
	<u>2019</u>	<u>2019</u>
	Euro	Euro
Auditors' Remuneration	12,000	6,000
Depreciation	275,000	-
Director's Remuneration	10,000	10,000
	<u>297,000</u>	<u>16,000</u>

**7.1 Employee Information**

The average weekly number of persons employed by the Company and the Group during the year was nil and 8 respectively. Staff costs for the year were as follows:

	Group	Company
	<u>2019</u>	<u>2019</u>
	Euro	Euro
Crew Wages and Social Costs	<u>204,271</u>	<u>-</u>



## BORG LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019

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#### 8. Finance Costs

	Group	Company
	<u>2019</u>	<u>2019</u>
	Euro	Euro
Realised Exchange Losses	(1,709)	-
Finance Costs	<u>(1,709)</u>	<u>-</u>

#### 9. Tax Expense

9.1 No charge for current taxation has been made in the Company's financial statements on the basis of losses sustained.

9.2 Being that the subsidiary company's vessel is registered under the Merchant Shipping (Shipping Organisations – Private Companies) regulations, 2004 enacted in Malta, income from shipping operations is exempt from taxation. Accordingly, the Group did not have any current tax charge for the year.

#### 9.3 Tax Liability

The liability for taxation is made up as follows:

	Group	Company
	<u>2019</u>	<u>2019</u>
	Euro	Euro
Foreign Tax Payable	9,090	-
Tax Due	<u>9,090</u>	<u>-</u>

#### 9.4 Deferred Taxation

No account for deferred taxation is being accounted for the Company and the Group on the basis of immateriality.

#### 10. Earnings/(Loss) per Share

Earnings/(Loss) per share is based on the profit/(loss) attributable to the shareholders of Borgo Lifestyle Finance P.L.C. divided by the number of shares in issue at the year-end.

## BORG LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019

#### 11. Investment in Subsidiaries

	Group	Company
	<u>2019</u>	<u>2019</u>
	Euro	Euro
<b>Investments Held</b>		
Investment in Subsidiary Company at Cost	-	170,000
<b>Total Investment in Subsidiary</b>	-	170,000

- 11.1 The following information relates to that subsidiary which, in the opinion of the Directors, principally affected the results or assets of the Company and the Group.

<u>Subsidiary Company</u>	<u>Incorp. in</u>	<u>% Holding</u>	<u>Nature of Business</u>
		<u>2019</u>	
Big Blue Cruising Limited	Malta	100%	Luxury Yacht Chartering

Big Blue Cruising Limited was registered in Malta on 18 August 2014 and the results being incorporated in the consolidated financial statements cover the year from 1 January 2019 to 31 December 2019.

In turn, Big Blue Cruising Limited holds one subsidiary as follows:

<u>Subsidiary Company</u>	<u>Incorp. in</u>	<u>% Holding</u>	<u>Nature of Business</u>
		<u>2019</u>	
Big Blue Yachting Yatcilik AS	Turkey	100%	Yacht Building – In Liquidation

#### 11.2 Subsidiaries Financial Information

The following tables show the financial information relating to the subsidiary and sub-subsidiary companies which have been consolidated within the Group.

##### Big Blue Cruising Limited

	<u>2019</u>
	Euro
Profit for the Year	378,659
Share Capital	10,001
Reserves	6,163,523
Retained Earnings	701,392
Total Equity	6,874,916

##### Big Blue Yachting Yatcilik AS

	<u>2019</u>
	Euro
Loss for the Year	(34,144)
Share Capital	15,650
Reserves	(3,760)
Accumulated Losses	(49,690)
Total Equity Deficiency	(37,800)

## BORG LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019

#### 12. Intangible Assets

This balance represents the positive/(negative) goodwill arising from the consolidation of investments.

#### 13. Vessels

Group	At <u>01.01.19</u> Euro	Additions  Euro	At <u>31.12.19</u> Euro
Valuation: S/Y Satori	9,000,000	-	9,000,000
	At <u>01.01.19</u> Euro	Charge <u>For Year</u> Euro	At <u>31.12.19</u> Euro
Depreciation: S/Y Satori	412,500	275,000	687,500
Net Book Amount	<u>8,587,500</u>		<u>8,312,500</u>

13.1 The vessel is stated at fair value after it was revalued at € 9 million in 2017 by an external independent qualified valuer. This value was further confirmed during 2018, when the vessel was insured with AIG Europe Limited for the same amount.

13.2 The Company did not own any property, plant and equipment at year end.

13.3 The Company and the Group did not have any commitments to purchase any property, plant and equipment at year end.

#### 14. Loans Receivable at Amortised Cost

	Group <u>2019</u> Euro	Company <u>2019</u> Euro
Non-Current:		
Related Company Loan	2,820,000	2,820,000
Subsidiary Company Loan	-	2,000,000
Total Loans Receivables	<u>2,820,000</u>	<u>4,820,000</u>

14.1 The loans due from the subsidiary and related companies are unsecured, bear interest at 5.2% per annum and are receivable after 25 February 2025.

14.2 The subsidiary company is acting as a Guarantor for the repayment of the Bond Issue and interest thereon. Hence, should the Company fail to honour its commitment towards the bondholders, the subsidiary company would still exhaust its liability towards the Company on settlement of the liabilities due to the bondholders.



## BORGIO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019

#### 14. Loans Receivable at Amortised Cost (Contd.)

- 14.3 The net proceeds from the bond issue have been advanced by the company to its subsidiary and related companies, namely Big Blue Cruising Limited and Relais Borgo San Pietro srl. As noted in the prospectus dated 25 January 2019, the subsidiary company utilised the said funds towards the refinancing of debt on the construction of the superyacht MY SATORI, whilst the related company utilised the funds to partly finance an upgrade project for the said related company's 800 year old luxury hotel development in Tuscany, Italy.

#### 15. Inventories

	Group	Company
	<u>2019</u>	<u>2019</u>
	Euro	Euro
General Yacht Supplies	<u>18,731</u>	<u>-</u>

#### 16. Trade and Other Receivables

	Group	Company
	<u>2019</u>	<u>2019</u>
	Euro	Euro
Other Receivables	105,309	-
Accrued Loan Interest Receivable	130,971	222,217
Prepayments	131,565	6,625
Other Taxes	46,943	-
Amounts due from Parent Company	1,386,740	38,087
	<u>1,801,528</u>	<u>266,929</u>

- 16.1 The accrued interest on the loans receivable due from the subsidiary and related companies are due for payment on the anniversary of when the loans were advanced to the companies in terms with the conditions listed in the Company's Prospectus.

- 16.2 The balance due from the parent company is unsecured, interest free and repayable on demand.

#### 17. Cash and Cash Equivalents

	Group	Company
	<u>2019</u>	<u>2019</u>
	Euro	Euro
Cash Balances	358	-
Bank Balances	129	65
Bank Overdrawn Balances	(134)	-
Cash and Cash Equivalents	<u>353</u>	<u>65</u>

## BORGO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019

#### 18. Capital and Reserves

##### 18.1 Share Capital

	Group	Company
	<u>2019</u>	<u>2019</u>
	Euro	Euro
<b>Authorised</b>		
175,000 Ordinary Shares of € 1 each	<u>175,000</u>	<u>175,000</u>
<b>Issued and Fully Paid Up</b>		
171,200 Ordinary Shares of € 1 each	<u>171,200</u>	<u>171,200</u>

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

##### 18.2 Reserves

###### 18.2.1 Other Reserve

A reserve of € 2,317,498 was created on the waiver of a related party loan balance that was affected as part of the agreement of the transfer of ownership of the subsidiary company during 2016. This reserve forms part of the distributable reserves of the company.

###### 18.2.2 Yacht Revaluation Reserve

A reserve of € 3,846,025 represents the movement between the cost of the S/Y Satori and its fair value as established by an external independent qualified valuer and further confirmed through AIG Europe Limited, the yacht's insurers. This reserve is stated net of the relative depreciation on the revalued amount. This reserve is non-distributable.

###### 18.2.3 Exchange Conversion Reserve

A negative reserve of € 3,760 was created on the conversion of the sub-subsidiary's financial statements to Euro. The sub-subsidiary's functional currency is the Turkish Lira.

#### 19. Borrowings

	Group	Company
	<u>2019</u>	<u>2019</u>
	Euro	Euro
<b>Non-Current:</b>		
5% Bonds 2026-2029	<u>5,000,000</u>	<u>5,000,000</u>
Bond Costs	116,010	116,010
Amortisation of Bond Costs	(9,668)	(9,668)
<b>Net Bond Costs</b>	<u>106,042</u>	<u>106,042</u>
<b>Total Borrowings</b>	<u>4,893,958</u>	<u>4,893,958</u>

## BORG LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019

#### 19. Borrowings (Contd.)

- 19.1 By virtue of an offering memorandum dated 25 January 2019, the company issued a Secured Callable Bond with a nominal value of € 5,000,000 maturing between 2026 and 2029. Related bond issue costs amounting to € 116,010 are being amortised over the term of the bond. The bond is guaranteed by the subsidiary company, Big Blue Cruising Limited. The bonds were admitted on the Malta Stock Exchange effective from 12 February 2019 and commenced trading on the 13 February 2019. The quoted price of the bonds as at 31 December 2019 was € 100.48.

#### 20. Trade and Other Payables

	Group	Company
	<u>2019</u>	<u>2019</u>
	Euro	Euro
Trade Payables	49,153	5,905
Other Payables	172,917	-
Deferred Income	572,851	-
Accrued Bond Interest Due	223,973	223,973
Accrued Expenses	45,448	26,732
Amounts due to Related Company	84,809	-
Amounts due to Subsidiary Company	-	7,832
Amounts due to Parent Company	135,204	-
	<u>1,284,355</u>	<u>264,442</u>

- 20.1 The amounts due to the related, subsidiary and parent companies are unsecured, interest free and repayable on demand.

- 20.2 The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

#### 21. Fair Value Hierarchy

The following table shows financial instruments recognised at fair value for the period ended 31 December 2019, analysed between those whose fair value is based on:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based upon observable market data.



# BORGO LIFESTYLE FINANCE P.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019

### 21. Fair Value Hierarchy (Contd.)

The following table presents the company's assets and liabilities that are not measured at fair value but for which the fair value is disclosed.

The Group	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	Euro	Euro	Euro	Euro
<b>31 December 2019</b>				
<b>Financial Assets</b>				
Loans Receivable at Amortised Cost	2,820,000	-	-	2,820,000
Trade and Other Receivables	1,801,528	-	-	1,801,528
Cash and Cash Equivalents	353	-	-	353
	<u>4,621,881</u>	<u>-</u>	<u>-</u>	<u>4,621,881</u>
<b>Financial Liabilities</b>				
Borrowings	4,893,658	-	-	4,893,658
Trade and Other Payables	1,284,355	-	-	1,284,355
	<u>6,178,013</u>	<u>-</u>	<u>-</u>	<u>6,178,013</u>
<b>The Company</b>				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	Euro	Euro	Euro	Euro
<b>31 December 2019</b>				
<b>Financial Assets</b>				
Investment in Subsidiary	170,000	-	-	170,000
Loans Receivable at Amortised Cost	2,000,000	-	-	2,000,000
Trade and Other Receivables	2,820,000	-	-	2,820,000
Cash and Cash Equivalents	38,087	-	-	38,087
	<u>5,028,087</u>	<u>-</u>	<u>-</u>	<u>5,028,087</u>
<b>Financial Liabilities</b>				
Borrowings	4,893,958	-	-	4,893,958
Trade and Other Payables	5,905	-	-	5,905
Amounts due to Subsidiary Company	7,832	-	-	7,832
	<u>4,907,695</u>	<u>-</u>	<u>-</u>	<u>4,907,695</u>

During the reporting period ended 31 December 2019, there was no transfer between Level 1 and Level 2 fair value measurement.

## **BORGIO LIFESTYLE FINANCE P.L.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019**

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#### **22. Financial Risk Management**

##### **22.1 Overview**

The Company and the Group activities potentially expose it to a variety of financial risks, including fair value or cash flow interest rate risk, credit risk, liquidity risks and market risks:

This note presents information about the Company and the Group's exposure to each of the above risks, the Company and the Group's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

##### **22.2 Risk Management Framework**

The Board has overall responsibility for the establishment and oversight of the Group's and Company's risk management objectives and policies.

The Group's and the Company's risk management policies are established to identify and analyse the risks faced by the Group and the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's and Company's competitiveness and flexibility. Further details of these policies are set out below:

##### **22.3 Fair Value or Cash Flow Interest Rate Risk**

The Company's transactions mainly consist of earning interest income on advances affected, principally from the bond issue proceeds, and servicing its borrowings. The Company's significant interest-bearing instruments, comprising advances to the subsidiary and related company and the bonds issued to the general public, are subject to fixed interest rates. The company has secured the spread between the return on its investment in the subsidiary and related companies and its cost of borrowings. Accordingly, the Company is not exposed to cash flow interest rate risk but is potentially exposed to fair value interest rate risk in view of the nature of the fixed interest nature of its instruments, which are however measured at amortised cost. The company's operating income and cash flows are substantially independent of changes in market interest rates and on this basis, the directors consider the potential impact on the profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be insignificant.

##### **22.4 Credit Risk**

Credit risk is the risk of financial loss to the Company and the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company and the Group's loans receivable, investments and other receivables. The Company and the Group has implemented credit reviews of new and existing customers before entering into contracts. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Company and the Group's policy is to place cash with financial institutions of a high credit rating.

- 22.4.1** The Company's loans receivable consists of advances to the subsidiary and related companies, namely Big Blue Cruising Limited and Relais Borgo San Pietro srl. respectively, which advances have been affected out of the Company's bond issue proceeds. The Company monitors intra-group credit exposures on a regular basis and ensures timely performances of these assets in the context of the overall group liquidity management. The repayment of the Company's bonds and interest thereon are guaranteed by the subsidiary company. The Guarantor in relation to the bond issue is Big Blue Cruising Limited. The Company assesses the credit quality of the Guarantor taking into consideration the financial position, financial performance and other factors. The Company takes cognisance of the related party relationship and the directors do not expect any losses from non-performance.

## BORG LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019

#### 22. Financial Risk Management (Contd.)

##### 22.4 Credit Risk (Contd.)

- 22.4.2 The Company's trade and other receivables mainly include interest receivable from the Company's subsidiary and related companies in respect of the advances referred to previously. The Group's trade and other receivables mainly include a balance receivable from the Parent company which has assets and funds to cover such amounts receivable.

##### *Exposure to Credit Risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	Group	Company
	2019	2019
	Euro	Euro
Loans Receivable at Amortised Cost	2,820,000	4,820,000
Trade and Other Receivables	1,801,528	266,929
Cash and Cash Equivalents	353	65
	<u>4,621,881</u>	<u>5,086,994</u>

##### 22.5 Liquidity Risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company and the Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company and the Group's reputation.

The Company is exposed to liquidity risk in relation to meeting the future obligations associated with its financial liabilities, which comprise principally of the bonds issued to the general public and other payables. Prudent liquidity risk management includes, maintaining sufficient cash and liquid assets to ensure the availability of an adequate amount of funding to meet the Company's obligations.

The Company's liquidity risk is managed actively by ensuring that cash inflows arising from expected maturities of the Company's advances to the subsidiary and related companies effected out of the bond issue proceeds, together with the related interest receivable, match the cash outflows in respect of the Company's bond borrowings, covering principal and interest payments, as referred to in the table hereunder.

The following table analyses the Company's liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal the carrying balances, as the impact of the discounting is not significant.



## BORG LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019

#### 22. Financial Risk Management (Contd.)

##### 22.5 Liquidity Risk (Contd.)

###### *Exposure to Liquidity Risk*

The following are the contractual maturities of financial liabilities:

The Group	<u>Within 1 Year</u>	<u>Between 1-2 Years</u>	<u>Between 2-5 Years</u>	<u>Over 5 Years</u>
	Euro	Euro	Euro	Euro
<b>31 December 2019</b>				
Borrowings	-	-	-	4,893,958
Trade and Other Payables	1,284,355	-	-	-
Tax Payable	9,090	-	-	-
	<u>1,293,445</u>	<u>-</u>	<u>-</u>	<u>4,893,958</u>
<b>The Company</b>	<u>Within 1 Year</u>	<u>Between 1-2 Years</u>	<u>Between 2-5 Years</u>	<u>Over 5 Years</u>
	Euro	Euro	Euro	Euro
<b>31 December 2019</b>				
Borrowings	-	-	-	4,893,958
Financing Interest	223,973	-	-	-
Trade and Other Payables	40,469	-	-	-
	<u>264,442</u>	<u>-</u>	<u>-</u>	<u>4,893,958</u>

##### 22.6 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange currency financial instruments will affect the Company and the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The overall effect of fluctuations in exchange rates at the reporting date on financial instruments such as trade debtors and payables are not considered to be material on the results of the Company and the Group.

###### 22.6.1 Currency Risk

The Company and the Group is exposed to currency risk on monetary amounts denominated in another currency other than the presentation currency of the Company and the Group (Euro), mainly and Turkish Lira. Since the exposure is not significant, no hedging is performed by the Company and the Group.

## **BORGIO LIFESTYLE FINANCE P.L.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019**

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#### **22. Financial Risk Management (Contd.)**

##### **22.7 Capital Management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company's objectives when managing capital at the company level is to safeguard the respective company's ability to continue as a going concern in order to provide returns to the company and benefits other stakeholders, and to maintain an optimal capital structure to reduce cost of capital. In order to maintain or adjust the capital structure, the company may issue new shares or adjust the amount of dividends paid to shareholders.

The capital equity, as disclosed in the financial statements, constitutes its capital. The company maintains its level of capital by reference to its financial obligations and commitments arising from operational requirements. Taking cognizance of the nature of the company's assets, together with collateral held as security backing the company's principal borrowings, the capital level at the end of the reporting period is deemed adequate by the directors.

The Company is not subject to externally imposed capital requirements.

#### **23. Related Parties**

##### **23.1 Parent and Ultimate Controlling Party**

The Company is a wholly owned subsidiary of Borgo Lifestyle Group srl. ("the Parent Company"), an Italian company bearing Reg. No. MI-2082215 and whose registered office is at Via Torino 2, Milano 20123, Italy.

The ultimate controlling parties are Mr. Claus Thottrup and Mrs. Jeanette Thottrup.

These consolidated financial statements of the Company and the Group will be filed and available for public viewing at the Malta Business Registry.

##### **23.2 Identity of Related Parties**

The Company has a related party relationship with its parent, subsidiary and related companies.

##### **23.3 Related party transactions are entered into on a commercial basis with entities which are related by way of common shareholders who are able to exercise significant influence over the Company's operations. Transactions with these companies principally include advances affected by the Company from the Bond proceeds referred to in the notes to the financial statements.**

## BORGO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 11 NOVEMBER 2018 TO 31 DECEMBER 2019

#### 23. Related Parties (*Contd.*)

##### 23.3 Related Party Transactions and Balances

	Group	Company
	2019	2019
	Euro	Euro
<b>Related Company:</b>		
Accrued Interest from	130,971	130,971
Loan Advanced to	(2,820,000)	(2,820,000)
Funds advanced by/(to)	84,809	-
	<u>          </u>	<u>          </u>
<b>Subsidiary Company:</b>		
Accrued Interest from	-	91,246
Loan Advanced to	-	(2,000,000)
Funds advanced by/(to)	-	7,832
	<u>          </u>	<u>          </u>
<b>Parent Company:</b>		
Funds advanced by/(to)	(1,251,536)	-
Funds advanced by/(to)	-	(38,087)
Acquisition of Investment in Subsidiary from	(170,000)	(170,000)
	<u>          </u>	<u>          </u>

Amounts due to and from related parties are disclosed in Notes 14, 16 and 20 to these financial statements.

The key management of the company are considered to be the directors. The directors' remuneration has been disclosed in Note 7 to these financial statements.

#### 24. Contingent Liabilities

At period end, the Company and the Group did not have any contingent liabilities.

#### 25. Subsequent Events

The Coronavirus (COVID-19) pandemic is affecting economic and financial markets worldwide, and virtually all industries are facing challenges associated with the economic conditions resulting from efforts to address it.

The directors have assessed the effects of COVID-19 on the Company's and the Group's operations, and although these were initially envisaged to have a devastating effect on results because it was thought that a whole year's transactions were going to be cancelled or postponed, in recent weeks, following the relaxation of measures undertaken by certain governments and following the installation of state of the art sanitisation systems by the subsidiary company operating the yacht charters, the subsidiary company has seen a renewed interest by new clients to undertake charters during 2020.

This is very good news for the Company and the Group, however, it is still very early to make any solid predictions, and therefore, the directors envisage that the Group will still incur a loss for the year 2020. However, the long-term assessment is that the Company's and Group's assets will be preserved and consequently the going concern basis applied to these financial statements is still applicable.