

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

**ANNUAL REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2020**

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

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## **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

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

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

### **Board of Directors:**

Mr. Claus Thottrup - Chairman  
Mr. Niels Bentzen  
Mr. Stuart P. Blackburn

The directors present herewith their annual report together with the audited financial statements of Borgo Lifestyle Finance P.L.C. ("the Company") for the year ended 31 December 2020.

### **Registration**

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 Yacilik 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.

### **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 charts 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 purpose for the loan is that of partly financing an upgrade project.

### **Review of Business**

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

During the year, the company generated interest income from loans receivable from the subsidiary and related companies and incurred interest costs with respect to the bond issue. The gross interest margin generated was not enough to cover operating overheads and the Company again registered a loss for the year.

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

Revenue generated by the Group has decreased in view of the decrease in charter income and overall activity in 2020. 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.

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

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **Outlook**

The Group's focus will continue to be that of 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. In fact, in 2020 a bank loan was taken out by the subsidiary company to finance short-term liabilities.

The actual global situation about travelling and tourism industry allows confidence for 2021. In fact, the subsidiary company has undertaken the necessary measures to sanitise the yacht and has 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 2021. To encourage customers and also diversify its services, the subsidiary company has also entered into a new contract for hospitality services provided on the yacht. The activity is picking up slowly also due to heavy advertising, however, it is still very early to make any solid predictions, and therefore, the Group does not exclude a possible reduction in profits forecast for the year 2021.

#### **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, is it 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, 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.

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

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

### **Guarantor Performance for 2020 and prospects for 2021**

Big Blue Cruising Limited's revenues for 2020 have decreased significantly compared to those of the previous year. The persistence of COVID-19 outbreak has affected the company's activity by reducing the charter income and increasing costs for the implementation of procedures of sanitation and boat maintenance. The company registered an overall loss of € 484,252 for the year ended 31 December 2020.

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 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 due to cancellation of yacht charters, after year end, 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 2021. To encourage customers and also diversify its services, the subsidiary company has also entered into a new contract for hospitality services provided on the yacht.

The activity is picking up slowly also due to heavy advertising, however, it is still very early to make any solid predictions, and therefore, the Group does not exclude a possible reduction in profits forecast for the year 2021. 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 year and no final dividends are being proposed to be declared.

### **Directors**

The members serving on the Board of Directors are listed on page 1. In accordance with the company's Articles of Association, the directors at date of this report are to remain in office.

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

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **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 2020, 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; and
- 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 2021, 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.

# BORG0 LIFESTYLE FINANCE P.L.C.

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

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

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

### Contracts of Significance with the Related Parties

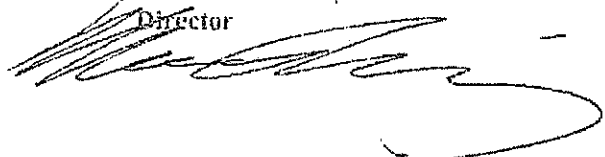
The holding company has advanced amounts borrowed by the Company by way of bonds listed on the Malta Stock Exchange to its Subsidiary company and a Related company, namely Big Blue Cruising Limited and Relais Borgo San Pietro srl, respectively. The terms of the loan agreements are set out in the notes to the financial statements for the year ended 31 December 2020.

### 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 2021 and signed on its behalf by:

Mr. Claus Thottrup  
Director



  
Mr. Stuart F. Blackburn  
Director



# **BORGO 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 Prospects 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 2020, 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 3 occasions.

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

## **BORGO 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 two directors and a maximum of five members. The Board is composed of 1 executive director and 2 independent 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.

## **BORGO 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 advise 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	3 out of 3
Mr. Niels Bentzen	3 out of 3
Mr. Stuart P. Blackburn	3 out of 3

#### **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 2020. 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.

## **BORGO 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 2021.

## **BORGO 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

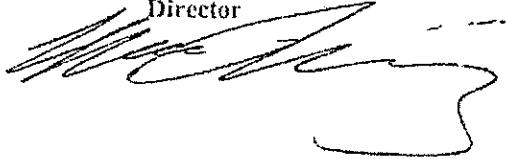
#### Dealings by Directors and Senior Officers in the Company's Bonds

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.

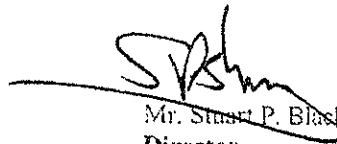
The above information is a fair summary of the Company's adoption of the Code of Good Corporate Governance. Overall, the Company has broadly implemented the Code where the Board of Directors believes that it would add value to the stakeholders. In certain instances, it was felt that the Code was more 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 2021 and signed on its behalf by:

Mr. Claus Thottrup  
Director



Mr. Stuart P. Blackburn  
Director



## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the individual financial statements of Borgo 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 24 to 47, which comprise the statement of financial position of the Company and the Group as at 31 December 2020, 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 year of € 22,628 and had a net assets deficiency position amounting to € 50,354. 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 2020 and of the Company's and the Group's financial performance and cash flows for the year 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 in previous year were used to finance loans receivable from its subsidiary company and a related company, which at 31 December 2020 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.

The Company also has an investment in a subsidiary company. We have confirmed this investment to supporting documentation and tested the 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 BORGIO 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 BORGO 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 2021

## BORGO LIFESTYLE FINANCE P.L.C.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		<u>2020</u> Euro	<u>2019</u> Euro	<u>2020</u> Euro	<u>2019</u> Euro
Revenue	4	784,200	1,393,071	289,200	222,217
Direct and Operational Overheads	5	(1,175,440)	(1,194,717)	(250,000)	(223,973)
<b>Gross Profit/(Loss)/Interest Margin</b>		<b>(391,240)</b>	<b>198,354</b>	<b>39,200</b>	<b>(1,756)</b>
Administrative Overheads		(171,685)	(213,976)	(79,231)	(66,073)
Other Operating Income	6	17,897	309,666	-	-
<b>Operating Profit/(Loss)</b>	7	<b>(545,028)</b>	<b>294,044</b>	<b>(40,031)</b>	<b>(67,829)</b>
Incorporation Expenses		-	(4,477)	-	(4,477)
Finance Costs	8	(1,883)	(1,709)	-	-
<b>Profit/(Loss) before Taxation</b>		<b>(546,911)</b>	<b>287,858</b>	<b>(40,031)</b>	<b>(72,306)</b>
Tax Expense	9	(13,720)	-	(13,720)	-
<b>Profit/(Loss) after Taxation</b>		<b>(560,631)</b>	<b>287,858</b>	<b>(53,751)</b>	<b>(72,306)</b>
<b>Total Comprehensive Income/(Loss) for the Year/Period</b>		<b>(560,631)</b>	<b>287,858</b>	<b>(53,751)</b>	<b>(72,306)</b>
<b>Earnings/(Loss) per Share</b>	10	<b>(3.3)</b>	<b>1.68</b>	<b>(0.31)</b>	<b>(0.42)</b>

The comparative figures cover the period from 11 September 2018 to 31 December 2019.

The notes on pages 24 to 47 form an integral part of these financial statements.

## BORGO LIFESTYLE FINANCE P.L.C.

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

	Note	Group		Company	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		Euro	Euro	Euro	Euro
<b>ASSETS</b>					
Investment in Subsidiaries	11	-	-	170,000	170,000
Intangible Assets	12	144,350	144,350	-	-
Vessels	13	8,037,500	8,312,500	-	-
Loans Receivable at Amortised Cost	14	2,820,000	2,820,000	4,820,000	4,820,000
<b>Total Non-Current Assets</b>		<b>11,001,850</b>	<b>11,276,850</b>	<b>4,990,000</b>	<b>4,990,000</b>
Inventories	15	17,833	18,731	-	-
Trade and Other Receivables	16	1,859,817	1,801,528	278,426	266,929
Cash and Cash Equivalents	17	9,653	487	-	65
<b>Total Current Assets</b>		<b>1,887,303</b>	<b>1,820,746</b>	<b>278,426</b>	<b>266,994</b>
<b>Total Assets</b>		<b>12,889,153</b>	<b>13,097,596</b>	<b>5,268,426</b>	<b>5,256,994</b>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2020**

	Note	Group		Company	
		2020	2019	2020	2019
		Euro	Euro	Euro	Euro
<b>EQUITY</b>					
Share Capital	18	171,200	171,200	171,200	171,200
Reserves	18	5,991,087	6,159,763	-	-
Retained Earnings/(Losses)		197,515	579,396	(126,057)	(72,306)
<b>Total Equity</b>		<b>6,359,802</b>	<b>6,910,359</b>	<b>45,143</b>	<b>98,894</b>
<b>LIABILITIES</b>					
Borrowings	19	4,905,259	4,893,658	4,905,259	4,893,658
Bank Borrowings	20	104,608	-	-	-
<b>Total Non-Current Liabilities</b>		<b>5,009,867</b>	<b>4,893,658</b>	<b>4,905,259</b>	<b>4,893,658</b>
Trade and Other Payables	21	1,460,238	1,293,445	304,170	264,442
Bank Borrowings	20	45,392	-	-	-
Overdrawn Bank Balance	17	134	134	134	-
Tax Liability	9	13,720	-	13,720	-
<b>Total Current Liabilities</b>		<b>1,519,484</b>	<b>1,293,579</b>	<b>318,024</b>	<b>264,442</b>
<b>Total Liabilities</b>		<b>6,529,351</b>	<b>6,187,237</b>	<b>5,223,283</b>	<b>5,158,100</b>
<b>Total Equity and Liabilities</b>		<b>12,889,153</b>	<b>13,097,596</b>	<b>5,268,426</b>	<b>5,256,994</b>

The notes on pages 24 to 47 form an integral part of these financial statements.

The financial statements on pages 17 to 47 were approved and authorised for issue by the Board of Directors on 30 June 2021 and signed by:

Mr. Claus Thottrup  
Director

Mr. Stuart P. Blackburn  
Director

## BORGO LIFESTYLE FINANCE P.L.C.

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

#### The Group

	<u>Total</u>	<u>Share Capital</u>	<u>Other Reserves</u>	<u>Yacht Revaluation Reserve</u>	<u>Retained Earnings</u>
	Euro	Euro	Euro	Euro	Euro
Balance at 1 January 2020	6,910,359	171,200	2,313,738	3,846,025	579,396
<b>Comprehensive Loss for Year</b> Loss for the Year	(560,631)	-	-	-	(560,631)
<b>Movement on Reserves</b>					
Depreciation on Revaluation	-	-	-	(178,750)	178,750
Exchange Conversion Reserve	10,074	-	10,074	-	-
<b>Balance at 31 December 2020</b>	<b>6,359,802</b>	<b>171,200</b>	<b>2,323,812</b>	<b>3,667,275</b>	<b>197,515</b>
<b>Cont. by Owners of Company</b>					
Issue of Ordinary Shares	171,200	171,200	-	-	-
<b>Comprehensive Income for Period</b> Profit for the Period	287,858	-	-	-	287,858
<b>Movement on Reserves</b>					
Acquired on Acquisition of Subsid.	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 comparative figures cover the period from 11 September 2018 to 31 December 2019.

The notes on pages 24 to 47 form an integral part of these financial statements.

## BORGO LIFESTYLE FINANCE P.L.C.

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

#### The Company

	<u>Total</u>	<u>Share Capital</u>	<u>Accumulated Losses</u>
	Euro	Euro	Euro
Balance at 1 January 2020	98,894	171,200	(72,306)
<b>Comprehensive Loss for the Year</b>			
Loss for the Year	(53,751)	-	(53,751)
<b>Balance at 31 December 2020</b>	<u>45,143</u>	<u>171,200</u>	<u>(126,057)</u>
<b>Contributions by Owners of the 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 comparative figures cover the period from 11 September 2018 to 31 December 2019.

The notes on pages 24 to 47 form an integral part of these financial statements.