

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

**ANNUAL REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2021**

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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

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

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **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 consolidated financial statements of Borgo Lifestyle Finance P.L.C. (the "Company") and the Group for the year ended 31 December 2021.

#### **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 Yatcilik AS, a company which was liquidated during 2021.

The Borgo Lifestyle Finance P.L.C. group in turn forms part of the Borgo Lifestyle Group Srl (the "Parent"), 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, as well as 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 charters the superyacht MY SATORI. The purpose for the loan was that of the 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 (the "Related" company), which operates an 800 year old restored villa in Tuscany, Italy, which was converted into a luxury hotel development. The purpose for the loan was that of partly financing an upgrade project. This loan was subsequently assigned to Borgo Lifestyle Group Srl, the Parent company, but Relais Borgo San Pietro Srl still remained as a joint surety to the loan advanced.

#### **Review of Business**

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

During the year, the Company generated interest income from loans receivable from the Subsidiary and Parent companies and incurred interest costs with respect to the bond issue. The gross interest margin generated was sufficient to cover operating overheads and the Company registered an operating profit, however after accounting for taxation, the Company again registered a loss for the year.

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

Revenue generated by the Group has increased in view of the relaxation of COVID measures which allowed the Subsidiary to restart its yacht chartering operation in earnest, including the introduction of new revenue streams to further compliment the services offered. Unfortunately, operational costs also increased and the Group registered an operating loss. After accounting for taxation, the Group again registered a loss for the year.

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

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **Outlook**

The Group's focus will continue to be that of financing the Subsidiary and the Parent, as well as the operation of luxury yacht charters undertaken by the Subsidiary. Following the relaxation of COVID-19 measures, the Group has seen a return to the operation of yacht charters, and in fact the level of revenue approximated that of pre-COVID levels.

With the return of confidence in the travel and tourism industry and in line with the worldwide trend of guests looking for secluded luxury holidays, the Subsidiary has seen a vigorous interest in people to return to do all the things that were unfortunately curtailed during the pandemic, albeit in a safer environment, including that of taking of yacht charters. The fact that the Subsidiary company had installed state of the art sanitization systems in order to ensure the utmost safety for its guests and staff also helped. Confirmed bookings for 2022 indicate that projected revenues for 2022 will be attained. In fact, at the beginning of the 2022 season, 14 charters have already been sold and another one is in the pipeline. This of course augurs well for the future.

#### **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 Srl (the "Parent"). 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"). The proceeds from the bond issue, net of expenses, have been advanced in the form of interest bearing loans to its Subsidiary and to Relais Borgo San Pietro Srl (the "Related" company), with the latter loan subsequently being assigned to Borgo Lifestyle Group Srl (the "Parent" 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 Parent companies and extended group companies, and whose core operations comprise the ownership, management and operation of the luxury superyacht MY SATORI, as well as that of the operation of 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 extended group companies have a direct effect on the ability of the Company to meet its obligations in connection with the payment of 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. The Group together with its extended group companies had been initially negatively affected by the pandemic, however, following the relaxation of measures, business operations for the Subsidiary were restarted and were similar to the pre-COVID-19 period. As for the extended group operations which includes the hotel operation, due to the fact that the place is set in a more secluded area, it maintained its business with no particular negative effects. Of course, 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 2021**

#### **Guarantor Performance for 2021 and prospects for 2022**

Big Blue Cruising Limited's revenues for 2021 have almost doubled compared to those of the previous year, however operational costs also increased and the company registered a loss of € 155,955 for the year ended 31 December 2021. Cash remained tight during the year and the Subsidiary company applied for a further loan of € 190,000 to assist it in its working capital requirements.

With the gradual return to normality in the travel and hospitality sector, the Subsidiary company has registered confirmed bookings for 2022 which indicate that revenues for 2022 will be as projected. The company's future plans confirm the presence on board of exceptional events that could continue attracting the attention of customers, including the presence on board of the three starred chef Bottura, who has been confirmed for the 2022 season. This, together with the other new revenue streams introduced during 2021, augur well for the years ahead.

#### **COVID-19**

The Coronavirus (COVID-19) pandemic continues 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 Company's and the Group's operations had initially been negatively affected by the pandemic. Although COVID-19 was still present during 2021, the business operations for its Subsidiary improved compared to 2020 and revenues generated were similar to pre-COVID-19 period. Bookings for 2022 have been confirmed in 2021 which indicate that revenues for 2022 will be as projected. At the beginning of the 2022 season, 14 charters have already been sold and another one is in the pipeline. This result is in line with the worldwide trend of guests looking for secluded luxury holidays. As for the results of the extended Group which includes the Hotel operation, due to the fact that the place is set in a more secluded area, it maintained its business with no particular negative effects. To be more precise, from the last forecast projections, on the opening day of the hotel operation, the related company has already received bookings which indicate that the yearly budget in terms of yearly rooms revenues were achieved with a net average daily rate of € 1,574 and a yearly occupancy rate of 80.72%.

The directors have assessed the effect of COVID-19 on the Company's and the Group's operations and noted that being a holding and finance company, its results are dependent on the results of its subsidiary and parent companies whom it has financed. The Company notes that both these companies operations are showing improvements and progressing as projected, and therefore, the long-term assessment is that the Company's and the Group's assets will be preserved and consequently the going concern basis applied to these financial statements is still applicable.

#### **Russia – Ukraine Conflict**

Conflicts between countries will always have a negative effect both economically and globally. The increased challenges brought about by this situation cannot be ignored, however, it is noted that the Company and the Group have no reliance on the region for clients or supplies and accordingly does not expect to be negatively impacted by sanctions on Russian nationals. The Company and the Group continue monitoring the situation as it evolves.

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

The results for the year and the movement on the reserves are as set out on pages 17, 19 and 20 of the financial statements respectively. Being that the Company has accumulated losses, no dividends were recommended or paid during the year.

#### **Directors**

The members serving on the Board of Directors are listed on page 2. In accordance with the Company's Articles of Association, all the directors shall retire from office once at least in each three years but shall be eligible for re-election.

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

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **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.

#### **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 Capital Markets Rule 5.68 issued by the Malta Financial Services 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 and the Group as at 31 December 2021, 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 and the Group, together with the description of the principal risks and uncertainties that the Company and the Group may face.

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

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **Going Concern Statement pursuant to Capital Markets Rule 5.62**

In accordance with the Capital Markets Rule 5.62 issued by the Malta Financial Services Authority, the directors confirm, that having reviewed the Company's and the Group's budget and forecast for 2022, 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.

#### **Statement pursuant to the Capital Markets Rule 5.64 issued by the Malta Financial Services 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 Company has advanced amounts borrowed 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 Related company subsequently assigned the loan to the Parent company, but the Related company remained a surety to the agreement. The terms of the loan agreements are set out in the notes to the financial statements for the year ended 31 December 2021.

Approved by the Board of Directors on 13 May 2022 and signed on its behalf by:

  
Mr. Claus Thottrup  
Director

  
Mr. Stuart P. Blackburn  
Director



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

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

#### **Introduction**

Pursuant to the requirements of the Capital Markets Rules issued by 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 Capital Markets 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 Capital Markets Rule 5.101, the Company is exempt from making available the information set out in Capital Markets 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 year ended 31 December 2021, Mr. Claus Thottrup occupied various senior positions within the Borgo Lifestyle Group of 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 Capital Markets 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 Capital Markets Rules. Each such Director and Senior Officer (as defined in the Capital Markets Rules) has been provided with the Code of dealing required in terms of Capital Markets 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 retire from office once at least in each 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 one executive director and two 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 Capital Markets 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 his 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 the Parent, 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 2021. 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 Capital Markets 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 form part of the 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 Company and the Group understand 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 2022.

## **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, and 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 year amounted to € 10,000. The other two directors waived their right to receive any remuneration for the year 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 Capital Markets 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 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 13 May 2022 and signed on its behalf by:



**Mr. Claus Thottrup**  
**Director**



**Mr. Stuart P. Blackburn**  
**Director**

## 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 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 17 to 45, which comprise the statement of financial position of the Company and the Group as at 31 December 2021, 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.

#### *Opinion*

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2021 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).

#### *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.

#### *Loans Receivable*

The net proceeds from the Bond issue were used to advance loans to its Subsidiary company and a Related company, which at 31 December 2021 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 an 800 year-old luxury hotel development in Tuscany, Italy. The latter loan was subsequently assigned to the Parent company, with the Related company remaining as a joint surety to the loan.

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF BORG0 LIFESTYLE FINANCE P.L.C.

#### *Loans Receivable (Contd.)*

During the audit process, we ascertained ourselves that the Subsidiary company's audited financial statements and the Parent 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 Parent 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 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 BORGIO LIFESTYLE FINANCE P.L.C.

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

The Capital Markets Rules issued by the Malta Financial Services 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 Capital Markets 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 Capital Markets Rules issued by the Malta Financial Services 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

13 May 2022

**BORGO LIFESTYLE FINANCE P.L.C.****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	Group		Company	
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
		Euro	Euro	Euro	Euro
Revenue	4	1,256,450	784,200	337,400	289,200
Direct and Operational Overheads	5	<u>(1,280,305)</u>	<u>(1,175,440)</u>	<u>(250,000)</u>	<u>(250,000)</u>
<b>Gross Profit/(Loss)/Interest Margin</b>		<b>(23,855)</b>	<b>(391,240)</b>	<b>87,400</b>	<b>39,200</b>
Administrative Overheads		<u>(184,827)</u>	<u>(171,685)</u>	<u>(80,047)</u>	<u>(79,231)</u>
Other Operating Income	6	<u>63,782</u>	<u>17,897</u>	-	-
<b>Operating Profit/(Loss)</b>	7	<b><u>(144,900)</u></b>	<b><u>(545,028)</u></b>	<b><u>7,353</u></b>	<b><u>(40,031)</u></b>
Finance Costs	8	<u>(3,701)</u>	<u>(1,883)</u>	-	-
<b>Profit/(Loss) before Taxation</b>		<b>(148,601)</b>	<b>(546,911)</b>	<b>7,353</b>	<b>(40,031)</b>
Tax Expense	9	<u>(30,590)</u>	<u>(13,720)</u>	<u>(30,590)</u>	<u>(13,720)</u>
<b>Loss after Taxation</b>		<b><u>(179,191)</u></b>	<b><u>(560,631)</u></b>	<b><u>(23,237)</u></b>	<b><u>(53,751)</u></b>
<b>Total Comprehensive Loss for the Year</b>		<b><u>(179,191)</u></b>	<b><u>(560,631)</u></b>	<b><u>(23,237)</u></b>	<b><u>(53,751)</u></b>
Earnings/(Loss) per Share	10	<u>(1.05)</u>	<u>(3.30)</u>	<u>(0.13)</u>	<u>(0.31)</u>

The notes on pages 23 to 45 form an integral part of these financial statements.

**BORGO LIFESTYLE FINANCE P.L.C.****CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2021**

		<b>Group</b>		<b>Company</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Note</b>	<b>Euro</b>	<b>Euro</b>	<b>Euro</b>	<b>Euro</b>
<b>ASSETS</b>					
Investment in Subsidiaries	11	-	-	<b>170,000</b>	170,000
Intangible Assets	12	<b>159,999</b>	144,350	-	-
Vessels	13	<b>7,762,500</b>	8,037,500	-	-
Loans Receivable at Amortised Cost	14	<b>2,820,000</b>	2,820,000	<b>4,820,000</b>	4,820,000
<b>Total Non-Current Assets</b>		<b>10,742,499</b>	11,001,850	<b>4,990,000</b>	4,990,000
Inventories	15	<b>16,064</b>	17,833	-	-
Trade and Other Receivables	16	<b>2,401,777</b>	1,859,817	<b>356,127</b>	278,426
Cash and Cash Equivalents	17	<b>18,513</b>	9,653	-	-
<b>Total Current Assets</b>		<b>2,436,354</b>	1,887,303	<b>356,127</b>	278,426
<b>Total Assets</b>		<b>13,178,853</b>	12,889,153	<b>5,346,127</b>	5,268,426

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2021**

	Note	Group		Company	
		2021 Euro	2020 Euro	2021 Euro	2020 Euro
<b>EQUITY</b>					
Share Capital	18	171,200	171,200	171,200	171,200
Reserves	18	5,806,024	5,991,087	-	-
Retained Earnings/(Losses)		269,392	197,515	(149,294)	(126,057)
<b>Total Equity</b>		<b>6,246,616</b>	<b>6,359,802</b>	<b>21,906</b>	<b>45,143</b>
<b>LIABILITIES</b>					
Borrowings	19	4,916,860	4,905,259	4,916,860	4,905,259
Bank Borrowings	20	194,977	104,608	-	-
<b>Total Non-Current Liabilities</b>		<b>5,111,837</b>	<b>5,009,867</b>	<b>4,916,860</b>	<b>4,905,259</b>
Trade and Other Payables	21	1,672,996	1,460,238	362,853	304,170
Bank Borrowings	20	102,896	45,392	-	-
Overdrawn Bank Balance	17	198	134	198	134
Tax Liability	9	44,310	13,720	44,310	13,720
<b>Total Current Liabilities</b>		<b>1,820,400</b>	<b>1,519,484</b>	<b>407,361</b>	<b>318,024</b>
<b>Total Liabilities</b>		<b>6,932,237</b>	<b>6,529,351</b>	<b>5,324,221</b>	<b>5,223,283</b>
<b>Total Equity and Liabilities</b>		<b>13,178,853</b>	<b>12,889,153</b>	<b>5,346,127</b>	<b>5,268,426</b>

The notes on pages 23 to 45 form an integral part of these financial statements.

The financial statements on pages 17 to 45 were approved and authorised for issue by the Board of Directors on 13 May 2022 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 2021****The Group**

	<u>Total</u>	<u>Share</u>	<u>Other</u>	<u>Yacht</u>	<u>Retained</u>
	<u>Euro</u>	<u>Capital</u>	<u>Reserves</u>	<u>Revaluation</u>	<u>Earnings</u>
		<u>Euro</u>	<u>Euro</u>	<u>Reserve</u>	<u>Euro</u>
				<u>Euro</u>	
<b>Balance at 1 January 2021</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>Comprehensive Loss for Year</b>					
Loss for the Year	(179,191)	-	-	-	(179,191)
<b>Movement on Reserves</b>					
Reversal of Reserves on Liquidation of Subsidiary	72,318	-	-	-	72,318
Depreciation on Revaluation	-	-	-	(178,750)	178,750
Exchange Conversion Reserve	(6,313)	-	(6,313)	-	-
<b>Balance at 31 December 2021</b>	<b>6,246,616</b>	<b>171,200</b>	<b>2,317,499</b>	<b>3,488,525</b>	<b>269,392</b>
<b>Balance at 1 January 2020</b>	<b>6,910,359</b>	<b>171,200</b>	<b>2,313,738</b>	<b>3,846,025</b>	<b>579,396</b>
<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>

The notes on pages 23 to 45 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 2021****The Company**

	<u>Total</u>	<u>Share Capital</u>	<u>Accumulated Losses</u>
	Euro	Euro	Euro
<b>Balance at 1 January 2021</b>	45,143	171,200	(126,057)
<b>Comprehensive Loss for the Year</b> Loss for the Year	(23,237)	-	(23,237)
<b>Balance at 31 December 2021</b>	<u>21,906</u>	<u>171,200</u>	<u>(149,294)</u>
<b>Balance at 1 January 2020</b>	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>

The notes on pages 23 to 45 form an integral part of these financial statements.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	Group		Company	
		2021	2020	2021	2020
		Euro	Euro	Euro	Euro
<b>Cash Flows from Operating Activities</b>					
Loss for the Year		(179,191)	(560,631)	(23,237)	(53,751)
<i>Adjustments for:</i>					
Amortisation of Bond Costs		11,601	11,601	11,601	11,601
Depreciation		275,000	275,000	-	-
Reserves on Liquidation of Sub-Subsidiary		72,318	-	-	-
Goodwill Adjust. on Liquid. of Sub-Subsidiary		(5,575)	-	-	-
Movement on Exchange Conversion Reserve		(16,387)	10,074	-	-
Tax Expense		30,590	13,720	30,590	13,720
		188,356	(250,236)	18,954	(28,430)
<b>Changes in</b>					
Inventories		1,769	898	-	-
Trade and Other Receivables		108,475	48,055	(2,988)	4,080
Accrued Interest Receivable		(51,100)	(38,229)	(88,091)	(39,200)
Accrued Interest Payable		-	-	1,216	-
Trade and Other Payables		228,605	249,440	9,163	5,564
Movement on Related Company Account		26,337	(68,962)	-	-
Movement on Parent Company Account		(654,897)	(105,423)	-	-
<b>Cash Lost from Operations</b>		<b>(152,455)</b>	<b>(164,457)</b>	<b>(61,746)</b>	<b>(57,986)</b>
<b>Cash Flows from Financing Activities</b>					
Movement on Bank Borrowings		147,873	150,000	-	-
Movement on Subsidiary Company Account		-	-	48,304	34,164
Movement on Parent Company Account		13,378	23,623	13,378	23,623
<b>Net Cash from Financing Activities</b>		<b>161,251</b>	<b>173,623</b>	<b>61,682</b>	<b>57,787</b>
<b>Net Movement in Cash and Cash Equivalents</b>		<b>8,796</b>	<b>9,166</b>	<b>(64)</b>	<b>(199)</b>
Cash and Cash Equivalents at Beginning of Year		9,519	353	(134)	65
<b>Cash and Cash Equivalents at End of Year</b>	17	<b>18,315</b>	<b>9,519</b>	<b>(198)</b>	<b>(134)</b>

The notes on pages 23 to 45 form an integral part of these financial statements.



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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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

Borgo 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, Borgo 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 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 € 21,906 and € 6,246,616 respectively and the Company had negative working capital of € 51,234 whilst the Group had positive working capital € 615,954. The Company registered a loss of € 23,237 for the year and the Group also registered a loss of € 179,191. At the reporting date, the Company had accumulated losses of € 149,294 whilst the Group had retained earnings of € 269,392.

The Company together with its Subsidiary and Parent companies had been initially negatively affected by the pandemic. Although COVID-19 was still present during 2021, the business operations for its Subsidiary improved compared to 2020 and revenues generated were similar to pre-COVID-19 period. Bookings for 2022 have been confirmed in 2021 which indicate that revenues for 2022 will be as projected. At the beginning of the 2022 season, 14 charters have already been sold and another one is in the pipeline. This result is in line with the worldwide trend of guests looking for secluded luxury holidays. As for the results of the extended group which includes the Hotel operation, due to the fact that the place is set in a more secluded area, it maintained its business with no particular negative effects. To be more precise, from the last forecast projections, on the opening day of the hotel operation, the company has already received bookings which indicate that the yearly budget in terms of yearly rooms revenues were achieved with a net average daily rate of € 1,574 and a yearly occupancy rate of 80.72%.

Accordingly, the directors are of the opinion that the Company's and the Group's performances will continue to improve and the long-term assessment is that the Company's and the Group's assets will be preserved, and consequently it remains 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 YEAR ENDED 31 DECEMBER 2021**

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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 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.

## BORGO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

A number of amended standards became applicable for the current period and have been applied as necessary. The impact of the adoption of these revisions on the Company's and the Group's accounting policies and on the financial results are insignificant.

Certain new standards, amendments and interpretations to existing standards have been published by the date of the authorisation for issue of these audited financial statements but are not mandatory for the Company's and the Group's accounting period starting 1 January 2021. The Company and the Group may early adopt these revisions to the requirements of IFRSs as adopted by the EU. The Company's and the Group's directors are of the opinion that there are no requirements that will have a significant impact on the financial statements in the period of initial application.

#### 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.

##### 3.2 Revenue

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

###### ***Dividend and Interest Income***

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.

## BORGO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

##### 3.2 Revenue (Contd.)

###### The Group

###### *Dividend and Interest Income*

As further disclosed in the Company's revenue, the Group's revenue comprises dividend income and interest income.

###### *Rendering of Services*

The Group's revenue however is derived primarily from the provision of luxury yacht chartering services. Revenue for services is recognised in the period in which they are rendered. 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 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 measures the investment in the subsidiary company on the cost 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.

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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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

##### **3.7 Impairment of Assets**

An impairment loss is recognised for the amount by which the asset's carrying exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

##### **3.8 Loans Receivable**

Debt instruments representing financial assets 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 where these give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding are measured at amortised cost using the effective interest method, less any impairment losses.

On derecognition, impairment or disposal of debt instruments, any gains or losses are recognised within the profit or loss.

##### **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 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 expected credit loss allowances.

Trade 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 and the Group for the settlement of amounts due.

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

##### **3.11 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

## BORGO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

##### 3.12 Impairment of Financial Assets

The Company and the Group recognise loss allowances for Expected Credit Losses (ECLs) on financial assets at amortised cost, namely trade and other receivables, short-term investments and cash at bank.

The Company and the Group measure loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit plan (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company and the Group measure loss allowances for trade receivables without a significant financing component and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company and the Group consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's and the Group's historical experience and informed credit assessment and including forward-looking information.

The Company and the Group assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company and the Group consider a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company and the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company and the Group are exposed to credit risk.

##### **Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company and the Group expect to receive).

ECLs are discounted at the effective interest rate of the financial asset. In the case of interest-free short-term financial assets, such as trade receivables, ECLs are not discounted.

## BORGO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

##### 3.12 Impairment of Financial Assets (Contd.)

###### *Credit-impaired financial assets*

At each reporting date, the Company and the Group assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company and the Group on terms that the Company and the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

###### *Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of comprehensive income.

###### *Write-off*

The gross carrying amount of a financial asset is written off when the Company and the Group have no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off on its financial assets based on whether there is a reasonable expectation of recovery and with reference to its historical experience of recoveries.

The Company and the Group expect no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's and the Group's procedures for recovery of amounts due.

##### 3.13 Borrowings

Borrowing costs are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceed (net of transaction costs) and the redemption value is recognised as profit and loss in the statement of comprehensive income over the period of borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless has an unconditional right to defer settlement of the liability for at least one year after the reporting date.

##### 3.14 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.

##### 3.15 Provisions

A provision is recognised if, as a result of a past event, the Company and the Group have 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.

##### 3.16 Share Capital

Ordinary shares are classified as equity.

## BORGO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

##### 3.17 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.

##### 3.18 Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases are recognised in the profit and loss on a straight line basis over the term of the lease.

##### 3.19 Employee Benefits

###### *Pension Contributions*

The Company and the Group contribute towards the state pension in accordance with legislation requirements. The only obligation of the Company and the Group are to make the required contributions. Costs are expensed in the period in which they are incurred.

##### 3.20 Finance Costs

Finance cost comprises interest expense. Interest expense is recognised as it accrues in profit or loss, using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

##### 3.21 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.



## BORGO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 4. Revenue

	Group		Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Euro	Euro	Euro	Euro
Loan Interest Receivable	197,400	169,200	337,400	289,200
Yacht Charter Income	1,059,050	615,000	-	-
	<u>1,256,450</u>	<u>784,200</u>	<u>337,400</u>	<u>289,200</u>

#### 5. Direct and Operational Overheads

	Group		Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Euro	Euro	Euro	Euro
Bond Interest Payable	250,000	250,000	250,000	250,000
Yacht Operation Costs	1,030,305	925,440	-	-
	<u>1,280,305</u>	<u>1,175,440</u>	<u>250,000</u>	<u>250,000</u>

#### 6. Other Operating Income

Sources not considered to be part of the main revenue generating activities are as follows:

	Group		Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Euro	Euro	Euro	Euro
Advance Payments Written Off	49,233	-	-	-
Creditor Balance Written Off	9,487	-	-	-
Gratuities	1,931	1,346	-	-
Insurance Claims	-	15,454	-	-
MDB COVID-19 Interest Rate Subsidy	3,131	-	-	-
Other Income	-	1,097	-	-
	<u>63,782</u>	<u>17,897</u>	<u>-</u>	<u>-</u>

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

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

	Group		Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Euro	Euro	Euro	Euro
Amortisation of Bond Costs	11,601	11,601	11,601	11,601
Auditors' Remuneration	12,000	12,000	6,000	6,000
Depreciation	275,000	275,000	-	-
Director's Remuneration	10,000	10,000	10,000	10,000

## BORGO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 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 (2020: nil and 8 respectively). Staff costs for the year were as follows:

	Group		Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Euro	Euro	Euro	Euro
Crew Wages and Social Costs	<u>195,963</u>	<u>120,031</u>	<u>-</u>	<u>-</u>

All persons were employed as crew members on the Subsidiary company yacht.

#### 8. Finance Costs

	Group		Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Euro	Euro	Euro	Euro
Interest Payable on Bank Loan	(3,341)	(1,734)	-	-
Other Interest	-	(149)	-	-
Realised Exchange Losses	(360)	-	-	-
<b>Finance Costs</b>	<u>(3,701)</u>	<u>(1,883)</u>	<u>-</u>	<u>-</u>

#### 9. Tax Expense

	Group		Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Euro	Euro	Euro	Euro
Current Taxation	<u>30,590</u>	<u>13,720</u>	<u>30,590</u>	<u>13,720</u>
<b>Total Tax Charge</b>	<u>30,590</u>	<u>13,720</u>	<u>30,590</u>	<u>13,720</u>

#### 9.1 Deferred Taxation

No account for deferred taxation is being accounted for the Company and the Group on the basis that the Company does not have any temporary differences and tax losses carried forward, whilst the Subsidiary company profits/losses are not subject to tax since the Subsidiary company's vessel is registered under the Merchant Shipping (Shipping Organisations – Private Companies) Regulations, 2004 enacted in Malta, which states that income from shipping operations is exempt from taxation. Accordingly, the Subsidiary company did not have any current tax charge for the year.

#### 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.

## BORGO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 11. Investment in Subsidiaries

	Group		Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Euro	Euro	Euro	Euro
<b>Equity Investments</b>				
Investment in Subsidiary Company at Cost	-	-	170,000	170,000
<b>Total Investment in Subsidiary</b>	<u>-</u>	<u>-</u>	<u>170,000</u>	<u>170,000</u>

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>% Holding</u>	<u>Nature of Business</u>
		<u>2021</u>	<u>2020</u>	
Big Blue Cruising Limited	Malta	<u>100%</u>	<u>100%</u>	Luxury Yacht Chartering

In turn, in the comparative year, Big Blue Cruising Limited held one subsidiary, as follows:

<u>Subsidiary Company</u>	<u>Incorp. in</u>	<u>% Holding</u>	<u>% Holding</u>	<u>Nature of Business</u>
		<u>2021</u>	<u>2020</u>	
Big Blue Yachting Yatcilik AS	Turkey	<u>-</u>	<u>100%</u>	Yacht Building – Liquidated

Big Blue Yachting Yatcilik AS was liquidated during 2021.

#### 11.2 Subsidiaries Financial Information

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

##### Big Blue Cruising Limited

	Audited	
	<u>2021</u>	<u>2020</u>
	Euro	Euro
Profit/(Loss) for the Year	(155,955)	(484,252)
Share Capital	10,001	10,001
Reserves	5,806,024	5,984,774
Retained Earnings	418,684	395,889
Total Equity	<u>6,234,709</u>	<u>6,390,664</u>

##### Big Blue Yachting Yatcilik AS

	Unaudited	
	<u>2021</u>	<u>2020</u>
	Euro	Euro
Loss for the Year	-	(22,628)
Share Capital	-	15,650
Reserves	-	6,314
Accumulated Losses	-	(72,318)
Total Equity Deficiency	<u>-</u>	<u>(50,354)</u>

## BORGO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 12. Intangible Assets

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

#### 13. Vessels and Other Equipment

##### Group

	At 01.01.21	Additions	At 31.12.21
	Euro	Euro	Euro
<b>Valuation:</b>			
S/Y Satori	9,000,000	-	9,000,000
	<u>9,000,000</u>	<u>-</u>	<u>9,000,000</u>
	At 01.01.21	Charge For Year	At 31.12.21
	Euro	Euro	Euro
<b>Depreciation:</b>			
S/Y Satori	962,500	275,000	1,237,500
	<u>962,500</u>	<u>275,000</u>	<u>1,237,500</u>
<b>Net Book Amount</b>	<u>8,037,500</u>		<u>7,762,500</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 capital commitments at year end.

#### 14. Loans Receivable at Amortised Cost

	Group		Company	
	2021	2020	2021	2020
	Euro	Euro	Euro	Euro
<b>Non-Current:</b>				
Subsidiary Company Loan	-	-	2,000,000	2,000,000
Parent Company Loan	2,820,000	2,820,000	2,820,000	2,820,000
<b>Total Loans Receivables</b>	<u>2,820,000</u>	<u>2,820,000</u>	<u>4,820,000</u>	<u>4,820,000</u>

14.1 The loans due from the Subsidiary and Parent companies are unsecured and are receivable after 18 February 2025. In the comparative year, the loans were subject to interest at 6% per annum, however the interest rate has been increased to 7% per annum effective from 1 January 2021.

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.

14.3 At 31 December 2021, the Subsidiary and Parent companies had the necessary resources and financial support to settle the loans should these fall due at the balance sheet date. The directors have therefore assessed that the Probability of Default and Loss Given Default are non-existent.

## BORGO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 15. Inventories

	Group		Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Euro	Euro	Euro	Euro
General Yacht Supplies	<u>16,064</u>	<u>17,833</u>	<u>-</u>	<u>-</u>

#### 16. Trade and Other Receivables

	Group		Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Euro	Euro	Euro	Euro
Trade Receivables from Related Company	81,475	102,158	-	-
Other Receivables from Parent Company	2,076,629	1,443,233	-	-
Accrued Loan Interest Receivable	220,300	169,200	349,508	261,417
Other Receivables	4,582	250	4,582	-
Prepayments	17,705	92,988	951	2,545
Other Taxes	-	37,524	-	-
Amounts due from Parent Company	1,086	14,464	1,086	14,464
	<u>2,401,777</u>	<u>1,859,817</u>	<u>356,127</u>	<u>278,426</u>

16.1 The Group's exposure to credit risk related to trade receivables from the related and Parent companies is disclosed in Note 23.3. No provision for Expected Credit Losses was considered necessary on the above balances due, as these companies are financially solid. The directors have therefore assessed that the Probability of Default and Loss Given Default are non-existent.

16.2 The accrued interest on the loans receivable due from the Subsidiary and Parent 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.

16.3 The balance due from the Parent company is unsecured, interest free and repayable on demand. No provision for Expected Credit Losses was considered necessary on the said balance as the Parent company is financially solid.

#### 17. Cash and Cash Equivalents

	Group		Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Euro	Euro	Euro	Euro
Cash Balances	3,555	4,385	-	-
Bank Balances	14,958	5,268	-	-
	<u>18,513</u>	<u>9,653</u>	<u>-</u>	<u>-</u>
Bank Overdrawn Balances	(198)	(134)	(198)	(134)
Cash and Cash Equivalents	<u>18,315</u>	<u>9,519</u>	<u>(198)</u>	<u>(134)</u>

## BORGO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 18. Capital and Reserves

##### 18.1 Share Capital

	Group		Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Euro	Euro	Euro	Euro
<b>Authorised</b>				
175,000 Ordinary Shares of € 1 each:	<u>175,000</u>	<u>175,000</u>	<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>	<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 € 3,488,525 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

In the comparative period, a translation reserve amounting to € 6,313 represented the conversion of the sub-subsidiary's financial statements to Euro. The sub-subsidiary's functional currency was the Turkish Lira. Since the sub-subsidiary was liquidated during 2021, any reserves including translation reserve have been reversed.

#### 19. Borrowings

	Group		Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Euro	Euro	Euro	Euro
<b>Non-Current:</b>				
5% Bonds 2026-2029:	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Bond Costs	<u>116,010</u>	<u>116,010</u>	<u>116,010</u>	<u>116,010</u>
Amortisation of Bond Costs	<u>(32,870)</u>	<u>(21,269)</u>	<u>(32,870)</u>	<u>(21,269)</u>
<b>Net Bond Costs</b>	<u>83,140</u>	<u>94,741</u>	<u>83,140</u>	<u>94,741</u>
<b>Total Borrowings</b>	<u>4,916,860</u>	<u>4,905,259</u>	<u>4,916,860</u>	<u>4,905,259</u>

## BORGO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 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.
- 19.2 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 2020 was € 95.

#### 20. Bank Borrowings

	Group		Company	
	2021	2020	2021	2020
	Euro	Euro	Euro	Euro
<b>Non-Current:</b>				
Bank Loans	194,977	104,608	-	-
<b>Current:</b>				
Bank Loans	102,896	45,392	-	-
<b>Total Bank Borrowings</b>	<b>297,873</b>	<b>150,000</b>	<b>-</b>	<b>-</b>

- 20.1 The bank loans are secured by personal guarantees of the ultimate beneficial owners, bear interest at the rates of 2.5% per annum and are repayable by monthly instalments of € 3,783 and € 4,792 over four years, both with a moratorium on loan repayments for the first 6 months.

#### 21. Trade and Other Payables

	Group		Company	
	2021	2020	2021	2020
	Euro	Euro	Euro	Euro
Trade Payables	111,428	102,356	5	11,154
Other Payables	44,735	279,353	-	-
Deferred Income	884,907	400,000	-	-
Other Taxes	170,251	133,583	-	-
Accrued Bond Interest Due	225,189	223,973	225,189	223,973
Accrued Expenses	114,695	183,335	47,359	27,047
Amounts due to Related Company	18,659	13,005	-	-
Amounts due to Subsidiary Company	-	-	90,300	41,996
Amounts due to Parent Company	102,860	124,361	-	-
Amounts due to Director	272	272	-	-
	<b>1,672,996</b>	<b>1,460,238</b>	<b>362,853</b>	<b>304,170</b>

- 21.1 The amounts due to the related, subsidiary and parent companies are unsecured, interest free and repayable on demand.
- 21.2 The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

## BORGO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 22. Fair Value Hierarchy

The following tables show the Company's and the Group's financial instruments, including those recognised at fair value, for the years ended 31 December 2021 and 2020, 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.

The following table shows the carrying amounts and fair values of the Group's financial assets and financial liabilities, including their levels in the fair value hierarchy.

#### The Group

	<u>Total</u> Euro	<u>Level 1</u> Euro	<u>Level 2</u> Euro	<u>Level 3</u> Euro
<b>31 December 2021</b>				
<b>Financial Assets</b>				
Loans Receivable at Amortised Cost	2,820,000	-	-	2,820,000
Trade and Other Receivables	2,401,777	-	-	2,401,777
Cash and Cash Equivalents	18,513	-	-	18,513
	<u>5,240,290</u>	<u>-</u>	<u>-</u>	<u>5,240,290</u>
<b>Financial Liabilities</b>				
Borrowings	4,916,860	-	-	4,916,860
Trade and Other Payables	1,672,996	-	-	1,672,996
Bank Borrowings	297,873	-	-	297,873
Overdrawn Bank Balance	198	-	-	198
Tax Liability	44,310	-	-	44,310
	<u>6,932,237</u>	<u>-</u>	<u>-</u>	<u>6,932,237</u>
<b>31 December 2020</b>				
<b>Financial Assets</b>				
Loans Receivable at Amortised Cost	2,820,000	-	-	2,820,000
Trade and Other Receivables	1,859,817	-	-	1,859,817
Cash and Cash Equivalents	9,653	-	-	9,653
	<u>4,689,470</u>	<u>-</u>	<u>-</u>	<u>4,689,470</u>
<b>Financial Liabilities</b>				
Borrowings	4,905,259	-	-	4,905,259
Trade and Other Payables	1,460,238	-	-	1,460,238
Bank Borrowings	150,000	-	-	150,000
Overdrawn Bank Balance	134	-	-	134
Tax Liability	13,720	-	-	13,720
	<u>6,529,351</u>	<u>-</u>	<u>-</u>	<u>6,529,351</u>

During the reporting period ended 31 December 2021, there was no transfer between Level 1 and Level 2 fair value measurement.



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**22. Fair Value Hierarchy (Contd.)**

The following table shows the carrying amounts and fair values of the Company's financial assets and financial liabilities, including their levels in the fair value hierarchy.

<b>The Company</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>Euro</b>	<b>Euro</b>	<b>Euro</b>	<b>Euro</b>
<b>31 December 2021</b>				
<b>Financial Assets</b>				
Investments in Subsidiary	170,000	-	-	170,000
Subsidiary Company Loan	2,000,000	-	-	2,000,000
Parent Company Loan	2,820,000	-	-	2,820,000
Other Receivables	356,127	-	-	356,127
	<u>5,346,127</u>	<u>-</u>	<u>-</u>	<u>5,346,127</u>
<b>Financial Liabilities</b>				
Borrowings	4,916,860	-	-	4,916,860
Trade and Other Payables	362,853	-	-	362,853
Bank Overdrawn Balance	198	-	-	198
Tax Payable	44,310	-	-	44,310
	<u>5,324,221</u>	<u>-</u>	<u>-</u>	<u>5,324,221</u>
<b>31 December 2020</b>				
<b>Financial Assets</b>				
Investments in Subsidiary	170,000	-	-	170,000
Subsidiary Company Loan	2,000,000	-	-	2,000,000
Parent Company Loan	2,820,000	-	-	2,820,000
Other Receivables	278,426	-	-	278,426
	<u>5,268,426</u>	<u>-</u>	<u>-</u>	<u>5,268,426</u>
<b>Financial Liabilities</b>				
Borrowings	4,905,259	-	-	4,905,259
Trade and Other Payables	304,170	-	-	304,170
Bank Overdrawn Balance	134	-	-	134
Tax Payable	13,720	-	-	13,720
	<u>5,223,283</u>	<u>-</u>	<u>-</u>	<u>5,223,283</u>

During the reporting period ended 31 December 2021, there was no transfer between Level 1 and Level 2 fair value measurement.

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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **23. Financial Risk Management**

##### **23.1 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's 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.

##### **23.2 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 Company's and the Group's risk management policies are established to identify and analyse the risks faced by the Company and the Group, 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 and the Group'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 Company's and the Group's competitiveness and flexibility. Further details of these policies are set out below:

##### **23.3 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's and the Group's loans receivable, investments and trade and other receivables. The Company and the Group have 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.

**23.3.1** The Company's loans receivable consists of advances to the Subsidiary and Parent companies, namely Big Blue Cruising Limited and Borgo Lifestyle Group 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.

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

## BORGO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

##### 23.3 Credit Risk (Contd.)

###### *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	
	2021	2020	2021	2020
	Euro	Euro	Euro	Euro
Loans Receivable at Amortised Cost	2,820,000	2,820,000	4,820,000	4,820,000
Trade and Other Receivables	2,401,777	1,859,817	356,127	278,426
Cash and Cash Equivalents	18,513	9,653	-	-
	<u>5,240,290</u>	<u>4,689,470</u>	<u>5,176,127</u>	<u>5,098,426</u>

##### 23.4 Liquidity Risk

Liquidity risk is the risk that the Company and the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's 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's and the Group's reputation.

The Company are 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 Parent 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 Group's liquidity risk emanates primarily from the cash requirements for maintaining the yacht in the winter months, when it is not operating. This is managed by ensuring that the Subsidiary company has sufficient funds and other cash inflows to cover the cash outflows expected in this lean period.

The following table analyses the Company's and the Group'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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**23. Financial Risk Management (Contd.)**

**23.4 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 2021</b>				
Borrowings	-	-	-	4,916,860
Trade and Other Payables	1,672,996	-	-	-
Bank Borrowings	102,896	102,896	92,081	-
Overdrawn Bank Balance	198	-	-	-
Tax Payable	44,310	-	-	-
	<u>1,820,400</u>	<u>102,896</u>	<u>92,081</u>	<u>4,916,860</u>
<b>31 December 2020</b>				
Borrowings	-	-	-	4,905,259
Trade and Other Payables	1,460,238	-	-	-
Bank Borrowings	45,392	45,392	59,216	-
Overdrawn Bank Balance	134	-	-	-
Tax Payable	13,720	-	-	-
	<u>1,519,484</u>	<u>45,392</u>	<u>59,216</u>	<u>4,905,259</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 2021</b>				
Borrowings	-	-	-	4,916,860
Trade and Other Payables	362,853	-	-	-
Overdrawn Bank Balance	198	-	-	-
Tax Payable	44,310	-	-	-
	<u>407,361</u>	<u>-</u>	<u>-</u>	<u>4,916,860</u>
<b>31 December 2020</b>				
Borrowings	-	-	-	4,905,259
Trade and Other Payables	304,170	-	-	-
Overdrawn Bank Balance	134	-	-	-
Tax Payable	13,720	-	-	-
	<u>318,024</u>	<u>-</u>	<u>-</u>	<u>4,905,259</u>

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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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

##### **23.5 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.

##### **23.5.1 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 Parent companies 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 Parent 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.

##### **23.5.2 Currency Risk**

In the comparative period, the Company and the Group were 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 was not significant, no hedging was performed by the Company and the Group. The Company and the Group were not exposed to currency risk at the reporting date.

##### **23.6 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.

## BORGO LIFESTYLE FINANCE P.L.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 24. Related Parties

##### 24.1 Parent and Ultimate Controlling Party

The Company is a wholly owned subsidiary of Borgo Lifestyle Group Srl (the "Parent"), 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.

##### 24.2 Identity of Related Parties

The Company and the Group have a related party relationship with its parent, subsidiary and related companies.

##### 24.3 Related Party Transactions and Balances

	Group		Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Euro	Euro	Euro	Euro
<b>Related Company:</b>				
Funds advanced by/(to)	<u>26,337</u>	<u>(68,962)</u>	<u>-</u>	<u>-</u>
<b>Subsidiary Company:</b>				
Interest charged to	-	-	<u>140,000</u>	120,000
Funds advanced by/(to)	<u>-</u>	<u>-</u>	<u>48,304</u>	<u>34,164</u>
<b>Parent Company:</b>				
Charter fees charged to	-	30,000	-	-
Interest charged to	<u>197,400</u>	<u>169,200</u>	<u>197,400</u>	<u>169,200</u>
Management fees charged by	<u>(31,771)</u>	<u>(18,450)</u>	<u>-</u>	<u>-</u>
Funds advanced by/(to)	<u>(641,519)</u>	<u>(81,800)</u>	<u>13,378</u>	<u>23,623</u>

Amounts due to and from related parties are disclosed in Notes 14, 16 and 21 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.

- 24.4 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.

#### 25. Operating Commitments

The Company and the Group did not have any operating lease commitments at year end.

#### 26. Contingent Liabilities

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

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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **27. COVID-19**

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

As the pandemic increases in duration, entities are experiencing conditions often associated with a general economic downturn. This includes, but is not limited to, financial market volatility and erosion, deteriorating credit, liquidity concerns, further increases in government intervention, increasing unemployment, broad declines in consumer discretionary spending, increasing inventory levels, reductions in production because of decreased demand, layoffs and leave of absence, and other restructuring activities. The continuation of these circumstances could result in an even broader economic downturn which could have a prolonged negative impact on an entity's financial results.

The Company's and the Group's operations had initially been negatively affected by the pandemic. Although COVID-19 was still present during 2021, the business operations for its subsidiary improved compared to 2020 and revenues generated were similar to pre-COVID-19 period. Bookings for 2022 have been confirmed in 2021 which indicate that revenues for 2022 will be as projected. At the beginning of the 2022 season, 14 charters have already been sold and another one is in the pipeline. This result is in line with the worldwide trend of guests looking for secluded luxury holidays. As for the results of the extended Group which includes the Hotel operation, due to the fact that the place is set in a more secluded area, it maintained its business with no particular negative effects. To be more precise, from the last forecast projections, on the opening day of the hotel operation, the company has already received bookings which indicate that the yearly budget in terms of yearly rooms revenues were achieved with a net average daily rate of € 1,574 and a yearly occupancy rate of 80.72%.

The directors have assessed the effect of COVID-19 on the Company's and the Group's operations and noted that being a holding and finance company, its results are dependent on the results of its subsidiary and parent companies whom it has financed. The Company notes that both these companies operations are showing improvements and progressing as projected, and therefore, the long-term assessment is that the Company's and the Group's assets will be preserved and consequently the going concern basis applied to these financial statements is still applicable.

#### **28. Subsequent Events**

The directors have evaluated subsequent events since 31 December 2021 up to the date of approval of these financial statements and concluded that there were no subsequent events which require disclosure in the financial statements.