



COMPANY ANNOUNCEMENT

This is an announcement of the company Testa Finance P.L.C, a company incorporated under the laws of Malta, having company registration number C 85495 and registered address at Ru 19, The Pjazza, The Point, Tigne Point, Sliema, Malta.

Date: 04/02/2020

Ref No: TST0025

Company Announcement in relation to material changes to Company Admission Document following the effects of the COVID-19 worldwide pandemic.

The following is a company announcement issued by Testa Finance P.L.C (The Company) pursuant to the Prospect MTF Rules.

Quote

As per the Company Announcement reference TST014 issued by the Company on 16th March, 2020, the Board has closely monitored the effects of COVID-19 on the operations of the Group. Although the Issuer's financial statements are not expected to have significant differences from those projected at the time, Testa Finance plc's income is of course directly related to the performance of the Group as a whole – including the operations of Testa Properties Limited and, more importantly, Testa Catering Concepts Limited which is the operating arm of the Group.

As further outlined in the above-mentioned announcement, the Group operates in the catering industry which was devastated by the pandemic. Its largest and highest-revenue generating outlet, the Bugibba Complex housing Beefbar and RossoPomodoro, had to open for the first full operating year in March 2020 but it closed soon after following government-imposed regulations due to the pandemic.

The Board imposed several cost-cutting exercises throughout 2020 and tried to evaluate whether there would be material changes to the Company Admission Document many times. This was unsuccessful as circumstances changed continuously throughout 2020, with the pandemic sometimes evaluated to be pass soon while other times it re-emerged making any predictions worthless and impracticable. The management of Testa Catering Concepts Limited has also taken a decision today to terminate the lease of the rented premises for the outlet Cibo Valletta after a dispute that has arisen with the landlord.

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The Board still feels that any assumptions made today may result to be totally inaccurate as the effects of the pandemic and its longevity are still up for wide speculation. However, given that the Group needs to continue making decisions for the benefit of all its stakeholders, the Board feels that it is time to proceed with evaluating whether there are material variations from the original plans as per the Company Admission Document.

In this respect, the Board has prepared financial projections to allow it to have more information on the possible outcome of the pandemic and to decide on the best way forward. It resulted that the following material changes to the Company Admission Document have emerged:

- Changes to the financial projections

The year 2020 has been far from what was expected at the time of the issue and has presented many challenges. Unfortunately, 2021 is also looking dull and the assumption is that things should normalise as from 2022. Financial projections based on the assumptions listed below, outline that the Group will be unable to acquire the property in Bugibba by March 2022 without external finance. The Board has therefore taken the liberty to prepare alternative projections up the December 2023 where the property is not acquired. In turn, the Board will analyse these findings and evaluate whether it needs to negotiate the terms of the promise of sale agreement, albeit with the necessary advice and approval from all the stakeholders involved.

The main assumptions made when preparing the below projections are as follows:

1. The 2020 results are based on unaudited internal accounting that may be subject to changes during the audit process. In particular, the IFRS16 calculation is based on the prior year schedule and will need to be revised.
2. During 2021, it is being assumed that the two outlets at Tigne Point will generate 70% of the usual and historic revenue, BeefBar will generate 60% of the expected revenue in a normal year of operation and RossoPomodoro will generate 50% of the expected revenue in a normal year of operation. During 2022, the Board expects all outlets to perform in normal circumstances and that the restrictions currently imposed due to COVID-19 shall therefore be lifted.
3. No significant changes are being assumed to the current level of trade and other receivables or trade and other payables with year end amounts changing slightly from one predicted period to the other.
4. No significant capital expenditure has been assumed during the period.

The projections up to March 2022 are as follows:

| Forecast Statement of Profit or Loss | | | | |
|--|--------------------|------------------|------------------------------------|--|
| | 2020 (Unaudited) | 2021 (Forecast) | 2022 – January to March (Forecast) | |
| | € | € | € | |
| Revenue | 1,196,866 | 2,962,551 | 534,614 | |
| Other income | 343,260 | 61,660 | - | |
| | 1,540,126 | 3,024,211 | 534,614 | |
| Cost of Sales | (453,601) | (691,018) | (172,700) | |
| GROSS PROFIT | 1,086,525 | 2,333,193 | 361,914 | |
| Administrative expenses | (2,389,981) | (2,582,014) | (523,806) | |
| Finance costs | (338,104) | (372,219) | (91,318) | |
| | (2,728,085) | (2,954,233) | (615,124) | |
| Profit/(Loss) for the year before taxation | (1,641,560) | (621,040) | (253,210) | |
| Tax expense | - | - | - | |
| Profit/(Loss) for the year | (1,641,560) | (621,040) | (253,210) | |

| Forecast Statement of Financial Position | | | | |
|--|------------------|------------------|------------------------------------|--|
| | 2020 (Unaudited) | 2021 (Forecast) | 2022 – January to March (Forecast) | |
| | € | € | € | |
| Assets | | | | |
| Property, Plant and Equipment | 4,254,364 | 3,621,535 | 3,463,328 | |
| Intangible asset | 575,835 | 505,835 | 488,335 | |
| Investment property | 640,152 | 640,152 | 640,152 | |
| Deferred tax assets | 128,767 | 128,767 | 128,767 | |
| Right-of-use asset | 2,737,426 | 2,404,846 | 2,321,701 | |
| Total non-current assets | 8,336,544 | 7,301,135 | 7,042,283 | |

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| | | | |
|--|--------------------|--------------------|--------------------|
| <i>Current Assets</i> | | | |
| <i>Cash and cash equivalents</i> | 1,246,691 | 1,263,571 | 1,208,199 |
| Trade and other receivables | 151,733 | 81,733 | 81,733 |
| Inventories | 76,941 | 156,186 | 117,140 |
| Total current assets | 1,475,365 | 1,501,490 | 1,407,072 |
| | | | |
| | | | |
| Total assets | 9,811,909 | 8,802,625 | 8,449,355 |
| | | | |
| | | | |
| Equity and liabilities | | | |
| | | | |
| Equity | | | |
| | | | |
| Share capital | 641,356 | 641,356 | 641,356 |
| Retained earnings | (2,459,234) | (3,080,274) | (3,333,484) |
| Non-controlling interest | 2 | 2 | 2 |
| Other reserve | 676,002 | 676,002 | 676,002 |
| | (1,141,874) | (1,762,914) | (2,016,124) |
| | | | |
| Liabilities | | | |
| | | | |
| Interest bearing liability (non-current) | 5,024,357 | 4,785,025 | 4,785,025 |
| Finance lease liability (non current) | 2,883,767 | 2,678,062 | 2,626,635 |
| Deferred tax liabilities | 32,008 | 32,008 | 32,008 |
| Total non-current liabilities | 7,940,132 | 7,495,095 | 7,443,668 |
| | | | |
| Current liabilities | | | |
| | | | |
| Overdraft | 70,298 | - | - |
| Trade and other payables | 2,012,018 | 2,075,327 | 2,086,312 |
| Interest bearing liability (current) | 175,550 | 239,332 | 179,714 |
| Third party loan (current) | 391,040 | 391,040 | 391,040 |
| Finance lease liability (current) | 364,745 | 364,745 | 364,745 |
| Total current liabilities | 3,013,651 | 3,070,444 | 3,021,811 |
| | | | |
| Total liabilities | 10,953,783 | 10,565,539 | 10,465,479 |
| | | | |
| | | | |
| Total equity and liabilities | 9,811,909 | 8,802,625 | 8,449,355 |

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| Forecast Statement of Cash Flows | | | | |
|----------------------------------|---|--------------------|-----------------|----------------------------|
| | | 2020 (Forecast) | 2021 (Forecast) | Jan to Mar 2022 (Forecast) |
| | | € | € | € |
| | Cash flows from operating activities | | | |
| | Profit before finance costs, tax and depreciation | (268,047) | 786,588 | 96,960 |
| | (Increase)/Decrease in trade receivables | 130,450 | 70,000 | - |
| | Increase/(Decrease) in trade payables or prepayments | (1,388,519) | 63,309 | 10,985 |
| | (Increase)/Decrease in inventory | 181,636 | (79,245) | 39,046 |
| | Finance costs paid | (237,499) | (271,614) | (66,167) |
| | Taxation paid | (171) | - | - |
| | | | | |
| | Net cash generated from operating activities | (1,582,150) | 569,038 | 80,824 |
| | | | | |
| | Cash flows from investing activities: | | | |
| | Additions to property, plant and equipment and other non-current assets | 510,047 | - | - |
| | | | | |
| | Net cash used in investing activities | 510,047 | - | - |
| | | | | |
| | Cash flows from financing activities: | | | |
| | Advances from/to shareholder | (28,796) | - | - |
| | Advances from/to third parties | (5,780) | - | - |
| | Increase in borrowings | 1,346,560 | - | - |
| | Principal repayments on borrowings | - | (175,550) | (59,618) |
| | Net repayment of finance lease liabilities | (306,310) | (306,310) | (76,578) |
| | | | | |

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| | | | |
|--|-----------|-----------|-----------|
| Net cash generated from financing activities | 1,005,674 | (481,860) | (136,196) |
| | | | |
| Cash and cash equivalents at beginning of year | 1,242,822 | 1,176,393 | 1,263,571 |
| Net increase/(decrease) in cash and cash equivalents | (66,429) | 87,178 | (55,372) |
| | | | |
| Cash and cash equivalents at end of year | 1,176,393 | 1,263,571 | 1,208,199 |

Assuming the property is not acquired in March 2022, the projections up to December 2023 are as follows:

| Forecast Statement of Profit or Loss | | | |
|--|--|--------------------|--------------------|
| | | 2022 (Forecast) | 2023 (Forecast) |
| | | € | € |
| | | | |
| Revenue | | 4,718,836 | 4,860,402 |
| Other income | | - | - |
| | | 4,718,836 | 4,860,402 |
| | | | |
| Cost of sales | | (1,179,709) | (1,215,101) |
| GROSS PROFIT | | 3,539,127 | 3,645,301 |
| | | | |
| Administrative expenses | | (2,947,797) | (3,003,036) |
| Finance costs | | (389,181) | (384,433) |
| | | (3,336,978) | (3,387,469) |
| | | | |
| Profit/(Loss) for the year before taxation | | 202,149 | 257,832 |
| Tax expense | | 0 | 0 |
| | | | |
| Profit/(Loss) for the year | | 202,149 | 257,832 |

| Forecast Statement of Financial Position | | | |
|--|--|--------------------|--------------------|
| | | 2022 (Forecast) | 2023 (Forecast) |
| | | € | € |
| | | | |
| Assets | | | |
| | | | |
| Property, Plant and Equipment | | 2,988,706 | 2,355,877 |
| Intangible asset | | 435,835 | 365,835 |
| Investment property | | 640,152 | 640,152 |
| Deferred tax assets | | 128,767 | 128,767 |
| Right-of-use asset | | 2,072,266 | 1,739,686 |
| Total non-current assets | | 6,265,726 | 5,230,317 |
| | | | |
| <i>Current Assets</i> | | | |
| <i>Cash and cash equivalents</i> | | 2,152,021 | 3,092,900 |
| Trade and other receivables | | 81,733 | 81,733 |
| Inventories | | 156,186 | 156,186 |
| Total current assets | | 2,389,940 | 3,330,819 |
| | | | |
| | | | |
| Total assets | | 8,655,666 | 8,561,136 |
| | | | |
| | | | |
| Equity and liabilities | | | |
| | | | |
| Equity | | | |
| | | | |
| Share capital | | 641,356 | 641,356 |
| Retained earnings | | (2,878,125) | (2,620,293) |
| Non-controlling interest | | 2 | 2 |
| Other reserve | | 676,002 | 676,002 |
| | | (1,560,765) | (1,302,933) |
| | | | |
| Liabilities | | | |
| | | | |
| Interest bearing liability (non-current) | | 4,545,693 | 4,306,361 |
| Finance lease liability (non current) | | 2,472,357 | 2,266,652 |
| Deferred tax liabilities | | 32,008 | 32,008 |
| Total non-current liabilities | | 7,050,058 | 6,605,021 |
| | | | |

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| | | |
|--------------------------------------|-------------------|------------------|
| Current liabilities | | |
| Trade and other payables | 2,172,289 | 2,272,160 |
| Interest bearing liability (current) | 238,299 | 231,103 |
| Third party loan (current) | 391,040 | 391,040 |
| Finance lease liability (current) | 364,745 | 364,745 |
| Total current liabilities | 3,166,373 | 3,259,048 |
| Total liabilities | 10,216,431 | 9,864,069 |
| Total equity and liabilities | 8,655,666 | 8,561,136 |

| Forecast Statement of Cash Flows | | | |
|---|------------------|------------------|--|
| | 2022 (Forecast) | 2023 (Forecast) | |
| | € | € | |
| Cash flows from operating activities | | | |
| Profit before finance costs, tax and depreciation | 1,626,739 | 1,677,674 | |
| (Increase)/Decrease in trade receivables | - | - | |
| Increase/(Decrease) in trade payables or prepayments | 96,962 | 99,871 | |
| (Increase)/Decrease in inventory | - | - | |
| Finance costs paid | (288,576) | (283,828) | |
| Taxation paid | - | - | |
| Net cash generated from operating activities | 1,435,125 | 1,493,717 | |
| Cash flows from investing activities: | | | |
| Additions to property, plant and equipment and other non-current assets | - | - | |
| Net cash used in investing activities | - | - | |

| | | |
|--|------------------|------------------|
| Cash flows from financing activities: | | |
| Principal repayments on borrowings | (240,365) | (246,528) |
| Net repayment of finance lease liabilities | (306,310) | (306,310) |
| | | |
| Net cash generated from financing activities | (546,675) | (552,838) |
| | | |
| Cash and cash equivalents at beginning of year | 1,263,571 | 2,152,021 |
| Net increase/(decrease) in cash and cash equivalents | 888,450 | 940,879 |
| | | |
| Cash and cash equivalents at end of year | 2,152,021 | 3,092,900 |

Unquote

By order of the Board of Directors of the Company,



Reuben Debono

ID 422778M

Company Secretary

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