



COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Testa Finance P.L.C. (the "Company") bearing company registration number C 85495, in terms of the rules of Prospects MTF, a market regulated as a multi-lateral trading facility and operated by the Malta Stock Exchange, pursuant to Rule 4.11.03 and 4.11.12 of the Prospects MTF Rules.

Date: 28 April 2023

Ref No: TST0049

Quote

The Company refers to the obligation which Prospects MTF Companies are subject to, in terms of Rule 4.11.03 and Rule 4.11.12 relating to the publication of twelve-month financial information as defined in Table 1 paragraph 3 of the Prospects Rules and, specifically, the publication and dissemination (via a company announcement) of Financial Sustainability Forecasts (hereinafter referred to as "FSFs"), including applicable management assumptions. The below forecasts for 2023 have been drawn-up assuming that outlets will not be affected by closures or government-imposed restrictions due to COVID-19 or other world events.

The Company expected 2022 to show signs of significant recovery from the pandemic of previous years, based on the expectation of a substantial increase of inbound tourism to Malta. Unfortunately, 2022 remained a recovery-year and as a result the Group did not meet the expectations. This is especially true in the first six months of the year. By consequence, the Financial Suitability Forecasts for the year 2022 differed significantly with the actual results for 2022, approved by the Board and published today.

For 2023, the year started without government-imposed restrictions in relation to COVID-19, air travel is slowly getting back to normal and tourism expectations are positive compared to the pandemic years. In view of these developments, the Company and the Group believe that 2023 should signal the first post-COVID fully operational 12 months. It is therefore expected that the forecasts presented will not differ significantly going forward, always based on the assumptions listed in this document.

The forecast statement of financial position, the forecast statement of profit or loss, and the forecast statement of cash flows (hereafter "the Forecasts") of the Group for the periods ending 31 December 2023 have been prepared to provide financial information for the purposes of the announcement of Financial Sustainability Forecasts. The assumptions set out below are the sole responsibility of the Directors of the Company.

The Forecasts are intended to show a possible outcome based on assumptions relating to anticipated future events which the Directors expect to take place, and on actions which the Directors expect to take. Events and circumstances frequently do not occur as expected, and therefore, actual results may differ materially from those included in the forecast and projected financial information. We draw your attention to the risk factors set out in the Admission Document, which describe the primary risks associated with the business to which the Forecasts relates.

The Forecasts are not intended to and do not provide all the disclosures necessary to give a true and fair view of the financial results, financial position, and cash flows of the Group, in accordance with International Financial Reporting Standards as adopted by the EU, however the Directors have exercised due care and diligence in adopting the assumptions set out below.

These Forecasts were formally approved on 28 April 2023 by the Directors, and the stated assumptions reflect the judgements made by the Directors at that date. The assumptions that the Directors believe are significant to the Forecasts are described below.

At a Group and consolidated level, the below copy of the FSFs, as approved by the Board of Directors, is based on the following assumptions:

Basis of Preparation

The Forecasts show the projected financial performance and position of the Group in accordance with International Financial Reporting Standards as adopted by the European Union (“EU-IFRS”) except that, due to the nature of Forecast Financial Information, the Forecasts do not include all the disclosure requirements under EU-IFRS and other laws or securities regulations, including but not limited to the Maltese Companies Act (Cap. 386).

Significant macro-economic assumptions

During 2020-2022, the global economy was severely impacted by the unprecedented restrictions imposed on activity to counter the spread of the COVID-19 pandemic. Measures put in place by the Government of Malta to limit the transmission of the virus coupled with a collapse in consumer and business confidence in general have inevitably led to a steep contraction in economic activity. Please refer to the announcements made by the Company in this respect, detailing possible variations from the Company Admission Document.

Macro-economic assumptions relating to the environment in which the Group operates which are exclusively outside the influence of the Directors and which underlie the forecasts, are the following:

- Despite the reduction in revenue relating to COVID-19 in previous years, the Company will continue to enjoy the confidence of its customers and bankers throughout the Forecasts period presented;
- There will be no further major lockdown imposed by the Government of Malta;
- Restrictions imposed on inbound travel and tourism are expected to be removed completely and air-travel is expected to be back to normal;
- The rate of inflation will be in line with historic trends;
- The basis and rates of taxation, direct and indirect, will not change materially throughout the period covered by the Forecast Financial Information;
- The Company will enjoy good relations with its employees throughout the forecasted period.
- Inbound tourism is expected to reach or exceed pre-pandemic levels during 2023.

Other significant assumptions

Other assumptions taken by the Directors, which underlie the Forecasts are the following:

Property, Plant and Equipment

The Group has acquired, during April 2022, the property in Bugibba as per the Company Admission Document. The value included in the forecast includes the revaluation of the property that reflects its market value.

Revenue

The Testa Group's (i.e. Testa Properties Limited, Testa Catering Concepts Limited and Testa Finance plc) revenue for the twelve months ending 31 December 2023 is expected to total €2,469,593. This income shall be generated through the operation of the catering establishments owned by the Group, namely: Beefbar on the Beach (Bugibba), Cibo (Bugibba) and Beefbar in the City (Valletta). The Group expects Summer 2023 to be significantly better, and has noted the effect of inflation on the economy. Furthermore, Cibo (Bugibba) will operate for the whole 12 months.

Direct costs

Direct costs are calculated based on historic averages which are quite standard in the catering industry and the Testa Group in general. These mainly concern the acquisition of food items to be used in the establishments.

Administrative costs

Administrative costs consist of fixed costs and variable costs. The latter are calculated based on historic performance and industry averages. The Group expects to implement a new system whereby staff is rotated between outlets based on seasonality and expects to materially reduce wage costs as a result.

Finance costs

Finance costs relate primarily to interest on the Group's borrowings, which mainly constitute the bond issued on Prospects MTF and interest on finance obtained through Bank of Valletta plc. Other finance costs include bank charges and EPOS commissions, interest on the general banking facility and finance costs in relation to the leases as per IFRS 16.

Taxation

Current taxation is based on the corporate tax rate in Malta of 35%.

Working Capital

The Group's main line of business is the operation of catering establishments. Consequently, trade debtors are quite limited and usually comprise of deposits or prepayments made by the Group for the acquisition of inventory or other assets. The Group's working capital mainly comprises of the net impact of trade and other receivables together with trade and other payables. Trade and other payables include both trade payables and capital creditors.

Changes in shareholders' capital

No changes in shareholders' capital that affect the Group on a consolidated basis are expected in the year 2023.

Expected earnings per share and outstanding shares

Should the below projections materialise, earnings per share on a consolidated level are expected to be in the region of negative EUR 0.09. The shares of the Group are owned privately and there are no outstanding shares from any class. This is not expected to change during 2023.

Other information

The next report of annual earnings has been published today, 28 April 2023, as per the Prospects Rules, on the Company's website and through a Company Announcement. No dividends will be distributed during 2023. The Group has held its annual general meeting today.

Conclusion

The Directors believe that the assumptions on which the Forecasts are based are reasonable. The Directors further believe that, in the absence of further unforeseen circumstances outside their control, the working capital available to the Company will be sufficient for the carrying on of its business.

Projected consolidated income statement for the year ending 31 December	2022	2023
	(Actual)	(Forecast)
	€	€
Revenue	1,991,861	2,466,167
Cost of Sales	(550,503)	(543,814))
Gross profit	1,441,358	1,922,353
Administrative expenses	(2,305,217)	(1,611,295)
Operating profit	(863,859)	311,058
Other income	299,215	-
Finance costs	(417,542)	(402,025)
Finance income	49,214	36,179
Profit before tax	(932,972)	(54,788)
Taxation	(5,995)	-
Movements in deferred tax excluding revaluation effect	149,934	-
Profit for the year	(789,033)	(54,788)
Other comprehensive income – revaluation of property net of deferred tax	3,587,848	-
Total comprehensive income	2,798,815	(54,788)

Projected consolidated statement of financial position as at 31 December	2022 (Actual) €	2023 (Forecast) €
Assets		
Property, Plant and Equipment	11,180,293	10,621,833
Intangible asset	195,000	195,000
Investment property	640,152	640,152
Deferred tax assets	384,077	384,077
Right-of-use assets	772,739	686,931
Total non-current assets	13,172,261	12,527,993
<i>Current Assets</i>		
Cash and cash equivalents	120,892	292,246
Trade and other receivables	1,115,717	803,717
Inventories	33,652	32,395
Total current assets	1,270,261	1,128,358
Total assets	14,442,522	13,656,351
Equity and liabilities		
Equity		
Share capital	641,356	641,356
Retained earnings	(750,977)	(805,765)
Revaluation reserve	3,587,849	3,587,849
Non-controlling interest	3	3
	3,478,231	3,423,443

Projected consolidated statement of financial position as at 31 December (continued)	2022 (Actual) €	2023 (Forecast) €
Liabilities		
Interest bearing liability	6,743,901	6,449,331
Finance lease liability	691,870	612,088
Deferred tax liability	390,108	390,108
Total non-current liabilities	7,825,879	7,451,527
Current liabilities		
Borrowings	281,483	216,040
Trade and other payables	2,374,598	2,098,673
Amounts due to related parties	28,796	28,796
Third party loans	344,319	344,319
Finance lease liability	93,553	93,553
Current tax liabilities	15,663	-
Total current liabilities	3,138,412	2,781,381
Total liabilities	10,964,291	10,232,908
Total equity and liabilities	14,442,522	13,656,351

Projected consolidated statement of cash flows for the year ending 31 December	2022 (Actual) €	2023 (Forecast) €
Cash flows from operating activities		
Operating (loss)/profit	117,836	975,842
Movement in trade receivables	862,139	312,000
Movement in trade payables	(13,098)	(275,925)
Movement in inventory	324,655	1,257
Net cash generated from operating activities	1,291,532	1,013,174
Cash flows from investing activities:		
Changes to PPE	(3,787,176)	-
Net cash used in investing activities	(3,787,176)	-
Cash flows from financing activities:		
Changes in bank loans	1,841,535	(360,013)
Repayment of third parties	(99,133)	-
Payments from related parties	1,450	-
Net repayment of finance lease liabilities	(99,133)	(102,658)
Finance costs paid	(214,500)	(379,149)
Net cash used in financing activities	1,529,352	(841,820)
Cash and cash equivalents at beginning of year	1,087,184	120,892
Net increase/(decrease) in cash and cash equivalents	(966,292)	171,354
Cash and cash equivalents at end of year	120,892	292,246

Unquote

By order of the Board of Directors of the Company,



Reuben Debono ID 422778M

Company Secretary