

## 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.*

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Date: 30 April 2024

Ref No: TST0057

### 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 Company expected 2023 to register a substantial improvement over the prior period, and this was the case. Nonetheless, the Financial Suitability Forecasts for the year 2023 differed from the actual results for 2023, approved by the Board and published today. The main difference resulted from significantly higher administrative expenditure mainly caused by spiralling inflation and macro-economic conditions. Administrative expenses for 2023 totalled in fact EUR 2,234,852 at group level. One would have to note however that this includes an element of asset depreciation or amortisation of EUR 662,341, excluding IFRS 16 calculations.

In practise, therefore, the company registered an EBITDA of EUR 257,213 for 2023, an improvement of EUR 453,387 over the same period last year. This is calculated by excluding other income, expected credit losses, depreciation and amortisation including IFRS 16 calculations and interest on borrowings. The Board is satisfied with this result and looks forward to continuing the positive trend for 2024.

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 2024 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 30 April 2024 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

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:

- The Company will continue to enjoy the confidence of its customers and bankers throughout the Forecasts period presented;
- The inflation crises will be kept under control;
- The rate of inflation will adjust to 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 prior year levels during 2023.

### Other significant assumptions

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

#### *Revenue*

The Testa Group's (i.e. Testa Properties Limited, Testa Catering Concepts Limited and Testa Finance plc) revenue excluding other income for the twelve months ending 31 December 2024 is expected to total €2,730,046. 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 further expects to open another outlet in September 2024.

### *New outlet*

Cibo Pizzeria will open a new location in the newly built premises replacing the Eden Bowling Alley situated in St Julian's most prominent street. This pizzeria will be at street level perfectly visible for all passers-by. This 85-cover pizzeria will serve a full menu offering a vast range of items and typical Italian comfort food.

Cibo became famous for its value for money concept with relatively affordable and healthy portions prepared with the best sourced raw products. This combination made Cibo become successful over the past 14 years.

### *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 is forecasting similar levels of administrative costs for 2024 when compared to 2023.

### *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 2024.

### *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 1.05. The shares of the Group are owned privately and there are no outstanding shares from any class. This is not expected to change during 2024.

## Other information

The next report of annual earnings has been published today, 30 April 2024, as per the Prospects Rules, on the Company's website and through a Company Announcement. No dividends will be distributed during 2024. 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	2023 (Actual) €	2024 (Forecast) €
Revenue	2,334,366	2,730,046
Cost of Sales	-565,546	-712,154
<b>Gross profit</b>	<b>1,768,820</b>	<b>2,017,892</b>
Administrative expenses	-1,499,470	-1,509,789
<b>Operating profit</b>	<b>269,350</b>	<b>508,103</b>
Depreciation, amortisation and ECLs	-735,382	-816,965
Other income	113,564	37,000
Finance costs	-412,874	-400,177
Finance income	36,180	0
<b>Profit before tax</b>	<b>-729,162</b>	<b>-672,039</b>
Taxation	0	0
Movements in deferred tax excluding revaluation effect	163,098	0
<b>Profit for the year</b>	<b>-566,064</b>	<b>-672,039</b>
Other comprehensive income – revaluation of property net of deferred tax	62,658	0
<b>Total comprehensive income</b>	<b>-503,406</b>	<b>-672,039</b>

Projected consolidated statement of financial position as at 31 December	2023 (Actual) €	2024 (Forecast) €
<b>Assets</b>		
Property, Plant and Equipment	10,651,101	10,278,944
Intangible asset	160,000	125,000
Investment property	739,800	739,800
Deferred tax assets	547,173	547,173
Right-of-use assets	686,931	686,931
<b>Total non-current assets</b>	<b>12,785,005</b>	<b>12,377,848</b>
<i>Current Assets</i>		
Cash and cash equivalents	106,495	20,015
Trade and other receivables	1,040,351	670,351
Inventories	92,888	112,888
<b>Total current assets</b>	<b>1,239,734</b>	<b>803,254</b>
<b>Total assets</b>	<b>14,024,739</b>	<b>13,181,102</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	641,356	641,356
Retained earnings	(1,320,618)	(1,992,657)
Revaluation reserve	3,650,506	3,650,506
Non-controlling interest	3	3
	<b>2,971,247</b>	<b>2,299,208</b>

<b>Projected consolidated statement of financial position as at 31 December (continued)</b>	<b>2023</b> (Actual) €	<b>2024</b> (Forecast) €
<b>Liabilities</b>		
Interest bearing liability	6,302,891	6,152,539
Finance lease liability	620,003	627,918
Deferred tax liability	427,098	427,098
<b>Total non-current liabilities</b>	<b>7,349,992</b>	<b>7,207,555</b>
<b>Current liabilities</b>		
Borrowings	504,093	302,369
Trade and other payables	2,751,269	2,941,620
Amounts due to related parties	136,756	136,756
Third party loans	204,293	204,293
Finance lease liability	91,427	89,301
Current tax liabilities	15,662	-
<b>Total current liabilities</b>	<b>3,703,500</b>	<b>3,674,339</b>
<b>Total liabilities</b>	<b>11,053,492</b>	<b>10,881,894</b>
<b>Total equity and liabilities</b>	<b>14,024,739</b>	<b>13,181,102</b>

Projected consolidated statement of cash flows for the year ending 31 December	2023 (Actual) €	2024 (Forecast) €
<b>Cash flows from operating activities</b>		
Profit before working capital changes	327,199	471,103
Movement in trade receivables	7,496	370,000
Movement in trade payables	278,424	190,351
Movement in inventory	(59,236)	(20,000)
Taxation paid	-	(15,661)
<b>Net cash generated from operating activities</b>	<b>553,883</b>	<b>995,792</b>
<b>Cash flows from investing activities:</b>		
Outflows in relation to PPE	(92,964)	(250,000)
<b>Net cash used in investing activities</b>	<b>(92,964)</b>	<b>(250,000)</b>
<b>Cash flows from financing activities:</b>		
Outflows in relation to bank loans	(287,481)	(288,179)
Repayment of third parties and net repayment of finance lease liabilities	(140,026)	(100,691)
Movements with related parties	102,811	-
Finance costs paid	(214,500)	(379,505)
<b>Net cash used in financing activities</b>	<b>(539,196)</b>	<b>(768,375)</b>
Cash and cash equivalents at beginning of year less ECL movement	120,875	42,598
Net increase/(decrease) in cash and cash equivalents	(78,277)	(22,583)
<b>Cash and cash equivalents at end of year</b>	<b>42,598</b>	<b>20,015</b>

**Unquote**

By order of the Board of Directors of the Company,



Reuben Debono ID 422778M

Company Secretary