Testa Group
Level 1,
Agora Business Centre,
Valley Road,
Msida, Malta.

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 Level 1 Agora Business Centre, Valley Road, Msida, Malta

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Date: 30th April 2024

Ref No: TST0058

Company Announcement in relation to holding of the Board of Directors Meeting

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

Quote

The Company announces that the Board of Directors today met today on 30th April 2024 to consider and approve the Company's Audited Financial Statements for the financial year ended 31st December 2023. The board then considered and approved the Company's audited Financial Statements.

In addition, the Company announces that the Board of Directors of the Company's guarantor being Testa Properties Ltd, a company registered under the laws of Malta, having company registration number C 80524 and address at Level 1, Agora Business Centre, Valley Road, Msida, Malta also held the board of directors meeting today. The audited financial statements of the Guarantor for the year ended on the 31st December 2023 were then considered and approved.

The Audited Financial Statements are attached with this announcement.

The financial statements are available for viewing on the Company's website at: http://www.testacatering.com.mt/investor-relations

Unquote

By order of the Board of Directors of the Company,

Reuben Debono
ID 422778M
Company Secretary

TESTA FINANCE PLC

ANNUAL REPORT
For the year ended 31 December 2023

Company Registration No: C 85495

TESTA FINANCE PLC

Company Information

Directors :	Mr Jean Paul Testa Ms Hanna Yevheniivna Testa Mr Nigel Scerri Mr Raymond Pace Mr Ruben Debono
Secretary :	Mr Ruben Debono
Company number :	C 85495
Registered office :	Level 1, Agora Business Centre Valley Road Msida Malta
Auditors :	KSi Malta The Core Valley Road Msida, MSD 9021 Malta (EU)

TESTA FINANCE PLC

Contents

Report of the Directors
For the year ended 31 December 2023

The directors present their report and the audited financial statements of Testa Finance PLC (the 'Company') for the year ended 31 December 2023.

Principal Activity

The principal activity of the Company is to act as a finance and investment company.

Review of Business

During the year under review, the Company registered a profit of EUR 1,289 when excluding Expected Credit Losses of EUR 126,284 (2022: loss before tax of EUR 4,335). The company's activity of financing related parties remains stable and consistent with prior years.

Dividends and Reserves

The directors do not recommend the payment of a dividend. As happened in previous years, since inception, no dividends will be distributed in 2023.

Financial Risk Management

The Company's activities potentially expose it to a variety of financial risks: liquidity risk and credit risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Board provides principles for overall risk management, as well as policies covering risks referred to below. The Company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

(a) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

(b) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that services are made to customers with an appropriate credit history.

Events Subsequent to the Statement of Financial Position Date

The directors evaluated subsequent events from 1 January 2024 through 30 April 2024, the date these financial statements were approved. Through such assessment, the directors have determined that no events subsequent to statement of financial position date occurred.

Report of the Directors (continued)
For the year ended 31 December 2023

Directors

The following have served as directors of the Company during the year under review:

Mr Jean Paul Testa
Ms Hanna Yevheniivna Testa
Mr Nigel Scerri
Mr Raymond Pace
Mr Ruben Debono

In accordance with the Company's Articles of Association the present directors remain in office.

Directors' Interest

The Company is a partially-owned subsidiary of Testa Properties Limited, the group's parent company. Testa Properties Limited is ultimately controlled by the directors Hanna Yevheniivna Testa and Jean Paul Testa, who each held 50% of the issued share capital of Testa Properties Limited as at 31 December 2023.

The directors' beneficial interest in the shares of the Company as at 31 December 2023 is limited to 2 ordinary shares, having a nominal value of €1, and 25% paid up held equally by Ms Hanna Yevheniivna Testa and Mr Jean Paul Testa.

Statement of Directors' Responsibilities

The Companies Act, (Cap.386) requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year 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 will continue in business;
- select suitable accounting policies and apply them consistently from one accounting period to another;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on accruals basis; and
- value separately the components of asset and liability items on a prudent basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, (Cap.386). They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Directors (continued)
For the year ended 31 December 2023

Statement of Directors' Responsibilities (continued)

The directors, through oversight of management are responsible to ensure that the Company establishes and maintains internal controls to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

The directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Company at 31 December 2023, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and

- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

Going Concern Statement

After making enquiries and having taken into consideration the future plans of the Company, the directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they adopted the going concern basis in the preparation of the financial statements.

Auditors

KSi Malta have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

Ms Hanna Yevheniivna Testa
Director

Mr Jean Paul Testa
Director

Registered address:
Level 1, Agora Business Centre
Valley Road
Msida
Malta

30 April 2024

Corporate Governance - Statement of Compliance
For the year ended 31 December 2023

The Prospect MTF Rules issued by the Malta Stock Exchange require qualifying companies admitted to Prospects MTF to observe relevant corporate governance standards, in this case the Code of Principles of Good Corporate Governance (the "**Code**"), which annexed to the Capital Market Rules.

Although the adoption of the Code is not obligatory, companies are required by Prospects MTF Rules to include, in their Annual Report, a Directors' Statement of Compliance which deals with the extent to which the Company has adopted the Code and the effective measures that the Company has taken to ensure compliance with the Code, accompanied by a report of the auditors thereon.

Part 1: Compliance with the Code

The Board of Directors (the "**Board**") of 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 on Prospects MTF 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 Jean Paul Testa (Executive Director and Chief Executive Officer), Ms Hanna Yevheniivna (Executive Director and Chief Operations Officer), Mr Nigel Scerri (Executive Director and Chief Financial Officer), Mr Raymond Pace (Non-Executive Director) and Mr Ruben Debono (Non-Executive Director). All of the directors were nominated and appointed by the shareholders in general meeting.

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

The Directors and other Prospects MTF Restricted Persons as defined by the Rules are informed of their obligations on dealings in securities of the Company within the established parameters of the law and the Rules. Each such Director and Prospects MTF Restricted Person has been provided with the Code of Dealing required in terms of the Rules and training in respect of their obligations arising thereunder.

Corporate Governance - Statement of Compliance (continued)
For the year ended 31 December 2023

Part 1: Compliance with the Code (continued)

Principle 2: Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer, set out in writing and agreed by the Board, were held separately for the period to ensure that there was a clear distinction between the running of the Board and the executive responsibility for the running of the business of the Company.

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 Chief Executive Officer 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 as to be unwieldy, 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 is composed of 3 executive and 2 non-executive directors. The non-executive directors, that is, Mr Raymond Pace and Mr Ruben Debono are considered to be independent within the meaning provided by the Code. Each non-executive director has submitted a declaration to the Board declaring their independence.

Directors are appointed during the Company's Annual General Meeting for a period of one year, at the end of which term they may stand again for re-election. The Articles of Association of the Company clearly set out the procedures to be followed in the appointment of directors.

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 effectively monitor 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 Rules. The procedure of the Audit Committee is regulated under its terms of reference.

Corporate Governance - Statement of Compliance (continued)
For the year ended 31 December 2023

Part 1: Compliance with the Code (continued)

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:

Members	*Meetings Attended out of total held during tenure*
Mr Jean Paul Testa	3 out of 3
Ms Hanna Yevheniivna Testa	3 out of 3
Mr Nigel Scerri	3 out of 3
Mr Raymond Pace	3 out of 3
Mr Ruben Debono	3 out of 3

The Board also delegates specific responsibilities to the management team of the Company.

Board Committees

Audit Committee

The Board delegates certain responsibilities to the Audit Committee, the terms of reference of which reflect the requirements stipulated in the Rules and under applicable law. In addition, unless otherwise dealt with in any other manner prescribed by the Rules, the Audit Committee has the responsibility to, *inter alia*, monitor and scrutinise, and, if required, approve Related Party Transactions, if any, falling within the ambits of the Rules and to make its recommendations to the Board of any such proposed Related Party Transactions.

The Audit Committee establishes internal procedures and monitors these on a regular basis. The terms of reference for the Audit Committee are designed both to strengthen this function within the Company and to widen the scope of the duties and responsibilities of this Committee. The Committee also has the authority to summon any person to assist it in the performance of its duties, including the Company's external auditors.

During the year under review, the Audit Committee was composed of Mr Nigel Scerri (independent executive director), Mr Raymond Pace (independent non-executive director and Chairman of the Audit Committee) and Mr Ruben Debono (independent non-executive director).

The Board considers the Chairman of the Audit Committee to be independent and competent in accounting and/or auditing. Such determination was based on Mr Raymond Pace substantial experience in various roles throughout his career.

Senior Management

In view of the Company being primarily a finance and investment company, the Company does not have any employees. However, the overall management of the Group comprises of: Mr Jean Paul Testa, as Group Chief Executive Officer together with his wife Ms Hanna Yevheniivna Testa being the Group Chief Operations Officer, responsible for operations management.

Corporate Governance - Statement of Compliance (continued)
For the year ended 31 December 2023

Part 1: Compliance with the Code (continued)

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 Rules and other relevant legislation. Directors have access to the advice and services of the Company Secretary and to legal counsel. 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 9: Relations with Shareholders and with the Market

The Company has communicated effectively with the market through Company announcements and financial information published by the Company.

Principle 10: Institutional Shareholders

The Company is of the view that due to the fact that it does not have Institutional Shareholders, this provision is not applicable.

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

Testa Group of Companies understands the importance of contributing to society at large, both in terms of the wellbeing of its staff as well as the contribution towards society at large.

Part 2: Non-Compliance with the Code

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.

Corporate Governance - Statement of Compliance (continued)
For the year ended 31 December 2023

Part 2: Non-Compliance with the Code (continued)

Principle 8: Committees

The Issuer does not have a Remuneration Committee as recommended by this principle because it is not deemed as 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 Controls

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 Group, including the Company, is delegated to the Group's Chief Executive Officer 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 the General Meeting who determine the maximum annual aggregate remuneration of the directors. Since inception, the non-executive directors have waived their right to receive remuneration. The executive directors are remunerated through a salary receivable from a related company within the Group.

No part of the remuneration paid to the directors is performance based, and the Chief Executive Officer receives no additional remuneration in relation to this role. None of the non-executive directors, in their capacity as a Director of the Company, are entitled to profit sharing, share options or pension benefits with respect to Testa Finance PLC. The executive directors are ultimate beneficial owners of the Group and therefore are indirectly entitled to profits, should dividends be distributed.

Signed on behalf of the Board of Directors on 30 April 2024 by:

Ms Hanna Yevheniivna Testa
Director

Mr Jean Paul Testa
Director

TESTA FINANCE PLC

Independent Auditors' Report

To the shareholders of Testa Finance PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Testa Finance PLC (the 'Company'), set out on pages 14 to 38 which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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 year. 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.

Company's Borrowings

We identified that the Company's borrowings consist of bonds listed on the Prospects Market of the Malta Stock Exchange. The bonds are material to the financial statements and are disclosed in Note 8 to the financial statements.

We identified the Company's borrowings to be a Key Audit Matter, as they are material to the financial statements and are subject to several requirements. Our audit procedures included obtaining and reviewing the relevant bond prospectus, evaluating the bond interest repayment process, and testing the completeness, accuracy, and valuation of the bond balances.

We also evaluated the Company's compliance with the bond covenants and restrictions, in so far as the carrying amount of both the principal and interest is concerned, including the timely payment of such interest. In addition, we assessed the adequacy of the Company's disclosures in the financial statements regarding the bond issuances.

We believe our audit procedures are appropriate and address the identified risks. Nothing has come to our attention that would indicate that borrowings are materially misstated.

Independent Auditors' Report (continued)

Other Information

The directors are responsible for the other information. The other information comprises the Report of the Directors, the Statement of Directors' Responsibilities and the Corporate Governance Statement of Compliance. Our opinion on the financial statements does not cover this information. 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.

Responsibilities of the Directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, 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 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 or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 the 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 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 internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the directors' 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Article 177 of the Companies Act

With respect to the Report of the Directors, we also considered whether the Report of the Directors includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Report of the Directors has been prepared in accordance with the Maltese Companies Act (Cap.386).

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Report of the Directors. We have nothing to report in this regard.

Independent Auditors' Report (continued)

Matters on which we are required to report by exception under the Companies Act

Our Responsibilities

We have responsibilities under the Companies Act, (Cap. 386) enacted in Malta to report to you if, in our opinion:

- The information given in the Report of the Directors is not consistent with the financial statements.
- Adequate accounting records have not been kept.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.

Our Opinion

We have nothing to report to you in respect of these responsibilities.

Report on Corporate Governance

The Prospects MTF Rules of the Malta Stock Exchange 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 Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Prospects MTF Rules of the Malta Stock Exchange also require the auditors to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance and consider the implications for 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 return.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 4 to 8 has been properly prepared in accordance with the requirements of the Prospects MTF Rules of the Malta Stock Exchange.

We also read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. Our responsibilities do not extend to any other information.

Independent Auditors' Report (continued)

Other Matter - Use of this Report

Our report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Appointment

We were first appointed as auditors of the Company on 10 December 2018. Our appointment has been renewed annually by shareholder's resolution representing a total period of uninterrupted engagement appointment of 6 years.

Joseph Gauci (Partner) for and on behalf of
KSi Malta
Certified Public Accountants

The Core
Valley Road
Msida, MSD 9021
Malta (EU)

30 April 2024

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2023

	Notes	2023 €	2022 €
Administrative expenses	6	(143,185)	(12,933)
Operating loss		(143,185)	(12,933)
Finance income	6	237,874	228,286
Finance costs	6	(219,684)	(219,688)
Loss before tax		(124,995)	(4,335)
Income tax expense	7	-	(4,825)
Loss for the year		(124,995)	(9,160)
Other comprehensive income for the year			
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(124,995)	(9,160)

TESTA FINANCE PLC

Statement of Financial Position
As at 31 December 2023

	Notes	2023 €	2022 €
Assets			
Current assets			
Other receivables	8	1,125,210	672,836
Other financial assets	8	2,995,085	3,432,408
Cash and cash equivalents	8	-	-
Total current assets		4,120,295	4,105,244
Total assets		4,120,295	4,105,244
Liabilities			
Non-current liabilities			
Borrowings	8	3,874,084	3,868,898
Total non-current liabilities		3,874,084	3,868,898
Current liabilities			
Trade and other payables	8	228,760	218,900
Current tax liabilities		15,663	15,663
Total current liabilities		244,423	234,563
Total liabilities		4,118,507	4,103,461
Net assets		1,788	1,783
Equity			
Share capital	9	12,500	12,500
Other reserve		125,000	-
Accumulated losses	9	(135,712)	(10,717)
Total equity		1,788	1,783

The financial statements on pages 14 to 38 were approved and authorised for issue by the Board on 30 April 2024 and were signed on its behalf by:

Ms Hanna Yevheniivna Testa
Director

Mr Jean Paul Testa
Director

Statement of Changes in Equity
For the year ended 31 December 2023

	Share capital €	Accumulated losses €	Other reserve €	Total €
Changes in equity for 2022				
Balance at 1 January 2022	12,500	(1,557)	-	10,943
Loss for the year	-	(9,160)	-	(9,160)
Balance at 31 December 2022	12,500	(10,717)	-	1,783
Changes in equity for 2023				
Balance at 1 January 2023	12,500	(10,717)	-	1,783
Movement in reserve	-	-	125,000	125,000
Loss for the year	-	(124,995)	-	(124,995)
Balance at 31 December 2023	12,500	(135,712)	125,000	1,788

Statement of Cash Flows
For the year ended 31 December 2023

	Note	2023 €	2022 €
Cash flows from operating activities			
Loss before tax		(124,995)	(4,335)
Adjustments for:			
Amortisation of bond issue cost		5,184	5,184
Bond interest payable		214,500	214,500
Expected credit losses		126,284	-
Operating profit before working capital changes		220,973	215,349
Changes in working capital:			
Movement in payables		9,862	9,376
Movement in receivables		(452,374)	(18,286)
Net cash (used in)/generated from operating activities		(221,539)	206,439
Cash flows from financing activities			
Proceeds from/(Payments to) related company		436,039	(1,192,470)
Bond interest paid		(214,500)	(214,500)
Net cash generated from/(used in) financing activities		221,539	(1,406,970)
Net movement in cash and cash equivalents		-	(1,200,531)
Cash and cash equivalents at beginning of year		-	1,200,531
Cash and cash equivalents at end of year	8	-	-

Notes to the Financial Statements
For the year ended 31 December 2023

1 REPORTING ENTITY AND OTHER INFORMATION

Testa Finance PLC is a limited liability company domiciled and incorporated in Malta. The company's registered office is Level 1, Agora Business Centre, Valley Road, Msida. The Company is to act as a finance and investment company to related companies within the Group.

2 BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and comply with the Companies Act, (Cap. 386). They were authorised for issue by the Company's board of directors on 30 April 2024.

Details of the Company's accounting policies are included in Note 14.

3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Euro, which is the Company's functional currency.

4 USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's 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 estimates are recognised prospectively.

4.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are included in the following notes:

- Estimation of current tax expense (note 7).

5 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Standards and interpretations applied during the current year

Amendments and interpretations applicable for the first time in 2023 shown here under have been implemented. The application of the below standards and interpretations do not have an impact on the financial statements of the Company.

Standard	Subject of amendment	Effective date
IFRS 4 Insurance Contracts	Amendments regarding the expiry date of the deferral approach	1 January 2023
IFRS 17 Insurance Contracts	Original issue	1 January 2023
	Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published (includes a deferral of the effective date to annual periods beginning on or after 1 January 2023)	1 January 2023
IAS 1 Presentation of Financial statements	Amendment regarding the disclosure of accounting policies	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Amendments regarding the definition of accounting estimates	1 January 2023
IAS 12 Income Taxes	Amendments regarding deferred tax on leases and decommissioning obligations	1 January 2023
	Amendments to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	1 January 2023

5 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standard	**Subject of amendment**	**Effective date**
IFRS 7 Financial Instruments: Disclosures	Amendments regarding supplier finance arrangements	1 January 2024
IFRS 16 Leases	Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	1 January 2024
IFRS S1 General requirements for Disclosure of Sustainability-related Financial Information	Original issue	1 January 2024
IFRS S2 Climate-related Disclosures	Original issue	1 January 2024
IAS 1 Presentation of Financial statements	Amendments regarding the classification of liabilities	1 January 2024
	Amendment to defer the effective date of the January 2020 amendments	1 January 2024
	Amendments regarding the classification of debt with covenants	1 January 2024
IAS 7 Statement of Cash Flows	Amendments regarding supplier finance arrangements	1 January 2024

The directors are of the opinion that the adoption of these Standards (where applicable) will not have a material impact on the financial statements.

Notes to the Financial Statements (continued)
For the year ended 31 December 2023

6 OTHER INCOME AND EXPENSE ITEMS

6.1 Breakdown of expenses by nature

	2023 €	2022 €
Auditors' remuneration	3,000	3,000
Other expenses	140,185	9,933
Total administrative expenses	143,185	12,933

6.2 Finance costs

	2023 €	2022 €
Amortisation on bond	5,184	5,184
Bond interest	214,500	214,500
Bank charges	-	4
	219,684	219,688

6.3 Finance income

	2023 €	2022 €
Interest income from related company	237,874	228,286
	237,874	228,286

Notes to the Financial Statements (continued)
For the year ended 31 December 2023

7 INCOME TAX EXPENSE

7.1 Income tax expense

	2023 €	2022 €
Current tax		
Current tax on taxable income for the year	-	4,825
Total income tax expense	-	4,825

7.2 Reconciliation of income tax expense

	2023 €	2022 €
Loss before tax	(124,995)	(4,335)
Theoretical tax expense @ 35%	(43,748)	(1,517)
Tax effect of amounts which are not deductible in calculating taxable income:		
Disallowable expenses	5,916	4,528
Expected credit losses	44,199	-
Group loss relief	(8,181)	-
Amortisation of bond issue cost	1,814	1,814
	-	4,825

8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Company holds the following financial instruments:

	Notes	2023 €	2022 €
Financial assets			
Other financial assets at amortised costs	8.2	2,995,085	3,432,408
Other receivables	8.1	1,125,210	672,836
Cash and cash equivalents	8.3	-	-
		4,120,295	4,105,244
Financial liabilities			
Trade and other payables	8.4	228,760	218,900
Borrowings	8.5	3,874,084	3,868,898
Current tax liabilities		15,663	15,663
		4,118,507	4,103,461

8.1 Other receivables

	2023 €	2022 €
Current assets		
Other receivables	214,500	-
Accrued income	910,710	672,836
	1,125,210	672,836

8.2 Other financial assets at amortised cost

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and

- The contractual terms give rise to cash flows that are solely payments of principal and interest.

8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

8.2 Other financial assets at amortised cost (continued)

Financial assets at amortised cost include the following debt investments:

	2023 €	2022 €
Current assets		
Loan from related companies (note)	2,995,085	3,432,408
	2,995,085	3,432,408

Note:

Further information relating to loan from related companies and key management personnel is set out in note 13.

The above amounts are net of expected credit losses as outlined in Note 14.4.5. Expected credit losses for the year amount to € 126,284.

8.3 Cash and cash equivalents

	2023	2022
Current assets		
Cash at bank and in hand	€ -	€ -

8.3.1 Reconciliation to statement of cash flows

The above figures reconcile to the amount of cash shown in the statement of cashflows at the end of the financial year as follows:

	2023	2022
Balance as above	€ -	€ -

8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

8.4 Trade and other payables

	2023 €	2022 €
Current liabilities		
Trade payables	4,107	734
Other payables	11,942	5,955
Accruals	212,711	212,211
	228,760	218,900

8.5 Borrowings

	2023 €	2022 €
Secured		
Amounts falling due after one year:		
Bond loan (note)	3,874,084	3,868,898
Total Borrowings	3,874,084	3,868,898

Note:

Bond loan
On 20 December 2018, the Company issued € 3,900,000 5.5% Unsecured Bonds having a nominal value of € 100 each. The bond issue was admitted to Prospects MTF operated by the Malta Stock Exchange with effect from 9 January 2019. Trading on the bond issue commenced on 10 January 2019. The Bonds are redeemable at par on 9 January 2029. The bond issue costs are being amortised over 10 years.

9 EQUITY

9.1 Share Capital

	2023	2022
Authorised		
500,000 ordinary shares of €1 each	€ 500,000	€ 500,000
Called-up, issued and 25% paid up		
50,000 ordinary shares of €1 each	€ 12,500	€ 12,500

Ordinary shares have a par value of € 1. These shares entitle the holder to participate in dividends and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

9 EQUITY (continued)

9.2 Accumulated losses

The profit and loss account represents accumulated losses as follows:

	€
At 1 January 2022	(1,557)
Loss for the year	(9,160)
At 31 December 2022	(10,717)
At 1 January 2023	(10,717)
Loss for the year	(124,995)
At 31 December 2023	(135,712)

10 LOSS PER SHARE

Loss per share is calculated by dividing the results attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2023	2022
Loss for the year	(124,995)	(9,160)
Weighted number of ordinary shares	50,000	50,000
Loss per share	€ (2.5)	€ (0.18)

11 FINANCIAL RISK MANAGEMENT

The company's risk management is carried out by the board of directors. There are written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and liquidity risk.

11.1 Market risk

(i) Cash flow and fair value interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financial position and cash flows. As at the reporting date, the Company has fixed interest-bearing liabilities. Fixed interest-bearing liabilities consists of bond loan liability. As at the consolidated statement of financial position date, the Company did not have any exposure to changes in interest rates held with financial institutions, as the level of borrowings consists only of fixed rate of interest.

11.2 Credit risk

Credit risk arises from credit exposure to customers and amounts held with financial institutions (note 8). The maximum credit exposure to credit risk at the reporting date in respect of the financial assets was as follows:

	2023	2022
Cash at bank	€ -	€ -

With respect to amounts receivable, the Company assesses on an ongoing basis the credit quality of the third party tenants, taking into account financial position, past experience and other factors. The Company manages credit limits and exposures actively in a practical manner such that there are no material past due amounts receivable from third party tenants as at the reporting date. The Company has no significant concentration of credit risk arising from third parties. As at 31 December 2023 and 2022, the Company had no trade receivables.

11 FINANCIAL RISK MANAGEMENT (continued)

11.2 Credit risk (continued)

The tables below detail, by credit risk rating grades, the gross carrying amount of financial assets.

	12m ECL €	Lifetime ECL (Not credited – impaired) €	Lifetime ECL (credited – impaired but not POCI) €	Total ECL (credited – POCI) €
Loan from related company- 2023				
Internal rating grades		**BB**		
Gross carrying amount at 31 December 2023	-	3,826,774	-	-
Loss allowance at 31 December 2023	-	(126,284)	-	-
Net carrying amount at 31 December 2023	-	3,700,490	-	-

11.3 Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings and trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Company's obligations.

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Balance due within 12 months equal their carrying balances, as the impact of discounting is not significant.

11 FINANCIAL RISK MANAGEMENT (continued)

11.3 Liquidity risk (continued)

	Carrying amounts €	Contractual cash flows €	Within one year €	Between two and five years €	After more than five years €
At 31 December 2023					
Trade and other payables	228,760	228,760	228,760	-	-
Bond loan	3,874,084	5,187,000	214,500	858,000	4,114,500
	4,102,844	5,415,760	443,260	858,000	4,114,500
At 31 December 2022					
Trade and other payables	218,900	218,900	218,900	-	-
Bond loan	3,868,898	5,401,500	214,500	858,000	4,329,000
	4,087,798	5,620,400	433,400	858,000	4,329,000

12 CAPITAL MANAGEMENT

12.1 Risk management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;
- to maintain an optimal capital structure to reduce the cost of capital; and
- to comply with requirements of the Prospectus issued in relation to the 5.5% bonds.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain future development of business. The board of directors monitor the return on capital, which the Company defines as the profit for the year divided by total equity. The board of directors also monitor the level of dividends that may be available to ordinary shareholders.

13 RELATED PARTY TRANSACTIONS

13.1 Parent Entity

The Company is partially-owned subsidiary of Testa Properties Limited, the Group's parent Company. The registered office of the parent Company is situated at Level 1, Agora Business Centre, Valley Road, Msida. The ultimate beneficial owners are Mr Jean Paul Testa and Ms Hanna Yevheniivna Testa.

It is the responsibility of the parent entity to prepare consolidated financial statements of the Group.

13.2 Loans from related companies

	Note	Transaction value year ending 31 December 2023	Transaction value year ending 31 December 2022	Balance outstanding as at 31 December 2023	Balance outstanding as at 31 December 2022
Amounts due from related companies	13.2.1	€ (437,323)	€ 1,192,470	€ 2,995,085	€ 3,432,408

Note:

13.2.1 The amounts due from related companies are unsecured, bear interest at 7% per annum and repayable on demand.

14 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

14.1 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

14 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14.2 TAXATION

The income tax expense represents the sum of the tax currently payable and deferred tax.

14.2.1 Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

14.2.2 Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

14 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14.2 TAXATION (continued)

14.2.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

14.3 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

14.4 FINANCIAL ASSETS

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

14.4.1 Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

14 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14.4 FINANCIAL ASSETS (continued)

14.4.1 Classification of financial assets (continued)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

14.4.2 Write off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

14.4.3 Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company always recognises lifetime Expected Credit Losses (ECL) for trade receivables, contract assets and lease receivables.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

14 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14.4 FINANCIAL ASSETS (continued)

14.4.4 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may has to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

14.4.5 Expected Credit Losses

A loss allowance for ECLs is recognised on the following – financial assets measured at amortised cost, contract assets and debt instruments measured at FVTOCI.

The amount of ECLs is updated at each reporting date to reflect changes in credit risk since the initial recognition.

For trade receivables and contract assets that do not contain a significant financing component (or for which the IFRS 15 practical expedient for contracts that are one year or less is applied), the simplified approach is applied and lifetime ECL is recognised.

Where a collective basis is applied, the ECLs on these financial assets are estimated using a provision matrix based on the historical credit loss experience based on the past due status of the debtors, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For all other financial instruments, the general approach is applied and lifetime ECL is recognised when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to 12-month ECL ('12m ECL'). The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

14 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14.4 FINANCIAL ASSETS (continued)

14.4.5 Expected Credit Losses (continued)

An impairment gain or loss is recognised in profit or loss for all financial assets with a corresponding adjustment to their carrying, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the Fair value reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the risk of a default occurring on the financial instrument as at the reporting date is compared with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, both quantitative and qualitative information that is reasonable and supportable, (including historical experience and forward-looking information that is available without undue cost or effort and, where applicable, the financial position of the counterparties) is considered.

Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Irrespective of the outcome of the above assessment, the credit risk on a financial asset is presumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due, unless there is reasonable and supportable information, that is available without undue cost or effort, that demonstrates otherwise. Despite the above assessment, it is assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. Accordingly, for these financial assets, the loss allowance is measured at an amount equal to 12m ECL.

Definition of default

The following are considered as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors in full (without taking into account any collateral held).

Irrespective of the above analysis, default is considered to have occurred when a financial asset is more than [(for example) 365 days] past due. The 90 days past due presumption is rebutted since there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

14 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14.4 FINANCIAL ASSETS (continued)

14.4.5 Expected Credit Losses (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

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

a. significant financial difficulty of the issuer or the borrower;
b. a breach of contract, such as a default or past due event;
c. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e. the disappearance of an active market for that financial asset because of financial difficulties.

A financial asset is written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

Measurement and recognition of ECLs

For financial assets, the credit loss is the difference between all contractual cash flows that are due in accordance with the contract and all the cash flows that are expected to be received, discounted at the original effective interest rate. ECLs represent the weighted average of credit losses with the respective risks of a default occurring as the weights.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information, where applicable. Where applicable, the financial position of the counterparties is also taken into consideration. Where applicable, forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Collective basis

If evidence of a significant increase in credit risk at the individual instrument level is not yet available, the assessment of significant increases in credit risk is performed on a collective basis by considering information on, for example, a group or sub-group of financial instruments. Where reasonable and supportable information that is available without undue cost or effort to measure lifetime ECL on an individual instrument basis is not available, lifetime ECL is measured on a collective basis. In such instances, the financial instruments are grouped on the basis of shared credit risk characteristics. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

14 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14.5 FINANCIAL LIABILITIES

14.5.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

14.5.2 Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

14.5.3 Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs. This category generally applies to interest-bearing loans and borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

14.5.4 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

14 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14.6 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Dividends are recognised as liability in the period in which they are declared.

TESTA PROPERTIES LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

Company Information

Directors:	Mr Jean Paul Testa Ms Hanna Yevheniivna Testa
Secretary:	Mr Jean Paul Testa
Company number:	C 80524
Registered office:	Level 1, Agora Business Centre Valley Road Msida Malta
Auditors:	KSi Malta The Core Valley Road Msida, MSD9021 Malta (EU)
Bankers:	Bank of Valletta plc Triq il-Halel Bugibba Malta HSBC Bank Malta PLC High Street Sliema Malta

Contents

Report of the Directors
For the year ended 31 December 2023

The directors present their report and the audited financial statements of Testa Properties Limited (the 'Company'), and the consolidated financial statements of the Group of which it is the parent, for the year ended 31 December 2023.

Principal Activity

The Company together with its subsidiaries, are involved in the sale of food and beverages operating under the franchise names of Cibo Pizzeria and Beefbar. The Group includes a subsidiary which holds and leases investment properties, a subsidiary which is involved in the operation of the restaurants and another subsidiary whose primary objective is to act as a financial intermediary to related companies forming part of the Group. The Company leased out one of its investment properties.

Review of Business

EBITDA for the year, excluding other income and Expected Credit Losses amounted to EUR 257,213 (2022 – negative EUR 196,174). This is a significant improvement over 12 months. During the financial year 2023, the three restaurants were operating in full while expenses remained stable from the previous year. The Group aims to continue improving profitability.

Dividends and Reserves

The directors do not recommend the payment of a dividend. As happened in previous years, since inception, no dividends will be distributed in 2023.

Financial Risk Management

The Group's activities potentially expose it to a variety of financial risks: liquidity risk and credit risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Board provides principles for overall risk management, as well as policies covering risks referred to below. The Group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

(a) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that services are made to customers with an appropriate credit history.

Report of the Directors (continued)
For the year ended 31 December 2023

Subsequent Events After Year End

The Directors evaluated subsequent events from 1 January 2024 through 30 April 2024, the date these financial statements were approved. Through such assessment, the directors have determined that no events subsequent to statement of financial position date occurred.

Directors

The following have served as directors of the holding company during the year under review:

Mr Jean Paul Testa
Ms Hanna Yevheniivna Testa

In accordance with the Company's Articles of Association the present directors remain in office.

Directors' Interest

The directors' beneficial interest in the shares of the Company at 31 December 2023 were as follows:

	Ordinary shares of € 1
Ms Hanna Yevheniivna Testa	320,678
Mr Jean Paul Testa	320,678

Statement of Directors' Responsibilities

The Companies Act, (Cap. 386) requires the directors to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the profit or loss of the Group and the Company for that year 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 Group and the holding company will continue in business;
- select suitable accounting policies and apply them consistently from one accounting period to another;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on accruals basis; and
- value separately the components of asset and liability items on a prudent basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act, (Cap. 386). They are also responsible for safeguarding the assets of the Group and Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Directors (continued)
For the year ended 31 December 2023

Statement of Directors' Responsibilities (continued)

The directors, through oversight of management, are responsible to ensure that the Group and the Company establishes and maintains internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

The Directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Group at 31 December 2023, and of the financial performance and the cash flows for the year 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 Group, together with a description of the principal risks and uncertainties that the Group faces.

Going Concern Statement

After making enquiries and having taken into consideration the future plans of the Group, the directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they adopted the going concern basis in the preparation of the financial statements.

Auditors

KSi Malta have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

Mr Jean Paul Testa	Ms Hanna Yevheniivna Testa
Director	Director

Registered address:
Level 1, Agora Business Centre
Valley road
Msida
Malta

30 April 2024

Independent Auditors' Report

To the shareholders of Testa Properties Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Testa Properties Limited (the Group and the Company), set out on pages 8 to 56, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly in all material respects of the Group and the Company as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of 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 year. 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.

Property, Plant, and Equipment

We identified that the Group has Property, Plant, and Equipment (PPE) carried at € 10,651,101 as at 31 December 2023, which was recently revalued upwards by € 99,648. The PPE is material to the financial statements and is disclosed in Note 10 to the financial statements.

Our audit procedures included testing the completeness, accuracy, and valuation of the PPE balances, evaluating the appropriateness of the revaluation methodology and assumptions used, and assessing the adequacy of the disclosures in the financial statements regarding the PPE revaluation.

We also evaluated the Company's internal controls over PPE, including the processes for identifying and recording PPE additions and disposals, assessing the useful lives of assets, and determining the appropriate depreciation rates.

Independent Auditors' Report (continued)

Key Audit Matters (continued)

We identified PPE valuation to be a Key Audit Matter, as it is material to the financial statements and involves significant management judgment and estimation. The revaluation methodology and assumptions used in determining the fair value of the PPE, such as market conditions and economic factors, are subject to inherent risks and uncertainties. Procedures included obtaining and vetting most recent third party valuations of said property and assessing the methodology used.

Nothing has come to our attention that would indicate that the methodology used by third parties is incorrect and therefore that it is materially incorrect.

Other Information

The directors are responsible for the other information. The other information comprises the Report of the Directors and the Statement of Directors' Responsibilities. Our opinion on the financial statements does not cover this information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of the Directors

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated 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 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 Group or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 the 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 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.

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 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.

We communicate with the directors 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Article 177 of the Companies Act

With respect to the Report of the Directors, we also considered whether the Report of the Directors includes the disclosures required by Article 177 of the Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

- the information given in the Report of the Directors for the financial year for which the consolidated financial statements are prepared is consistent with the financial statements; and

- the Report of the Directors has been prepared in accordance with the Maltese Companies Act (Cap.386).

Independent Auditors' Report (continued)

Report on Other Legal and Regulatory Requirements (continued)

Report on Article 177 of the Companies Act (continued)

In addition, in light of the knowledge and understanding of 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 Report of the Directors. We have nothing to report in this regard.

Matters on which we are required to report by exception under the Companies Act

Our Responsibilities

We have responsibilities under the Companies Act, (Cap. 386) enacted in Malta to report to you if, in our opinion:

- The information given in the Report of the Directors is not consistent with the financial statements.
- Adequate accounting records have not been kept.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.

Our Opinion

We have nothing to report to you in respect of these responsibilities.

Other Matter - Use of this Report

Our report, including the opinions, has been prepared for and only for the Group's shareholders as a body in accordance with Article 179 of the Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Appointment

We were first appointed as auditors of the Company on 25 April 2019. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 6 years.

Joseph Gauci (Partner) for and on behalf of
KSi Malta
Certified Public Accountants

The Core
Valley Road
Msida
Malta (EU)

30 April 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2023

		Group		Company	
		2023	2022	2023	2022
	Notes	€	€	€	€
Revenue	6	2,334,366	1,991,861	-	7,800
Cost of sales		(565,546)	(550,503)	-	-
Gross profit		1,768,820	1,441,358	-	7,800
Other income	7	113,564	299,215	3,000	-
Administrative expenses	7	(2,234,853)	(2,305,217)	(78,345)	(67,893)
Operating loss		(352,469)	(564,644)	(75,345)	(60,093)
Movement in fair value of investment property		-	-	99,648	3,945,949
Finance income	7	36,180	49,214	214,888	64,453
Finance costs	7	(412,874)	(417,541)	(215,293)	(213,804)
		(729,163)	(932,971)	23,898	3,736,505
Share of net losses of subsidiaries accounted for using the equity method		-	-	-	(10,943)
(Loss)/ Profit before tax		(729,163)	(932,971)	23,898	3,725,562
Income tax	8	163,097	143,939	(36,990)	(359,270)
(Loss)/ Profit for the year		(566,066)	(789,032)	(13,092)	3,366,292
Other comprehensive income for the year					
Revaluation of property, net of deferred tax		62,658	3,587,848	-	-
Total comprehensive (loss)/profit for the year		(503,408)	2,798,816	(13,092)	3,366,292

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)
For the year ended 31 December 2023

		Group		Company	
		2023	2022	2023	2022
	Notes	€	€	€	€
(Loss)/ Profit for the year attributable to:					
Owners of Company		(566,066)	(789,032)	(13,092)	3,366,292
Non-controlling interest		-	-	-	-
		(566,066)	(789,032)	(13,092)	3,366,292
Total comprehensive (loss)/profit for the year attributable to:					
Owners of Company		(503,408)	2,798,816	(13,092)	3,366,292
Non-controlling interest		-	-	-	-
		(503,408)	2,798,816	(13,092)	3,366,292
Earnings per share	9	(0.88)	(1.23)	(0.02)	5.25

Consolidated Statement of Financial Position
As at 31 December 2023

		Group		Company	
		2023	2022	2023	2022
	Notes	€	€	€	€
Assets					
Property, plant and equipment	10	10,651,101	11,180,294	504,825	564,291
Investment properties	10	739,800	640,152	7,901,807	7,802,159
Right-of-use assets	10	686,931	772,739	-	-
Intangible assets	10	160,000	195,000	-	-
Investment in subsidiaries	16	-	-	-	-
Deferred tax assets	10	547,177	384,080	-	-
Total non-current assets		12,785,009	13,172,264	8,406,632	8,366,450
Inventories	10	92,888	33,652	-	-
Amounts due from related companies	11	5,150	-	-	-
Trade and other receivables	11	1,035,192	1,115,714	-	-
Cash and cash equivalents	11	106,495	120,892	2,448	650
Total current assets		1,239,725	1,270,258	2,448	650
Total assets		14,024,734	14,442,522	8,409,080	8,367,100
Liabilities					
Borrowings	11	6,922,894	7,435,771	1,172,548	1,409,320
Deferred tax liabilities	10	427,098	390,108	427,098	390,108
Total non-current liabilities		7,349,992	7,825,879	1,599,646	1,799,428
Borrowings	11	811,570	748,151	2,782,155	2,675,825
Trade and other payables	11	2,751,267	2,378,179	644,973	496,449
Current tax liabilities		15,663	15,663	-	-
Total current liabilities		3,578,500	3,141,993	3,427,128	3,172,274
Total liabilities		10,928,492	10,967,872	5,026,774	4,971,702
Net assets		3,096,242	3,474,650	3,382,306	3,395,398

Consolidated Statement of Financial Position (continued)
As at 31 December 2023

		Group		Company	
		2023	2022	2023	2022
	Notes	€	€	€	€
Equity					
Share capital	12	641,356	641,356	641,356	641,356
Other reserve	12	125,000	-	-	-
Revaluation reserve	12	3,650,506	3,587,848	-	-
(Accumulated losses)/Retained earnings	12	(1,320,623)	(754,557)	2,740,950	2,754,042
Equity attributable to owners of the Group		3,096,239	3,474,647	3,382,306	3,395,398
Non-controlling interest	13	3	3	-	-
Total equity		3,096,242	3,474,650	3,382,306	3,395,398

The consolidated financial statements set out on pages 8 to 56 were approved and authorised for issue by the Board on 30 April 2024 and were signed on its behalf by:

Mr Jean Paul Testa
Director

Ms Hanna Yevheniivna Testa
Director

Consolidated Statement of Changes in Equity
For the year ended 31 December 2023

Group

	Share capital €	Accumulated losses €	Other reserve €	Revaluation reserve €	Non-controlling interest €	Total €
Changes in equity for 2022						
Balance at 1 January 2022	641,356	(641,527)	676,002	-	3	675,834
Loss for the year	-	(789,032)	-	-	-	(789,032)
Total comprehensive income	641,356	(1,430,559)	676,002	-	3	(113,198)
Capitalisation of other reserve		676,002	(676,002)	-	-	-
Revaluation of property, net of deferred tax	-	-	-	3,587,848	-	3,587,848
Balance at 31 December 2022	641,356	(754,557)	-	3,587,848	3	3,474,650
Changes in equity for 2023						
Balance at 1 January 2023	641,356	(754,557)	-	3,587,848	3	3,474,650
Movement in other reserve	-	-	125,000	-	-	125,000
Loss for the year	-	(566,066)	-	-	-	(566,066)
Revaluation of property, net of deferred tax	-	-	-	62,658	-	62,658
Balance at 31 December 2023	641,356	(1,320,623)	125,000	3,650,506	3	3,096,242

Consolidated Statement of Changes in Equity (continued)
For the year ended 31 December 2023

Company

	Share capital €	Retained Earnings/ (Accumulated Losses) €	Total €
Changes in equity for 2022			
Balance at 1 January 2022	641,356	(612,250)	29,106
Profit for the year	-	3,366,292	3,366,292
Balance at 31 December 2022	641,356	2,754,042	3,395,398
Changes in equity for 2023			
Balance at 1 January 2023	641,356	2,754,042	3,395,398
Loss for the year	-	(13,092)	(13,092)
Balance at 31 December 2023	641,356	2,740,950	3,382,306

Consolidated Statement of Cash Flows
For the year ended 31 December 2023

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Cash flows from operating activities				
(Loss)/Profit before tax	(729,163)	(932,971)	23,898	3,725,562
Adjustments for:				
Depreciation	707,965	730,075	59,466	59,466
Amortisation	35,000	35,000	-	-
Share of net losses of subsidiaries accounted for using the equity method	-	-	-	10,943
Amortisation of bond issue costs	5,184	5,184	-	-
Profit on disposal of ROU assets	-	(5,658)	-	(5,658)
Expected credit losses	-	-	17	-
Revaluation on investment property	-	-	(99,648)	(3,945,949)
Expected credit losses	73,041	-	-	-
Impairment of intangible assets	-	50,000	-	-
Bond interest payable	214,500	214,500	-	-
Interest expense	20,672	22,876	-	-
Operating profit/(loss) before working capital changes:	327,199	119,006	(16,267)	(155,636)
Movement in trade and other receivables	7,496	862,139	-	232,500
Movement in inventories	(59,236)	(13,098)	-	-
Movement in trade and other payables	278,424	324,655	148,522	140,029
Cash generated from operations	553,883	1,292,702	132,255	216,893
Tax paid	-	(1,170)	-	(1,170)
Net cash generated from operating activities	553,883	1,291,532	132,255	215,723
Cash flows from investing activities				
Payments for property, plant and equipment	(92,964)	(3,787,176)	-	(3,216,058)
Net cash used in investing activities	(92,964)	(3,787,176)	-	(3,216,058)

Consolidated Statement of Cash Flows (continued)
For the year ended 31 December 2023

	Note	Group 2023 €	Group 2022 €	Company 2023 €	Company 2022 €
Cash flows from financing activities					
(Repayment of)/Proceeds from bank loans		(287,481)	1,841,535	(226,035)	1,639,178
Advances from subsidiary company loans		-	-	95,795	1,361,807
Advances to related companies		(5,150)	-	-	-
Advances from/(to) shareholders		107,961	1,450	(200)	-
Advances to third party		(140,026)	(99,133)	-	-
Bond interest paid		(214,500)	(214,500)	-	-
Net cash (used in)/generated from financing activities		(539,196)	1,529,352	(130,440)	3,000,985
Net movement in cash and cash equivalents		(78,277)	(966,292)	1,815	650
Cash and cash equivalents at beginning of year		120,892	1,087,184	650	-
Expected credit losses		(17)	-	(17)	-
Cash and cash equivalents at end of year	11	42,598	120,892	2,448	650

Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

1 REPORTING ENTITY AND OTHER INFORMATION

Testa Properties Limited is a limited liability company domiciled and incorporated in Malta. Its ultimate controlling parties are Mr Jean Paul Testa and Ms Hanna Yevheniivna Testa. The registered office of the Company is disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described in note 16.

The following is a list of retail outlets that operate within the Group:

Brand	**Subsidiary**	**Address**
Cibo Pizzeria	Testa Catering Concepts Limited	Dawret Il-Gzejjer, San Pawl il-Baħar
Beefbar on the Beach	Testa Catering Concepts Limited	Dawret Il-Gzejjer, San Pawl il-Baħar
Beefbar in the City	Testa Catering Concepts Limited	The Mall, The Phoenicia Malta, Floriana

2 BASIS OF ACCOUNTING

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) and as adopted by the European Union (EU), and in accordance with the Companies Act. They were authorised for issue by the Company's board of directors on 30 April 2024.

Details of the Group's accounting policies are included in Note 19.

3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Euro, which is the Company's functional currency.

4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) AND IFRS SUSTAINABILITY DISCLOSURE STANDARDS

Standards and interpretations applied during the current year

Amendments and interpretations applicable for the first time in 2023 shown here under have been implemented. The application of the below standards and interpretations do not have an impact on the financial statements of the Group.

Standard	Subject of amendment	Effective date
IFRS 4 Insurance Contracts	Amendments regarding the expiry date of the deferral approach	1 January 2023
IFRS 17 Insurance Contracts	Original issue Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published (includes a deferral of the effective date to annual periods beginning on or after 1 January 2023)	1 January 2023 1 January 2023
IAS 1 Presentation of Financial statements	Amendment regarding the disclosure of accounting policies	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Amendments regarding the definition of accounting estimates	1 January 2023
IAS 12 Income Taxes	Amendments regarding deferred tax on leases and decommissioning obligations Amendments to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	1 January 2023 1 January 2023

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) AND IFRS SUSTAINABILITY DISCLOSURE STANDARDS (continued)

Standards issued but not yet effective (continued)

Standard	Subject of amendment	Effective date
IFRS 7 Financial Instruments: Disclosures	Amendments regarding supplier finance arrangements	1 January 2024
IFRS 16 Leases	Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	1 January 2024
IFRS S1 General requirements for Disclosure of Sustainability-related Financial Information	Original issue	1 January 2024
IFRS S2 Climate-related Disclosures	Original issue	1 January 2024
IAS 1 Presentation of Financial statements	Amendments regarding the classification of liabilities	1 January 2024
	Amendment to defer the effective date of the January 2020 amendments	1 January 2024
	Amendments regarding the classification of debt with covenants	1 January 2024
IAS 7 Statement of Cash Flows	Amendments regarding supplier finance arrangements	1 January 2024

The directors are of the opinion that the adoption of these Standards (where applicable) will not have a material impact on the consolidated financial statements.

5 USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's 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 estimates are recognised prospectively.

5.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Estimation of current tax payable and current tax expense – note 8;
- Estimated useful life of property, plant and equipment – note 10;
- Recognition of deferred tax assets/(liabilities) – note 10;
- Leases: whether an arrangement contains a lease – note 10;
- Leases classification – note 10.

6 REVENUE

The Group derives its revenue as disclosed in note 19.3 and as per below:

	Group		**Company**	
	2023	2022	2023	2022
	€	€	€	€
Sale of food and beverages	2,334,366	1,913,427	-	-
Rental income	-	7,800	-	7,800
Other sales	-	70,634	-	-
	2,334,366	1,991,861	-	7,800

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2023

7 OTHER INCOME AND EXPENSE ITEMS

7.1 Other Income

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Lease modification	108,590	100,000	-	-
COVID-19 wage supplement	-	191,715	-	-
COVID-19 Water & Electricity supplement	-	7,500	-	-
Insurance claims	4,974	-	-	-
Management fee	-	-	3,000	-
	113,564	299,215	3,000	-

7.2 Breakdown of expenses by nature

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Staff salaries (note 7.3)	581,072	528,016	-	-
Directors' remuneration	51,426	121,025	-	-
Depreciation	622,157	644,268	59,466	59,466
Depreciation – right of use	85,808	85,808	-	-
Amortisation	35,000	35,000	-	-
Audit fees	16,500	13,000	3,000	2,000
Loss/(Profit) on disposal	-	139,212	-	-
Other expenses	842,890	738,888	15,879	6,427
	2,234,853	2,305,217	78,345	67,893

7.3 Staff Salaries

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Wages and salaries	548,577	495,488	-	-
Employers NI	32,495	32,528	-	-
	581,072	528,016	-	-

Note:

The average number of persons employed by the Group during the current year was 33 (2022:36) (Company: Nil).

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2023

7 OTHER INCOME AND EXPENSE ITEMS (continued)

7.4 Finance costs

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Interest on bank overdraft and loans	149,157	132,101	73,980	64,453
Bank charges	22,460	37,921	405	6,431
Other interest	901	4,959	-	-
Amortisation of bond issue cost	5,184	5,184	-	-
Bond interest	214,500	214,500	-	-
Finance charge in respect of finance lease	20,672	22,876	-	-
Interest expense to related company	-	-	140,908	142,920
	412,874	417,541	215,293	213,804

7.5 Finance income

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Loan interest income	36,180	49,214	-	-
Interest income from related company	-	-	214,888	64,453
	36,180	49,214	214,888	64,453

8 INCOME TAXES

8.1 Income tax

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Current tax:				
Current tax on taxable income for the year	-	4,825	-	-
FWT on rental income	-	1,170	-	1,170
Total current tax liabilities	-	5,995	-	1,170
Deferred tax (income)/expense:				
Temporary differences arising on unabsorbed capital allowances and tax losses	(163,097)	(149,934)	36,990	358,100
Total income tax recognised in the current year	(163,097)	(143,939)	36,990	359,270

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2023

8 INCOME TAXES (continued)

8.2 Reconciliation of income tax

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
(Loss)/Profit before tax	(729,163)	(932,971)	23,898	3,725,562
Theoretical taxation expense at 35%	(255,207)	(326,540)	8,364	1,303,947
Disallowable expenses	11,619	4,528	5,700	57,202
Depreciation	60,393	60,393	20,813	20,813
Amortisation of goodwill	12,250	12,250	-	-
Amortisation on bond issue cost	1,814	1,814	-	-
Fines and penalties	11,593	24,849	-	-
Deferred tax on investment property	-	-	36,990	358,100
Fair value gain on property	-	-	(34,877)	(1,381,082)
Rental income	-	(1,560)	-	(1,560)
Other expenses	2,055	57,203	-	-
Donations	700	-	-	-
Expected credit losses	25,558	-	-	-
Release on disposal	-	(1,980)	-	(1,980)
Disposal on right-of-use	-	15,705	-	-
Permanent difference- IFRS16	4,135	4,439	-	-
Other income	(38,007)	-	-	-
Other adjustments	-	4,960	-	-
Share of profits accounted for using the equity method	-	-	-	3,830
	(163,097)	(143,939)	36,990	359,270

9 (LOSS)/EARNINGS PER SHARE

(Loss)/Earnings per share is calculated by dividing the results attributable to owners of the Group by the weighted average number of ordinary shares in issue during the year.

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
(Loss)/Profit for the year	(566,066)	(789,032)	(13,092)	3,366,292
Weighted number of ordinary shares	641,356	641,356	641,356	641,356
Basic earnings per share	(0.88)	(1.23)	(0.02)	5.25

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2023

10 NON-FINANCIAL ASSETS AND LIABILITIES

10.1 Property, plant and equipment

Group	Land and buildings €	Improvements to premises €	Air-conditioning €	Furniture & €	Motor vehicles €	Computer equipment €	Computer software €	Electrical & plumbing installations €	Catering equipment €	Motor boats €	Lifts €	Total €
Cost/Revalued amount												
At 1 January 2022	-	990,801	39,808	2,241,340	87,871	123,452	5,809	1,793,017	423,755	-	84,746	5,790,599
Additions	3,216,058	140,036	-	255,683	-	10,276	-	43,342	121,781	-	-	3,787,176
Revaluation	3,945,949	-	-	-	-	-	-	-	-	-	-	3,945,949
At 31 December 2022	7,162,007	1,130,837	39,808	2,497,023	87,871	133,728	5,809	1,836,359	545,536	-	84,746	13,523,724
At 1 January 2023	7,162,007	1,130,837	39,808	2,497,023	87,871	133,728	5,809	1,836,359	545,536	-	84,746	13,523,724
Additions	-	-	-	11,401	-	1,301	10,500	-	-	69,763	-	92,965
At 31 December 2023	7,162,007	1,130,837	39,808	2,508,424	87,871	135,029	16,309	1,836,359	545,536	69,763	84,746	13,616,689
Depreciation												
At 1 January 2022	-	243,348	8,030	668,987	60,461	91,843	5,281	380,101	215,686	-	25,426	1,699,163
Charge for the year	-	113,085	2,787	249,702	14,971	33,432	528	128,546	92,741	-	8,475	644,267
At 31 December 2022	-	356,433	10,817	918,689	75,432	125,275	5,809	508,647	308,427	-	33,901	2,343,430
At 1 January 2023	-	356,433	10,817	918,689	75,432	125,275	5,809	508,647	308,427	-	33,901	2,343,430
Charge for the year	-	113,085	2,787	250,842	12,439	3,641	2,625	128,546	92,741	6,976	8,475	622,157
At 31 December 2023	-	469,518	13,604	1,169,531	87,871	128,916	8,434	637,193	401,168	6,976	42,376	2,965,587
Carrying amounts												
At 31 December 2023	7,162,007	661,319	26,204	1,338,893	-	6,113	7,875	1,199,166	144,368	62,787	42,370	10,651,101
At 31 December 2022	7,162,007	774,404	28,991	1,578,334	12,439	8,453	-	1,327,712	237,109	-	50,845	11,180,294

10 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

10.1 Property, plant and equipment (continued)

10.1.1 Valuation techniques used to determine level 2 fair values

The Group has engaged an independent asset valuer to value its properties using a fair value measurement approach in accordance. The properties have been valued using Level 2 inputs, which are observable inputs, direct or indirect, such as quoted prices for similar assets or liabilities in markets that are not active.

The Level 2 inputs used in the valuation included market data for similar properties in the same location. For higher value properties, more in-depth data has been analysed and provided by the valuer. The independent asset valuer also considered the physical condition of the property and its current and potential use.

The fair value measurement of the properties as at the reporting date was determined to be € 7,162,007.

The Group has reviewed the valuation report prepared by the independent asset valuer and has assessed the appropriateness of the valuation methodology and the inputs used in the valuation. The Company believes that the fair value measurement of the property represents a reasonable estimate of the property's value as at the reporting date.

Group	Fair value €
2023/2022	
Serena Beach Club, Islets Promenade, Bugibba, St. Paul's Bay	7,162,007
	7,162,007

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2023

10 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

10.1 Property, plant and equipment (continued)

Company	Electrical & plumbing installations €	Furniture & Fittings €	Total €
Cost			
At 31 December 2022	691,655	110,500	802,155
At 31 December 2023	691,655	110,500	802,155
Depreciation			
At 1 January 2022	145,248	33,150	178,398
Charge for the year	48,416	11,050	59,466
At 31 December 2022	193,664	44,200	237,864
At 1 January 2023	193,664	44,200	237,864
Charge for the year	48,416	11,050	59,466
At 31 December 2023	242,080	55,250	297,330
Carrying amounts			
At 31 December 2023	449,575	55,250	504,825
At 31 December 2022	497,991	66,300	564,291

10.1.1 Depreciation

Items of property, plant and equipment are recognised at historical costs less depreciation. Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of the residual values, over the estimated useful lives or, in the case of leasehold property the shorter lease term as follows:

	%
Improvements to premises	10
Air-conditioning	16.66
Furniture and fixtures	10
Motor vehicles	20
Office equipment	25
Computer software	25
Catering equipment	16.66
Electrical & plumbing installations	6.99
Lifts	10
Motor boats	10

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2023

10 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

10.2 Right-of-use assets

Right of use assets includes immovable property held by the Group/Company under finance lease.

Group	Leased property €	Total €
Cost		
At 1 January 2022	471,710	471,710
Additions	858,547	858,547
Disposal	(471,710)	(471,710)
At 31 December 2022	858,547	858,547
At 1 January 2023	858,547	858,547
Additions	-	-
At 31 December 2023	858,547	858,547
Depreciation		
At 1 January 2022	377,368	377,368
Charge for the year	85,808	85,808
Release on disposal	(377,368)	(377,368)
At 31 December 2022	85,808	85,808
At 1 January 2023	85,808	85,808
Charge for the year	85,808	85,808
At 31 December 2023	171,616	171,616
Carrying amounts		
At 31 December 2023	686,931	686,931
At 31 December 2022	772,739	772,739

Notes to, the Consolidated Financial Statements (continued)
For the year ended 31 December 2023

10 NON-FINANCIAL ASSETS AND LIABILITES (continued)

10.3 Investment properties

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Leased property				
Opening balance at 1 January	640,152	640,152	7,802,159	640,152
Additions	-	-	-	3,216,058
Movement in fair value	99,648	-	99,648	3,945,949
Balance at close of year	739,800	640,152	7,901,807	7,802,159

10.3.1 Valuation techniques used to determine level 2 fair values

The Group has engaged an independent asset valuer to value its properties using a fair value measurement approach in accordance. The properties have been valued using Level 2 inputs, which are observable inputs, direct or indirect, such as quoted prices for similar assets or liabilities in markets that are not active.

The Level 2 inputs used in the valuation included market data for similar properties in the same location. For higher value properties, more in-depth data has been analysed and provided by the valuer. The independent asset valuer also considered the physical condition of the property and its current and potential use.

The fair value measurement of the properties of the Group as at the reporting date was determined to be €739,800, whilst the fair value measurement of the properties of the Company as at the reporting date was determined to be €7,901,807.

The Group has reviewed the valuation report prepared by the independent asset valuer and has assessed the appropriateness of the valuation methodology and the inputs used in the valuation. The Group believes that the fair value measurement of the property represents a reasonable estimate of the property's value as at the reporting date.

Group	Fair value
	€
2022	
Investment property:	
Apartment 2, Les Lapins, Triq il-Markizi Zimmermann Barbaro, Sliema	320,740
Apartment 1, Block 1, Salina Park, Triq Andrew Cunningham, Qawra	319,412
	640,152
2023	
Investment property:	
Apartment 2, Les Lapins, Triq il-Markizi Zimmermann Barbaro, Sliema	367,800
Apartment 1, Block 1, Salina Park, Triq Andrew Cunningham, Qawra	372,000
	739,800

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2023

10 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

10.3 Investment properties (continued)

10.3.1 Valuation techniques used to determine level 2 fair values (continued)

Company	Fair value €
2022	
Apartment 2, Les Lapins, Triq il-Markizi Zimmermann Barbaro, Sliema	320,740
Apartment 1, Block 1, Salina Park, Triq Andrew Cunningham, Qawra	319,412
Serena Beach Club, Islets Promenade, Bugibba, St. Paul's Bay	7,162,007
	7,802,159
2023	
Apartment 2, Les Lapins, Triq il-Markizi Zimmermann Barbaro, Sliema	367,800
Apartment 1, Block 1, Salina Park, Triq Andrew Cunningham, Qawra	372,000
Serena Beach Club, Islets Promenade, Bugibba, St. Paul's Bay	7,162,007
	7,901,807

10 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

10.4 Intangible assets

Group	Royalties €	Total €
Cost		
At 1 January 2022	400,000	400,000
Impairment	(50,000)	(50,000)
At 31 December 2022	350,000	350,000
At 1 January 2023	350,000	350,000
Impairment	-	-
At 31 December 2023	350,000	350,000
Amortisation		
At 1 January 2022	120,000	120,000
Amortisation for the year	35,000	35,000
At 31 December 2022	155,000	155,000
At 1 January 2023	155,000	155,000
Amortisation for the year	35,000	35,000
At 31 December 2023	190,000	190,000
Carrying amounts		
At 31 December 2023	160,000	160,000
At 31 December 2022	195,000	195,000

Note:

Intangible assets are non-monetary assets without physical substance that the Group controls and from which future economic benefits are expected. These assets are recognised in the financial statements if it is probable that expected future economic benefits will flow to the entity and cost can be measured reliably.

The Group's intangible assets include goodwill and acquired franchise rights in relation to international brands and are measured at cost less any accumulated amortisation and impairment losses. During 2022, the carrying amount of royalties has been reduced to its recovable amount through recognition of an impairment loss. This loss is included in administrative expenses in the statement of profit or loss.

10 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

10.5 Deferred tax balances

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
The balances comprises temporary differences attributable to:				
Deferred tax asset	547,177	384,080	-	-
Investment property	(427,098)	(390,108)	(427,098)	(390,108)
	120,079	(6,028)	(427,098)	(390,108)

10.5.1 Deferred tax assets

	Total Group	Total Company
	€	€
At 1 January 2022	234,141	-
Debited:		
- to profit or loss	149,939	-
At 31 December 2022	384,080	-
At 1 January 2023	384,080	-
Debited:		
- to profit or loss	163,097	-
At 31 December 2023	547,177	-

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2023

10 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

10.5.2 Deferred tax liabilities

	Total Group	Total Company
	€	€
At 1 January 2022		
Debited:	(32,008)	(32,008)
to profit or loss	-	(358,100)
to other comprehensive income	(358,100)	-
At 31 December 2022	(390,108)	(390,108)
At 1 January 2023		
Debited:	(390,108)	(390,108)
to profit or loss	-	(36,990)
to other comprehensive income	(36,990)	-
At 31 December 2023	(427,098)	(427,098)

10.6 Inventories

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Inventories	92,888	33,652	-	-

11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group/Company hold the following financial instruments:

		Group		Company	
		2023	2022	2023	2022
	Notes	€	€	€	€
Financial assets					
Financial assets at amortised cost					
Other financial assets		5,150	-	-	-
Trade and other receivables	11.1	1,035,192	1,115,714	-	-
Cash and cash equivalents	11.2	106,495	120,892	2,448	650
		1,146,837	1,236,606	2,448	650
Financial liabilities					
Liabilities at amortised cost					
Trade and other payables	11.3	2,751,267	2,378,179	644,973	496,449
Borrowings	11.4	7,734,464	8,183,922	3,954,703	4,085,145
		10,485,731	10,562,101	4,599,676	4,581,594

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2023

11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

11.1 Trade and other receivables

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Current assets				
Trade and other receivables	1,020,710	1,101,663	-	-
Prepayments and accrued income	14,482	14,051	-	-
	1,035,192	1,115,714	-	-

Note:

The above amounts are net of expected credit losses as outlined in Note 19.14. Expected credit losses for the year amount to € 73,024.

11.2 Cash and cash equivalents

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Cash at bank	17,168	114,824	-	-
Cash in hand	89,327	6,068	2,448	650
	106,495	120,892	2,448	650

Note:

The above amounts are net of expected credit losses as outlined in Note 19.14. Expected credit losses for the year amount to € 17.

11.2.1 Reconciliation to cash flow statement

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Cash at bank and in hand	106,512	120,892	2,465	650
Expected credit losses	(17)		(17)	-
Bank overdraft	(63,897)	-	-	-
	42,598	120,892	2,448	650

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2023

11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

11.3 Trade and other payables

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Current liabilities				
Trade payables	860,807	912,786	3,970	360
Other payables	10,773	5,959	-	-
FSS/NI payable	763,296	647,375	-	-
VAT payable	880,961	579,433	33,409	31,006
Accruals	235,430	232,626	607,594	465,083
	2,751,267	2,378,179	644,973	496,449

11.4 Borrowings

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Secured				
Current liabilities				
Leased liabilities (note e)	91,427	93,553	-	-
Bank loan (note a)	440,197	281,483	240,594	229,858
Bank overdraft (note b)	63,897	-	-	-
	595,521	375,036	240,594	229,858
Unsecured				
Current liabilities				
Amounts due to third parties (note c)	204,293	344,319	-	-
Amounts due to related party (note d)	11,756	28,796	28,596	28,796
Amounts due to group companies (note d)	-	-	2,512,965	2,417,171
	216,049	373,115	2,541,561	2,445,967
Total secured/unsecured current liabilities	811,570	748,151	2,782,155	2,675,825
Secured				
Non-Current liabilities				
Bond loan	3,874,082	3,868,898	-	-
Leased liabilities (note e)	620,003	691,870	-	-
Bank loan (note a)	2,428,809	2,875,003	1,172,548	1,409,320
Total secured non-current liabilities	6,922,894	7,435,771	1,172,548	1,409,320
Total borrowings	7,734,464	8,183,922	3,954,703	4,085,145

11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

11.4 Borrowings (continued)

a. Bank loans

The Group holds bank loan facilities with its bankers. The BOV MDB COVID-19 ASSIST bank loan was absorbed by another bank loan. This revised loan has a nominal value of € 1,312,000. It bears interest at 4.75% and is repayable in monthly instalments of € 8,500 and as from February 2024 € 19,700 monthly. The monthly installment may vary according to the third- and fourth-year monthly repayments. The facility shall be repaid over a period of 10 years.

The Group has acquired another two loans from the bank; (i) to settle outstanding trade creditors and (ii) to acquire a property. The loans have a nominal value of € 220,000 and € 1,800,000 respectively and bear interest of 4.75% per annum. The loans are repayable in monthly instalments. The monthly installment may vary according to the third- and fourth-year monthly repayments. The facilities shall be repaid over a period of 8 years.

The bank loans are secured by a general hypothec over the present and future assets of the Group.

b. Bank overdraft

The Group enjoys bank overdraft facilities with its bankers. These facilities are secured by general hypothecs over the Group's assets, by special hypothecs over properties of the Group, by pledges taken over various insurance policies and by personal guarantees of the directors and shareholders. The annual interest rate on bank overdrafts is 5.65%.

c. Amounts due to third parties

Amounts due to third parties are interest free and have no fixed date of repayment.

d. Borrowings from related companies/party

The borrowings obtained from companies within the Group are unsecured, bear interest at 7% per annum and repayable on demand.

Amounts due to related party are unsecured, interest free and repayable on demand.

e. Leased liabilities

The Group has two leased properties; a lease for the office in Mriehel and a lease for Beefbar in the City at Phoenicia Hotel. The total carrying amount of the leases amount to € 711,430 under finance leases.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2023

12 EQUITY

12.1 Share capital

	Company 2023 €	Company 2022 €
Authorised		
641,356 ordinary shares of €1 each	641,356	641,356
Called-up, issued and fully paid		
641,356 ordinary shares of €1 each	641,356	641,356

12.2 Retained earnings/(Accumulated losses)

Group	€
At 1 January 2022	(641,527)
Loss for the year attributable to owners	(789,032)
Reclassification from other reserve	676,002
At 31 December 2022	(754,557)
At 1 January 2023	(754,557)
Loss for the year attributable to owners	(566,066)
At 31 December 2023	(1,320,623)

Company	€
At 1 January 2022	(612,250)
Profit for the year	3,366,292
At 31 December 2022	2,754,042
At 1 January 2023	2,754,042
Loss for the year	(13,092)
At 31 December 2023	2,740,950

12 EQUITY (continued)

12.3 Other reserve

The other reserve consists of funds given by the ultimate beneficiary owners of Testa Properties Limited.

12.4 Revaluation reserve

During the year, the Group's property was revalued by MMK Studio an independent valuer not related to the Group. The valuation conforms to International Valuation Standards. The fair value of the investment property was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

The revaluation reserve includes the revaluation of the property net of deferred tax.

13 NON-CONTROLLING INTEREST

Group	€
At 1 January 2022	3
For the year	-
At 31 December 2022	3
At 1 January 2023	3
For the year	-
At 31 December 2023	3

14 FINANCIAL RISK MANAGEMENT

14.1 Financial risk management objectives

The Group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Board provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial year.

14 FINANCIAL RISK MANAGEMENT (continued)

14.2 Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The Group has no significant currency risk since substantially all assets and liabilities are denominated in Euro.

(ii) Cash flow and fair value interest rate risk

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financial position and cash flows. As at the reporting date, the Group has variable interest-bearing liabilities.

As at the consolidated balance sheet date, the Group's exposure to changes in interest rates on bank overdrafts and bank loans held with financial institutions was limited as the level of borrowings with variable interest-bearing liabilities is immaterial with the level of borrowings.

14.3 Credit risk

Credit risk arises from credit exposure to customers and amounts held with financial institutions (notes 11.1 and 11.2). The maximum credit exposure to credit risk at the reporting date in respect of the financial assets was as follows:

	Group	
	2023	2022
	€	€
Trade and other receivables	1,035,192	1,115,714
Cash at bank	106,495	120,892
	1,141,687	1,236,606

Trade and other receivables and cash at bank are presented net of an allowance for doubtful debts using an ECL model.

14 FINANCIAL RISK MANAGEMENT (continued)

14.3 Credit risk (continued)

The tables below detail, by credit risk rating grades, the gross carrying amount of financial assets.

Group	12m ECL €	Lifetime ECL (Not credited – impaired) €	Lifetime ECL (credited – impaired but not POCI) €	Total ECL (credited – POCI) €
Loan from related company- 2023				
Internal rating grades				
Gross carrying amount at 31 December 2023	-	5,372,059	-	-
Loss allowance at 31 December 2023	-	(177,278)	-	-
Net carrying amount at 31 December 2023	-	5,194,781	-	-
Trade receivables-2023				
Internal rating grades				
Performing (1)				
Doubtful (2)				
In Default (3)				
Gross carrying amount at 31 December 2023	25,332	50,665	751,423	-
Loss allowance at 31 December 2023	(41)	(410)	(72,746)	-
Net carrying amount at 31 December 2023	25,291	50,255	678,677	-

Notes:

1) Performing – The counterparty has a low risk of default and does not have any past due amounts (12-month ECL).

2) Doubtful – Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition (Lifetime ECL – not credit-impaired).

3) In default – Amount is >90 days past due or there is evidence indicating the asset is credit impaired (Lifetime ECL – credit-impaired).

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2023

14 FINANCIAL RISK MANAGEMENT (continued)

14.3 Credit risk (continued)

Group	Days past due - simplified approach					
	Current	31-60	61-90	91-120	>120	Total
Expected credit loss rate	0.16%	0.81%	1.49%	3.20%	9.87%	
Estimated total gross carrying amount at default	**25,332**	**50,665**	**-**	**25,332**	**726,091**	**827,420**
Lifetime ECL at 31 December 2023	**(41)**	**(410)**	**-**	**(811)**	**(71,665)**	**(72,927)**
Net carrying amount at 31 December 2023	**25,291**	**50,255**	**-**	**24,521**	**654,426**	**754,493**

14 FINANCIAL RISK MANAGEMENT (continued)

14.3 Credit risk (continued)

Group	12m ECL	Lifetime ECL (Not credited – impaired)	Lifetime ECL (credited – impaired but not POCI)	Total ECL (credited – POCI)
	€	€	€	€
Other receivables and prepayments - 2023				
External rating grades	**Risk free**			
Gross carrying amount at 31 December 2023	60,265	-	-	-
Loss allowance at 31 December 2023	(96)	-	-	-
Net carrying amount at 31 December 2023	60,169	-	-	-
Bank balances- 2023				
External rating grades	**BBB**			
Gross carrying amount at 31 December 2023	2,465	-	-	-
Loss allowance at 31 December 2023	(17)	-	-	-
Net carrying amount at 31 December 2023	2,448	-	-	-

14.4 Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings and trade and other payables (note 11.3 and 11.4). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Group's obligations and ensuring that alternative funding is available when the bonds are due for repayment.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Balance due within 12 months equal their carrying balances, as the impact of discounting is not significant.

14 FINANCIAL RISK MANAGEMENT (continued)

14.4 Liquidity risk (continued)

Group

	Carrying amounts €	Contractual cash flows €	Within one year €	Between two and five years €	After five years €
At 31 December 2023					
Trade and other payables	2,751,267	2,751,267	2,751,267	-	-
Bond loan	3,874,084	5,187,000	214,500	858,000	4,114,500
Bank loan	2,869,006	2,869,006	440,197	1,640,187	1,234,816
Bank overdraft	63,897	63,897	63,897	-	-
Amounts due to third parties	204,293	204,293	204,293	-	-
Finance lease	711,430	711,430	91,427	620,003	-
	10,473,977	11,786,893	3,765,581	3,118,190	5,349,316
At 31 December 2022					
Trade and other payables	2,378,179	2,378,179	2,378,179	-	-
Bond loan	3,868,898	5,401,500	214,500	858,000	4,329,000
Bank loan	3,156,486	3,156,486	281,483	1,744,058	1,118,112
Amounts due to third parties	344,319	344,319	344,319	-	-
Finance lease	785,423	785,423	93,553	691,870	-
	10,533,305	12,065,907	3,312,034	3,293,928	5,447,112

14 FINANCIAL RISK MANAGEMENT (continued)

14.4 Liquidity risk (continued)

Company	Carrying amounts €	Contractual cash flows €	Within one year €	Between two and five years €	After five years €
At 31 December 2023					
Trade and other payables	644,972	644,972	644,972	-	-
Amounts due to group companies	2,512,965	2,512,965	2,512,965	-	-
Amounts due to related party	28,596	28,596	28,596	-	-
Bank loan	1,413,143	1,413,143	240,594	909,381	263,167
	4,599,676	4,599,676	3,427,127	909,381	263,167
At 31 December 2022					
Trade and other payables	496,449	496,449	496,449	-	-
Amounts due to group companies	2,417,171	2,417,171	2,417,171	-	-
Amounts due to related party	28,796	28,796	28,796	-	-
Bank loan	1,639,178	1,639,178	229,858	983,857	425,463
	4,581,594	4,581,594	3,172,274	983,857	425,463

The Group continues to assess its funding requirements to ensure that adequate funds are in place to meet its financial liabilities when they fall due.

15 CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debts (borrowings as detailed in note 11.4 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 12 and 13).

15.1 Gearing ratio

The Group's gearing ratio at the end of the reporting year was as follows:

	Group	
	2023	2022
	€	€
Debt (i)	7,734,464	8,183,922
Cash and bank balances	(106,495)	(120,892)
Net debt	7,627,969	8,063,030
Equity (ii)	3,096,239	3,474,650
Net debt to equity ratio	2.46	2.32

Notes:

(i) Debt is defined as long-and short-term borrowings.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

16 INVESTMENT IN SUBSIDIARIES

The investment in group undertakings is as follows:

	Company
	€
Equity	
At 1 January 2022	10,943
Share of net losses of subsidiaries	(10,943)
At 31 December 2022	-
At 31 December 2023	-

16 INVESTMENT IN SUBSIDIARIES (continued)

16.1 Details of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting power held	
			2023	2022
Testa Catering Concepts Limited	To operate Cibo Pizzeria and Beefbar restaurants	Level 1, Agora Business Centre, Valley Road, Msida	100%	100%
Testa Finance PLC	To act as a finance and investment company	Level 1, Agora Business Centre, Valley Road, Msida	99.99%	99.9%

Financial Support:

On 20 December 2019, the Company issued € 3,900,000 5.5% Unsecured Bonds having a nominal value of € 100 each. The bond issue was admitted to Prospects MTF operated by the Malta Stock Exchange with effect from 9 January 2020. Trading on the bond issue commenced on 10 January 2020. The Bonds are redeemable at par on 9 January 2029. Interest on the bond issued is payable annually in arrears on 9 January.

These funds were used to finance the purchase of property in Bugibba at the Islets Promenade together with its improvements, additions and alternations, repayments of existing borrowings and facilities from credit institutions, repayment of a third-party loan and working capital obligations and repayments due by Group companies.

17 RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

17.1 Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	Group	
	2023	2022
	€	€
Directors' remuneration	51,426	121,025

17 RELATED PARTY TRANSACTIONS (continued)

17.2 Loans to related parties

	Group		Company	
Current liabilities	2023	2022	2023	2022
	€	€	€	€
Related parties	11,756	28,796	28,596	28,796

18 CONTINGENT LIABILITY

A liability stemming from an adverse court ruling, resulting in a probable obligation to pay EUR 43,029 in interest, is not yet recognized in the financial statements. The liability arises from a legal dispute with amounts due other than interest already accounted for in payables. This disclosure aims to provide transparency regarding potential financial impacts after year-end.

19 ACCOUNTING POLICIES

19.1 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

19.1.1 Subsidiaries

Subsidiaries are all entities over which the parent company has control. The parent company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which controlled is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the parent company.

19.1.2 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the parent's share of the post-acquisition profits or losses of the investee in profit or loss, and the parent's share of movement in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the parent does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

19 ACCOUNTING POLICIES (continued)

19.2 GOODWILL

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is amortised and is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

19.3 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group recognises revenue from the following major sources as detailed here under:

19.3.1 Operation of Cafeterias and restaurants

Revenue is measured at the fair value of the consideration received. Revenue from sale of food and beverages is recognised at the point of sale in the restaurants and cafeterias of the Company at a point in time.

19.3.2 Rental Income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease on the annual income received.

19 ACCOUNTING POLICIES (continued)

19.4 LEASING

The Group has applied IFRS 16 retrospectively from financial statements for the year ending 31 December 2018.

19.4.1 The Group as a Lessee

For any new contracts entered into on or after 1 January 2018, the Group considers whether a contract is or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either identified in the contract or implicitly specified by being identified at the time asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At least commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease, if that rate is readily available, or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

19 ACCOUNTING POLICIES (continued)

19.4 LEASING (continued)

19.4.1 The Group as a Lessee (continued)

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the balance sheet, right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in trade and other payables.

- The Group's accounting policy under IFRS 16 was implemented in the current year retrospectivly.
- As a lessor the Group classifies its leases as either operating or finance leases.
- A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

Finance Leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset.

Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic useful life. The interest element is charged to profit or loss, as finance costs over the period of the lease.

19.4.2 The Group as a lessor

Operating Leases

Rental income is recognised on a straight-line basis over the term of the lease.

19.5 FOREIGN CURRENCY AMOUNTS

In preparing the consolidated financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

19 ACCOUNTING POLICIES (continued)

19.6 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

19.7 INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

19 ACCOUNTING POLICIES (continued)

19.8 PROPERTY, PLANT AND EQUIPMENT

The Group accounting policy for land and buildings is explained in note 10.1. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

The depreciation methods and periods used by the Group are disclosed in note 10.1.1

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is the Group's policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

19.9 INVESTMENT PROPERTY

Investment properties are held to earn rentals and for capital accretion. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held to earn rentals are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

19 ACCOUNTING POLICIES (continued)

19.9 INVESTMENT PROPERTY (continued)

The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

19.10 INTANGIBLE ASSETS

19.10.1 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

19.10.2 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

19.11 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount.

19 ACCOUNTING POLICIES (continued)

19.11 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL (continued)

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

19.12 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on average cost basis. Net realisable value represent the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

19.13 INVESTMENT AND OTHER FINANCIAL ASSETS

The company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss) and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Recognition and Derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

19 ACCOUNTING POLICIES (continued)

19.14 EXPECTED CREDIT LOSSES

A loss allowance for ECLs is recognised on the following – financial assets measured at amortised cost, contract assets and debt instruments measured at FVTOCI.

The amount of ECLs is updated at each reporting date to reflect changes in credit risk since the initial recognition.

For trade receivables and contract assets that do not contain a significant financing component (or for which the IFRS 15 practical expedient for contracts that are one year or less is applied), the simplified approach is applied and lifetime ECL is recognised.

Where a collective basis is applied, the ECLs on these financial assets are estimated using a provision matrix based on the historical credit loss experience based on the past due status of the debtors, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For all other financial instruments, the general approach is applied and lifetime ECL is recognised when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to 12-month ECL ('12m ECL'). The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

An impairment gain or loss is recognised in profit or loss for all financial assets with a corresponding adjustment to their carrying, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the Fair value reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the risk of a default occurring on the financial instrument as at the reporting date is compared with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, both quantitative and qualitative information that is reasonable and supportable, (including historical experience and forward-looking information that is available without undue cost or effort and, where applicable, the financial position of the counterparties) is considered.

Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

19 ACCOUNTING POLICIES (continued)

19.14 EXPECTED CREDIT LOSSES (continued)

Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the credit risk on a financial asset is presumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due, unless there is reasonable and supportable information, that is available without undue cost or effort, that demonstrates otherwise. Despite the above assessment, it is assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. Accordingly, for these financial assets, the loss allowance is measured at an amount equal to 12m ECL.

Definition of default

The following are considered as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors in full (without taking into account any collateral held).

Irrespective of the above analysis, default is considered to have occurred when a financial asset is more than [(for example) 365 days] past due. The 90 days past due presumption is rebutted since there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

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

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event;
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

19 ACCOUNTING POLICIES (continued)

19.14 EXPECTED CREDIT LOSSES (continued)

Credit-impaired financial assets (continued)

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e) the disappearance of an active market for that financial asset because of financial difficulties.

A financial asset is written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

Measurement and recognition of ECLs

For financial assets, the credit loss is the difference between all contractual cash flows that are due in accordance with the contract and all the cash flows that are expected to be received, discounted at the original effective interest rate. ECLs represent the weighted average of credit losses with the respective risks of a default occurring as the weights.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information, where applicable. Where applicable, the financial position of the counterparties is also taken into consideration. Where applicable, forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

Collective basis

If evidence of a significant increase in credit risk at the individual instrument level is not yet available, the assessment of significant increases in credit risk is performed on a collective basis by considering information on, for example, a group or sub-group of financial instruments. Where reasonable and supportable information that is available without undue cost or effort to measure lifetime ECL on an individual instrument basis is not available, lifetime ECL is measured on a collective basis. In such instances, the financial instruments are grouped on the basis of shared credit risk characteristics. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

19.15 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

19 ACCOUNTING POLICIES (continued)

19.16 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Dividends are recognised as liability in the period in which they are declared.