



## COMPANY ANNOUNCEMENT

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

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Date: 04/02/2020

Ref No: TST0025

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

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

#### **Quote**

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

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

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

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

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

- Changes to the financial projections

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

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

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

The projections up to March 2022 are as follows:

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

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

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

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

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

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

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

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

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

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



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

**Unquote**

By order of the Board of Directors of the Company,




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Reuben Debono

ID 422778M

Company Secretary

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