



## COMPANY ANNOUNCEMENT

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

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Date: 23 April 2021

Ref No: TST0030

### Quote

The Company refers to the obligation which Prospects MTF Companies are subject to, in terms of Rule 4.11.03 and Rule 4.11.12 relating to the publication of twelve-month financial information as defined in Table 1 paragraph 3 of the Prospects Rules and, specifically, the publication and dissemination (via a company announcement) of Financial Sustainability Forecasts (hereinafter referred to as "FSFs"), including applicable management assumptions. The Issuer, Testa Finance plc, also makes reference to Company Announcement TST0025 published on 4 February 2021 in relation to material changes to the Company Admission Document following the effects of the COVID-19 worldwide pandemic. The below forecasts for 2021 which cover part of the same period mentioned in TST0025, has been updated following the closure of the outlets due to Government-imposed restrictions in March 2021. We are no assuming that outlets will re-open during May 2021 and that they will not be closed further during the year.

The forecast statement of financial position, the forecast statement of profit or loss, and the forecast statement of cash flows (hereafter "the Forecasts") of the Group for the periods ending 31 December 2021 have been prepared to provide financial information for the purposes of the announcement of Financial Sustainability Forecasts. The assumptions set out below are the sole responsibility of the Directors of the Company.

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

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

These Forecasts were formally approved on 23 April 2021 by the Directors, and the stated assumptions reflect the judgements made by the Directors at that date. The assumptions that the Directors believe are significant to the Forecasts are described below.

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

#### Basis of Preparation

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

#### Significant macro-economic assumptions

During 2020, the global economy was severely impacted by the unprecedented restrictions imposed on activity to counter the spread of the COVID-19 pandemic. Measures put in place by the Government of Malta to limit the transmission of the virus coupled with a collapse in consumer and business confidence in general have inevitably led to a steep contraction in economic activity.

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

- Despite the reduction in revenue relating to COVID-19, the Company will continue to enjoy the confidence of its customers and bankers throughout the Forecasts period presented;
- There will be no further major lockdown imposed by the Government of Malta;
- Restrictions imposed to-date are assumed to be withdrawn during May 2021, including restrictions on inbound travel and tourism;
- The rate of inflation will be in line with historic trends;
- The basis and rates of taxation, direct and indirect, will not change materially throughout the period covered by the Forecast Financial Information;
- The Company will enjoy good relations with its employees throughout the forecasted period.

Other significant assumptions

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

*Revenue*

The Testa Group's (i.e. Testa Properties Limited, Testa Catering Concepts Limited and Testa Finance plc) revenue for the twelve months ending 31 December 2021 is expected to total €2,428,015 should the number of outlets operating remain the same and the Government lift restrictions during May 2021. This income shall be generated through the operation of the catering establishments owned by the Group, namely: French Affaire, Cibo, RossoPomodoro and Beefbar.

*Direct costs*

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

*Administrative costs*

Administrative costs consist of fixed costs and variable costs. The latter are calculated based on historic performance and industry averages.

*Finance costs*

Finance costs relate primarily to interest on the Group's borrowings, which mainly constitute the bond issued on Prospects MTF and interest on the BOV MDB COVID-19 Assist Loan. Other finance costs include bank charges and EPOS commissions, interest on the general banking facility and finance costs in relation to the leases as per IFRS 16.

*Taxation*

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

*Working Capital*

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

*Changes in shareholders' capital*

No changes in shareholders' capital that affect the Group on a consolidated basis are expected in the year 2021.

*Expected earnings per share and outstanding shares*

Should the below projections materialise, no earnings per share are expected given that the Group anticipates consolidated losses. No dilution effects are envisaged during the period. The shares of the Group are owned privately and there are no outstanding shares from any class. This is not expected to change during 2021.

*Earnings trend and financial position*

The year 2021 is expected to be the first year where, at least in part, all the outlets of the Group are in operation. During 2019, the largest outlet of the Group was still under construction and it opened after the summer season. In 2020, extraordinary events (the pandemic) have had a material effect on the earnings and this is also expected to affect 2021.

*Other information*

The next report of annual earnings has been published today, 23 April 2021, as per the Prospects Rules, on the Company's website and through a Company Announcement. No dividends will be distributed during 2021. The Group has held its annual general meeting today.

Conclusion

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

<b>Projected consolidated income statement for the year ending 31 December</b>	<b>2020 (Actual)</b>	<b>2021 (Forecast)</b>
	<b>€</b>	<b>€</b>
Revenue	1,202,331	2,428,015
Cost of Sales	(453,564)	(697,720)
Gross profit	748,767	1,730,295
Administrative expenses	(1,235,396)	(1,280,664)
Operating (loss)/profit	(486,629)	449,631
Other income	488,348	61,660
Finance income	41	-
Finance costs	(280,406)	(366,874)
Depreciation and amortisation	(884,818)	(1,035,409)
Loss before tax	(1,163,464)	(890,992)
Taxation	261,902	-
<b>Net loss</b>	<b>(901,562)</b>	<b>(890,992)</b>

Projected consolidated statement of financial position as at 31 December	2020 (Actual) €	2021 (Forecast) €
<b>Assets</b>		
Property, Plant and Equipment	4,527,195	3,894,366
Intangible asset	586,469	516,469
Investment property	640,152	640,152
Deferred tax assets	390,669	390,669
Right-of-use asset	1,164,990	832,410
<b>Total non-current assets</b>	7,309,475	6,274,066
<i>Current Assets</i>		
Cash and cash equivalents	1,233,654	1,108,853
Trade and other receivables	891,378	821,378
Inventories	76,941	156,186
<b>Total current assets</b>	2,201,973	2,086,417
<b>Total assets</b>	9,511,448	8,360,483
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	641,356	641,356
Retained earnings	(1,719,237)	(2,610,229)
Other reserve	676,002	676,002
Non-controlling interest	3	3
	(401,876)	(1,292,868)

<b>Projected consolidated statement of financial position as at 31 December (continued)</b>	<b>2020</b> (Actual) €	<b>2021</b> (Forecast) €
<b>Liabilities</b>		
Interest bearing liability	4,957,548	4,718,216
Finance lease liability	1,366,040	1,160,335
Deferred tax liability	32,008	32,008
<b>Total non-current liabilities</b>	6,355,596	5,910,559
<b>Current liabilities</b>		
Borrowings	891,872	885,356
Trade and other payables	2,574,342	2,765,922
Finance lease liability	91,514	91,514
<b>Total current liabilities</b>	3,557,728	3,742,792
Total liabilities	9,913,324	9,653,351
<b>Total equity and liabilities</b>	<b>9,511,448</b>	<b>8,360,483</b>

Projected consolidated statement of cash flows for the year ending 31 December	2020 (Actual) €	2021 (Forecast) €
<b>Cash flows from operating activities</b>		
Operating (loss)/profit	(228,740)	511,291
Movement in trade receivables	(708,381)	70,000
Movement in trade payables	(517,209)	191,580
Movement in inventory	181,637	(79,245)
Finance costs paid	(209,799)	(266,269)
<b>Net cash generated from operating activities</b>	<b>(1,482,492)</b>	<b>427,357</b>
<b>Cash flows from investing activities:</b>		
Additions to PPE	(55,474)	-
Additions to intangible assets	(9,500)	-
Proceeds from disposal of assets	300,048	-
<b>Net cash used in investing activities</b>	<b>235,074</b>	<b>-</b>
<b>Cash flows from financing activities:</b>		
Proceeds from bank loans	1,346,560	-
Advances from third parties	149,067	-
Principal repayment on borrowings	-	(175,550)
Net repayment of finance lease liabilities	(327,022)	(306,310)
<b>Net cash used in financing activities</b>	<b>1,168,605</b>	<b>(481,860)</b>
Cash and cash equivalents at beginning of year	1,242,821	1,164,008
Net increase/(decrease) in cash and cash equivalents	(78,813)	(54,503)
<b>Cash and cash equivalents at end of year</b>	<b>1,164,008</b>	<b>1,109,505</b>

**Unquote**

By order of the Board of Directors of the Company,




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Reuben Debono ID 422778M

Company Secretary