TESTA PROPERTIES LIMITED
(GROUP ACCOUNTS)

ANNUAL REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS

For the year ended 31 December 2020

Holding Company Information

Directors:	Mr Jean Paul Testa Ms Hanna Yevheniivna Testa
Secretary:	Mr Jean Paul Testa
Company number:	C 80524
Registered office:	RU 19, The Pjazza, The Point, Tigne Point Sliema
Auditors :	KSi Malta 6, Villa Gauci Mdina Road Balzan Malta
Banker:	Bank of Valletta plc Triq il-Halel Bugibba Malta

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Report of the Directors
For the year ended 31 December 2020

The directors present their report and the audited financial statements for the year ended 31 December 2020.

Principal Activity

Testa Properties Limited (the 'Company') together with its subsidiaries, are involved in the sale of food and beverages operating under the franchise names of Cibo Pizzeria, French Affaire, Beefbar and Rosso Pomodoro. The Group includes a subsidiary that is involved in the operation of the restaurants and cafeteria and another subsidiary whose primary objective is to act as a financial intermediary to related companies forming part of the Group.

Review of Business

During the year under review the Group registered a loss before tax of € 1,163,464. Such increase in the loss for the year was due to a decrease in turnover generated by the Group due to the COVID-19 outbreak as well as closure of Cibo Pizzeria restaurant in Valletta.

During 2019 one of the subsidiary companies within the Group, Testa Finance P.L.C. issued a €3,900,000 5.5% unsecured Bonds having a nominal value of €100 each. These funds were used to finance the purchase of property at Islet Promenade in Bugibba together with its improvements, additions and alterations.

After significant capital expenditure and expansion during the year ending 31 December 2019, the Group planned to operate for the first time all of its outlets for twelve whole months during the year ending 31 December 2020 but this was not possible due to the COVID-19 outbreak and the economic crisis it has generated. In order to offset the effect of these issues on the Group's cash flow, Testa Catering Concepts Limited, a company forming part of the Group, had approached a local credit institution to finance the Group's operations in the short term. The Board is confident this will bridge the Group's operation up until working conditions are back to normal.

Dividends and Reserves

The directors do not recommend the payment of a dividend.

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 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 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 2020

Post Balance Sheet Events

The Directors evaluated subsequent events from 1 January 2021 through 23 April 2021, the date the financial statements are approved. The effects of the COVID-19 pandemic have continued well post-year end and included government-imposed restrictions on the major operations of the Group. The Directors are assessing the situation on a day-to-day basis to manage, at the best of their possibilities, the economic and liquidity position of the Group. Furthermore, as per note 19, a subsidiary company within the Group and the landlord of an ex outlet, both filed a claim against each other in relation to disputes arising on the Valletta leased premises.

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 2020 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, 1995 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 Group and the holding company as at the end of the financial year and of the profit or loss of the Group and the holding 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 holding company and to enable them to ensure that the financial statements comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Group and holding 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 2020

Statement of Directors' Responsibilities (continued)

The directors, through oversight of management, are responsible to ensure that the Group and the holding 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 2020, and of the financial performance and the cash flows for the period 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
Director

Ms Hanna Yevheniivna Testa
Director

23 April 2021

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

Independent Auditors' Report

To the shareholders of Testa Properties Limited

Report on the Audit of the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Testa Properties Limited (the Group and the Holding Company), set out on pages 8 to 49, which comprise the consolidated balance sheet as at 31 December 2020, 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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group and the Holding company as at 31 December 2020, 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.

Emphasis of Matter

We draw attention to the fact that the Group operates in the catering industry. Due to the COVID-19 outbreak, this industry was negatively affected and the Group had to deal with government-imposed restrictions on all its operations. After significant capital expenditure and expansion during the year ended 31 December 2019, the Group planned to operate for the first time all of its outlets for twelve whole months during the year ending 31 December 2020, but this was not possible due to the COVID-19 outbreak and the economic crisis it has generated. Furthermore, the Group also had to deal with similar circumstances post year-end.

In order to offset the effects of these issues on the Group's cash flow, Testa Catering Concepts Limited, a company forming part of the Group, has obtained the BOV MDB COVID-19 Assist loan from a local credit institution to finance the Group's operations during the year under review. Nonetheless, these events or conditions indicate that an uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Group in fact presents a loss of € 901,562 and net liabilities of € 401,876.

As per Note 20, the Board is however confident that the Group's operation will be back to normal once the economy stabilizes and, therefore, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

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Independent Auditors' Report (continued)

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.

Revenue

The Group generates its revenue from the sale of food and beverages operating under the franchise names of Cibo Pizzeria, French Affaire, Beefbar and Rosso Pomodoro. We have identified revenue as a key audit matter since most of the sales to the end customers are made in cash.

We obtained an understanding of the methodology used by management to arrive at revenue recognition as well as the handling of cash proceeds generated from the end of day report to the time it is deposited in the bank account of the Company. There is also no segregation of duties with regards to this methodology as well as the preparation and recording of journal entries in the accounting system. We also communicated this with management and noted that they were able to provide satisfactory responses to our questions. Based on the audit work done we obtained sufficient audit evidence that the Group's revenue for the year ended 31 December 2020 is not materially mis-stated.

Other Information

The directors are responsible for the other information. The other information comprises the Report of the Directors and the Directors' Responsibilities. Our opinion on the consolidated 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.

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 Group and the Holding company and their 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.

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Independent Auditors' Report (continued)

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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated 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 consolidated 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 consolidated 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 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 consolidated 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.

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Independent Auditors' Report (continued)

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

Report on Other Legal and Regulatory Requirements

We have responsibilities under the Companies Act, 1995 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, or that returns adequate for our audit have not been received from branches not visited by us.

- 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.

- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

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

Balzan
Malta

23 April 2021

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020

		Group		Company	
		2020	2019	2020	2019
	Notes	€	€	€	€
Revenue	6	1,202,331	3,133,599	90,000	100,000
Cost of sales	7	(453,564)	(823,358)	-	-
Gross profit		748,767	2,310,241	90,000	100,000
Other income	7	488,348	-	10,000	-
Administration expenses	7	(2,120,214)	(2,686,251)	(164,692)	(168,121)
Operating loss		(883,099)	(376,010)	(64,692)	(68,121)
Finance income	7	41	490	-	-
Finance costs	7	(280,406)	(348,581)	(146,685)	(65,394)
Net finance cost		(280,365)	(348,091)	(146,685)	(65,394)
Share of net losses of subsidiaries accounted for using the equity method		-	-	-	(42,500)
Loss before tax		(1,163,464)	(724,101)	(211,377)	(176,015)
Income tax	8	261,902	103,719	-	-
Loss for the year		(901,562)	(620,382)	(211,377)	(176,015)
Other comprehensive income for the year					
Other comprehensive income for the year		-	-	-	-
Total comprehensive loss for the year		(901,562)	(620,382)	(211,377)	(176,015)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)
For the year ended 31 December 2020

		Group		Company	
		2020	2019	2020	2019
	Notes	€	€	€	€
Loss for the year attributable to:					
Owners of Company		(901,563)	(620,383)	-	-
Non-controlling interest		1	1	-	-
		(901,562)	(620,382)	(211,377)	(176,015)
Total comprehensive loss for the year attributable to:					
Owners of Company		(901,563)	(620,383)	-	-
Non-controlling interest		1	1	-	-
		(901,562)	(620,382)	(211,377)	(176,015)
Earnings per share	9	(1.41)	(0.98)	(0.33)	(0.27)

Consolidated Balance Sheet
As at 31 December 2020

		Group		Company	
		2020	2019	2020	2019
	Notes	€	€	€	€
Assets					
Property, plant and equipment	10	5,692,185	8,467,246	871,907	1,025,715
Investment properties	10	640,152	640,152	640,152	640,152
Intangible assets	10	586,469	645,835	-	-
Investment in subsidiaries	16	-	-	-	-
Deferred tax assets	10	390,669	128,767	-	-
Total non-current assets		7,309,475	9,882,000	1,512,059	1,665,867
Inventories	10	76,941	258,577	-	-
Trade and other receivables	11	891,378	282,183	192,500	152,500
Cash and cash equivalents	11	1,233,654	1,319,502	-	-
Total current assets		2,201,973	1,860,262	192,500	152,500
Total assets		9,511,448	11,742,262	1,704,559	1,818,367
Liabilities					
Borrowings	11	6,323,589	6,942,819	105,573	197,087
Deferred tax liabilities	10	32,008	32,008	32,008	32,008
Total non-current liabilities		6,355,597	6,974,827	137,581	229,095
Borrowings	11	983,386	867,042	1,124,503	1,030,603
Trade and other payables	11	2,574,341	3,400,537	235,268	140,085
Current tax liabilities		-	171	-	-
Total current liabilities		3,557,727	4,267,750	1,359,771	1,170,688
Total liabilities		9,913,324	11,242,577	1,497,352	1,399,783
Net (liabilities)/assets		(401,876)	499,685	207,207	418,584

Consolidated Balance Sheet (continued)
As at 31 December 2020

		Group		Company	
		2020	2019	2020	2019
	Notes	€	€	€	€
Equity					
Share capital	12	641,356	641,356	641,356	641,356
Other reserve	12	676,002	676,002	-	-
Retained earnings	12	(1,719,237)	(817,675)	(434,149)	(222,772)
Equity attributable to owners of the Group		(401,879)	499,683	207,207	418,584
Non-controlling interest	13	3	2	-	-
(Deficiency)/Total equity		(401,876)	499,685	207,207	418,584

The consolidated financial statements set out on pages 8 to 49 were approved and authorised for issue by the Board on 23 April 2021 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 2020

Group

	Share capital €	Retained earnings €	Other reserve €	Non-controlling interest €	Total €
Changes in equity for 2019					
Balance at 1 January 2019	641,356	(197,293)	-	1	444,064
Transfer to tother reserve	-	-	676,002	-	676,002
Loss for the year	-	(620,382)	-	1	(620,381)
Balance at 31 December 2019	641,356	(817,675)	676,002	2	499,685
Changes in equity for 2020					
Balance at 1 January 2020	641,356	(817,675)	676,002	2	499,685
Loss for the year	-	(901,562)	-	1	(901,561)
Balance at 31 December 2020	641,356	(1,719,237)	676,002	3	(401,876)

Consolidated Statement of Changes in Equity (continued)
For the year ended 31 December 2020

Company

	Share capital €	Retained earnings €	Total €
Changes in equity for 2019			
Balance at 1 January 2019	641,356	(46,757)	594,599
Loss for the year	-	(176,015)	(176,015)
Balance at 31 December 2019	641,356	(222,772)	418,584
Changes in equity for 2020			
Balance at 1 January 2020	641,356	(222,772)	418,584
Loss for the year	-	(211,377)	(211,377)
Balance at 31 December 2020	641,356	(434,149)	207,207

Consolidated Statement of Cash Flows
For the year ended 31 December 2020

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Cash flows from operating activities				
Loss before tax	(1,163,464)	(724,101)	(211,377)	(176,015)
Adjustments for:				
Minority interest	(1)	1	-	-
Depreciation	815,952	965,409	153,808	153,808
Amortisation	68,866	66,667	-	-
Share of net losses of subsidiaries accounted for using the equity method	-	-	-	42,500
Amortisation of bond issue costs	5,184	5,184	-	-
Tax paid	(171)	-	-	-
Loss on disposal of property, plant and equipment	2,469	-	-	-
Bond interest payable	209,799	-	-	-
Finance charge	42,425	100,605	5,740	8,486
Operating (loss)/profit before working capital changes:	(18,941)	413,765	(51,829)	28,779
Movement in trade and other receivables	(708,381)	33,917	(40,000)	(76,910)
Movement in inventories	181,637	(194,630)	-	-
Movement in trade and other payables	(727,008)	1,621,634	95,183	128,932
Net cash (outflow)/inflow from operating activities	(1,272,693)	1,874,686	3,354	80,801
Cash flows from investing activities				
Payments for property, plant and equipment	(55,474)	(4,215,715)	-	(771,742)
Acquisition of intangible assets	(9,500)	(512,500)	-	-
Advances from/(Payment of) subsidiary company loans	-	-	(3,354)	690,941
Proceeds from disposal of property, plant and equipment	300,048	-	-	-
Net cash inflow/(outflow) from investing activities	235,074	(4,728,215)	(3,354)	(80,801)
Cash flows from financing activities				
Proceeds from/(Repayment of) bank loans	1,346,560	(80,189)	-	-
Advances from related party	-	705,680	-	-
Advances from third party	149,067	45,867	-	-
Advances from bond loan	-	3,848,163	-	-
Bond interest paid	(209,799)	-	-	
Repayment of finance lease liabilities	(327,022)	(370,078)	-	-
Net cash inflow from financing activities	958,806	4,149,443	-	-
Net movement in cash and cash equivalents	(78,813)	1,295,914	-	-
Cash and cash equivalents at beginning of year	1,242,821	(53,093)	-	-
Cash and cash equivalents at end of year	1,164,008	1,242,821	-	-

1 REPORTING ENTITY AND OTHER INFORMATION

Testa Properties Limited (the Company) is a limited liability company 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 operates within the Group:

Brand	**Subsidiary**	**Address**
Cibo Pizzeria	Testa Catering Concepts Limited	The Point, Tigne Point, Sliema
Cibo Pizzeria	Testa Catering Concepts Limited	Merchant Street, Valletta (closed during 2020)
French Affaire	Testa Catering Concepts Limited	The Point, Tigne Point, Sliema
Beefbar	Testa Catering Concepts Limited	Dawret Il-Gzejjer, San Pawl il-Baħar
Rossopomodoro Pizzeria	Testa Catering Concepts Limited	Dawret Il-Gzejjer, San Pawl il-Baħar

2 BASIS OF ACCOUNTING

The Group's consolidated financial statements are prepared in accordance with IFRSs. They were authorised for issue by the Company's board of directors on 23 April 2021.

Details of the Group's accounting policies are included in Note 21.

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)

Standards and interpretations applied during the current year

Amendments and interpretations applicable for the first time in 2020 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 3 Business Combinations	Amendments to clarify the definition of a business	1 January 2020
IFRS 7 Financial Instruments- Disclosures	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020
IFRS 9 Financial Instruments	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020
IFRS 16 Leases	Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification	1 June 2020
IAS 1 Presentation of Financial statements	Amendments regarding the definition of material	1 January 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Amendments regarding the definition of material	1 January 2020
IAS 39 Financial Instruments: Recognition and Measurement	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020
IAS 41 Agriculture	Amendments resulting from *Annual Improvements to IFRS Standards 2019–2020* (taxation in fair value measurements)	1 January 2020

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

4 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 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.

Standard	Subject of amendment	Effective date
IFRS 1 First-time Adoption of International Financial Reporting Standards	Amendments resulting from *Annual Improvements to IFRS Standards 2018–2020* (subsidiary as a first-time adopter)	1 January 2022
IFRS 3 Business Combinations	Amendments updating a reference to the *Conceptual Framework*	1 January 2022
IFRS 4 Insurance Contracts	Amendments regarding replacement issues in the context of the IBOR reform Amendments regarding the expiry date of the deferral approach	1 January 2021 1 January 2023
IFRS 7 Financial Instruments: Disclosures	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2021
IFRS 9 Financial Instruments	Amendments regarding pre-replacement issues in the context of the IBOR reform Amendments resulting from *Annual Improvements to IFRS Standards 2018–2020* (fees in the '10 per cent' test for derecognition of financial liabilities)	1 January 2021 1 January 2022
IFRS 16 Leases	Amendments regarding replacement issues in the context of the IBOR reform	1 January 2021
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	Amendments regarding the classification of liabilities Amendment to defer the effective date of the January 2020 amendments	1 January 2023 1 January 2023

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

Standards issued but not yet effective (continued)

IAS 16 Property, Plant and Equipment	Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022
IAS 39 Financial Instruments: Recognition and Measurement	Amendments regarding replacement issues in the context of the IBOR reform	1 January 2021

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

5 USE OF JUDGEMENTS AND ESTIMATES

In preparing these 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 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 11;
- Leases classification – note 11.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

6 REVENUE

The Group derives its revenue as disclosed in note 21.3 and as per below:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Sale of food and beverages	1,202,331	3,133,599	-	-
Rental income	-	-	90,000	100,000
	1,202,331	3,133,599	90,000	100,000

7 OTHER INCOME AND EXPENSE ITEMS

7.1 Other Income

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Rent discount affecting finance lease liability	75,103	-	10,000	-
COVID-19 wage supplement	281,304	-	-	-
Disposal of Right of Use asset	131,941	-	-	-
	488,348	-	10,000	-

7.2 Breakdown of expenses by nature

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Purchases	453,564	823,358	-	-
Staff salaries	710,683	710,181	-	-
Directors' remuneration	121,025	121,025	-	-
Depreciation	582,348	632,828	153,808	153,808
Depreciation – right of use	233,604	332,580	-	-
Amortisation	68,866	66,667	-	-
Audit fees	11,000	9,775	2,000	2,175
Other expenses	392,688	813,195	8,884	12,138
	2,573,778	3,509,609	164,692	168,121

7 OTHER INCOME AND EXPENSE ITEMS (continued)

7.3 Staff Salaries

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Wages and salaries	665,720	670,378	-	-
Employers NI	44,963	39,803	-	-
	710,683	710,181	-	-

Note:

The average number of persons employed by the Group during the current year was 50 (2019:45) (Company: Nil).

7.4 Finance costs

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Interest on bank overdraft and loans	4,281	2,276	-	-
Bank charges	18,717	30,717	-	-
Other interest	-	-	5,740	8,486
Amortisation of bond issue cost	5,184	5,184	-	-
Bond interest	209,799	209,799	-	-
Finance charge in respect of finance lease	42,425	100,605	140,945	56,908
	280,406	348,581	146,685	65,394

7.5 Finance income

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Bank interest received	41	490	-	-

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

8 INCOME TAXES

8.1 Income tax

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Current tax:				
Current tax on taxable income for the year	-	171	-	-
Total current tax liabilities	-	171	-	-
Deferred tax:				
Temporary differences arising on unabsorbed capital allowances and tax losses	(261,902)	(103,890)	-	-
Total income tax recognised in the current year	(261,902)	(103,719)	-	-

8.2 Reconciliation of income tax

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Loss before tax	(1,163,464)	(724,101)	(211,377)	(176,015)
Theoretical taxation expense at 35%	(407,212)	(253,435)	(73,982)	(61,605)
Disallowable expenses	88,858	102,008	73,982	61,605
Depreciation on improvement to premises	27,762	28,949	-	-
Amortisation of goodwill	24,103	23,333	-	-
Amortisation on bond issue cost	1,814	1,814	-	-
Fines and penalties	492	46	-	-
Donations	560	-	-	-
Tax effect on share of loss on equity accounted investments	-	(14,875)	-	-
Tax effect on interest payable on bonds loans	-	8,441	-	-
Other income	(68,966)	-	-	-
Permanent difference- balance allowance	11,427	-	-	-
Loss on disposal of PPE	864	-	-	-
Permanent difference- IFRS16	58,396	-	-	-
	(261,902)	(103,719)	-	-

9 EARNINGS PER SHARE

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 period.

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Loss for the year	(901,562)	(630,382)	(211,377)	(176,015)
Weighted number of ordinary shares	641,356	641,356	641,356	641,356
Basic earnings per share	(1.41)	(0.98)	(0.33)	(0.27)

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

10 NON-FINANCIAL ASSETS AND LIABILITIES

10.1 Property, plant and equipment

Group	Improvements to premises €	Air-conditioning €	Furniture & fittings €	Motor vehicles €	Computer equipment €	Computer software €	Electrical plumbing €	Catering equipment €	Right of use assets €	Lifts €	Total €
Cost/Revalued amount											
At 1 January 2019	216,316	66,473	439,022	25,668	62,614	3,700	176,512	137,146	4,339,695	-	5,467,146
Additions	610,810	35,084	2,282,597	62,203	120,459	2,109	1,687,394	384,293	-	84,746	5,269,695
At 31 December 2019	827,126	101,557	2,721,619	87,871	183,073	5,809	1,863,906	521,439	4,339,695	84,746	10,736,841
At 1 January 2020	827,126	101,557	2,721,619	87,871	183,073	5,809	1,863,906	521,439	4,339,695	84,746	10,736,841
Additions	5,310	4,724	13,760	-	2,994	-	14,098	14,588	-	-	55,474
Disposal	(39,226)	(35,000)	(337,521)	-	(17,034)	-	(85,266)	(23,939)	(1,819,810)	-	(2,357,796)
At 31 December 2020	793,210	71,281	2,397,858	87,871	169,033	5,809	1,792,738	512,088	2,519,885	84,746	8,434,519
Depreciation											
At 1 January 2019	32,454	9,902	110,025	15,554	40,257	3,700	14,524	91,107	986,664	-	1,304,187
Charge for the year	82,713	7,109	272,162	14,969	39,165	527	130,474	77,234	332,580	8,475	965,408
At 31 December 2019	115,167	17,011	382,187	30,523	79,422	4,227	144,998	168,341	1,319,244	8,475	2,269,595
At 1 January 2020	115,167	17,011	382,187	30,523	79,422	4,227	144,998	168,341	1,319,244	8,475	2,269,595
Charge for the year	79,321	4,990	239,786	14,969	35,656	527	125,492	73,132	233,604	8,475	815,952
Disposal	(4,268)	(17,500)	(81,693)	-	(12,776)	-	(17,053)	(11,970)	(197,953)	-	(343,213)
At 31 December 2020	190,220	4,501	540,280	45,492	102,302	4,754	253,437	229,503	1,354,895	16,950	2,742,334
Carrying amounts											
At 31 December 2020	602,990	66,780	1,857,578	42,379	66,731	1,055	1,539,301	282,585	1,164,990	67,796	5,692,185
At 31 December 2019	711,959	84,546	2,339,432	57,348	103,651	1,582	1,718,908	353,098	3,020,451	76,271	8,467,246

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

10 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

10.1 Property, plant and equipment (continued)

Company	Right on use asset €	Electric & Building €	Furniture & Fittings €	Assets under construction €	Total €
<u>Cost</u>					
At 1 January 2019	471,710	-	-	30,413	502,123
Additions	-	883,692	110,500	-	994,192
Reclassification	-	30,413	-	(30,413)	-
Disposals	-	(222,450)	-	-	(222,450)
At 31 December 2019	471,710	691,655	110,500	-	1,273,865
At 1 January 2020	471,710	691,655	110,500	-	1,273,865
Additions	-	-	-	-	-
At 31 December 2020	471,710	691,655	110,500	-	1,273,865
<u>Depreciation</u>					
At 1 January 2019	94,342	-	-	-	94,342
Charge for the year	94,342	48,416	11,050	-	153,808
At 31 December 2019	188,684	48,416	11,050	-	248,150
At 1 January 2020	188,684	48,416	11,050	-	248,150
Charge for the year	94,342	48,416	11,050	-	153,808
At 31 December 2020	283,026	96,832	22,100	-	401,958
<u>Carrying amounts</u>					
At 31 December 2020	188,684	594,823	88,400	-	871,907
At 31 December 2019	283,026	643,239	99,450	-	1,025,715

Note:

As at 31 December 2018 under improvements to premises there are assets under construction amounting of € 30,413 which relates to the development of the leased property at Islet Promenade in Bugibba. No depreciation is charged on these assets under construction. As at 31 December 2019, the assets under construction were reclassified as electric & building.

10 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

10.1 Property, plant and equipment (continued)

10.1.1 Right of use assets

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

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Leased property				
Cost	2,519,885	4,339,695	471,710	471,710
Accumulated depreciation	(1,354,895)	(1,319,244)	(283,026)	(188,684)
Net book amount	1,164,990	3,020,451	188,684	282,026

10.1.2 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
Installation and electrical plumbing	6.99
Lifts	10

10.2 Investment property

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Leased property				
Opening balance at 1 January	640,152	640,152	640,152	640,152
Additions	-	-	-	-
Balance at close of year	640,152	640,152	640,152	640,152

10 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

10.2 Investment property (continued)

10.2.1 Fair value measurement of the Group's investment property

Investment properties are held for capital appreciation. The Group's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses. The fair value measurement of the Group's land and buildings as at 31 December 2019 were performed by Architect and Civil Engineer Kurt Vella, an independent valuer not related to the Group. The valuation conforms to International Valuation Standards. The fair value of the land and building was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

Group

	Fair value €
2019	
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
2020	
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

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

10 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

10.3 Intangible assets

Group	Intangible asset €
Cost	
Acquired by the group	250,000
	512,500
At 31 December 2019	762,500
At 1 January 2020	762,500
Additions	9,500
At 31 December 2020	772,000
Amortisation	
Acquired by the group	49,998
For the year	66,667
At 31 December 2019	116,665
At 1 January 2020	116,665
Amortisation for the year	68,866
At 31 December 2020	185,531
Carrying amounts	
At 31 December 2020	586,469
At 31 December 2019	645,835

10.4 Deferred tax balances

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
The balances comprises temporary differences attributable to:				
Deferred tax asset	390,669	128,767	-	-
Investment property	(32,008)	(32,008)	(32,008)	(32,008)
	358,661	96,759	(32,008)	(32,008)

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

10 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

10.4 Deferred tax balances (continued)

10.4.1 Deferred tax assets

	Total Group €	Total Company €
At 1 January 2019	(24,877)	-
Credited:		
- to profit or loss	(103,890)	-
At 31 December 2019	(128,767)	-
At 1 January 2020	(128,767)	-
Credited:		
- to profit or loss	(261,902)	-
At 31 December 2020	(390,669)	-

10.4.2 Deferred tax liabilities

	Total Group €	Total Company €
At 1 January 2019	32,008	32,008
Dedited:		
- to profit or loss	-	-
At 31 December 2019	32,008	32,008
At 1 January 2020	32,008	32,008
Dedited:		
to profit or loss	-	-
At 31 December 2020	32,008	32,008

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

10 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

10.5 Inventories

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Food and beverages	20,554	203,513	-	-
Cutlery and related items	56,387	55,064	-	-
	76,941	258,577	-	-

11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group/Company hold the following financial instruments:

		Group		Company	
		2020	2019	2020	2019
	Notes	€	€	€	€
Financial assets					
Financial assets at amortised cost					
Trade and other receivables	11.1	891,378	282,183	192,500	152,500
Cash and cash equivalents	11.2	1,233,654	1,319,502	-	-
		2,125,032	1,601,685	192,500	152,500
Financial liabilities					
Liabilities at amortised cost					
Trade and other payables	11.3	2,574,341	3,400,537	235,268	140,085
Borrowings	11.4	7,306,975	7,809,861	1,230,076	1,227,690
		9,881,316	11,210,398	1,465,344	1,367,775

11.1 Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Current assets				
Trade and other receivables	280,435	275,416	192,500	152,500
Prepayments and accrued income	610,943	6,767	-	-
	891,378	282,183	192,500	152,500

11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

11.1 Trade and other receivables (continued)

Trade receivables are amounts due from customers for goods or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. Other receivables amounts generally arise from transactions outside the usual operating activities of the Group.

11.2 Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Cash at bank	1,215,600	1,248,223	-	-
Cash in hand	18,054	71,279	-	-
	1,233,654	1,319,502	-	-

11.2.1 Reconciliation to cash flow statement

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Balance as above	1,233,654	1,319,502	-	-
Bank overdraft	(69,646)	(76,681)	-	-
	1,164,008	1,242,821	-	-

Restricted cash

The cash and cash equivalent disclosed above and in the statement of cash flows include €1,200,000, which are going to be used when group purchases the property in Bugibba.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

11.3 Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Current liabilities				
Trade payables (note)	721,900	1,167,965	-	-
Capital payables (note)	294,813	505,959	-	43,172
Accrued capital payables	179,135	1,011,154	-	-
FSS/NI payable (note)	393,204	275,466	-	-
VAT payable	176,279	81,573	28,980	29,420
Accruals	809,010	358,420	206,288	67,493
	2,574,341	3,400,537	235,268	140,085

Note:

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

The Group has agreement with Commissioner of Revenue with regards to FSS/NI due. The Group's monthly repayment is that of €5,626 up to 2026.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

11.4 Borrowings

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Secured				
Current liabilities				
Leased liabilities	91,514	364,745	91,514	94,260
Bank loan (note a)	247,542	-	-	-
Bank overdraft (note b)	69,646	76,681	-	-
	408,702	441,426	91,514	94,260
Unsecured				
Current liabilities				
Amounts due to third parties (note c)	545,889	396,820	-	-
Amounts due to related party (note d)	28,796	28,796	28,796	28,796
Amounts due to group companies (note d)	-	-	1,004,193	907,547
	574,685	425,616	1,032,989	936,343
Total secured/unsecured current liabilities	983,386	867,042	1,124,503	1,030,603

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Secured				
Non-Current liabilities				
Bond loan	3,858,531	3,853,347	-	-
Leased liabilities	1,366,040	3,089,472	105,573	197,087
Bank loan (note a)	1,099,017	-	-	-
Total secured non-current liabilities	6,323,588	6,942,819	105,573	197,087
Total borrowings	7,306,975	7,809,861	1,230,076	1,227,690

Note:

a) Bank loan

The Group enjoys bank loan facilities with its bankers. The bank loan represents the BOV MDB COVID-19 ASSIST which benefits from the support of the MDB COVID-19 Guarantee Scheme launched by the Malta Development Bank. It bears interest at 2.5% and is repayable in monthly instalments.

11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

11.5 Borrowings (continued)

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 has 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.

12 EQUITY

12.1 Share capital

	Company 2020	Company 2019
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

Group	€
At 1 January 2019	(197,293)
Loss for the year attributable to owners	(620,382)
At 31 December 2019	(817,675)
At 1 January 2020	(817,675)
Loss for the year attributable to owners	(901,562)
At 31 December 2020	(1,719,237)

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

12 EQUITY (continued)

12.2 Retained earnings (continued)

Company	€
At 1 January 2019	(46,757)
Loss for the year	(176,015)
At 31 December 2019	(222,772)
At 1 January 2020	(222,772)
Loss for the year	(211,377)
At 31 December 2020	(434,149)

12.3 Other reserve

The other reserve consists of funds given by the ultimate owners of Testa Properties Limited. The reserve is not available for distribution.

13 NON-CONTROLLING INTEREST

Group	€
At 1 January 2019	1
For the year	1
At 31 December 2019	2
At 1 January 2020	2
For the year	1
At 31 December 2020	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.

14.2 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 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	
	2020	2019
	€	€
Trade and other receivables	280,435	275,416
Cash at bank	1,233,654	1,319,502
	1,514,089	1,594,918

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

14 FINANCIAL RISK MANAGEMENT (continued)

14.4 Liquidity risk (continued)

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.

Group	Carrying amounts €	Contractual cash flows €	On demand €	Within one year €	Between two and five years €	After five years €
At 31 December 2020						
Bank overdrafts	69,646	69,646	69,646	69,646	-	-
Trade and other payables	2,574,342	2,574,342	2,371,101	2,371,101	203,241	-
Finance lease liabilities	1,457,554	1,457,554	258,046	258,046	712,011	487,498
Bond loan	3,858,531	5,830,500	214,500	214,500	858,000	4,758,000
Bank loan	1,346,560	1,346,560	247,542	247,542	1,063,519	35,499
Amounts due to third parties	545,888	545,888	545,888	545,888	-	-
	9,852,521	11,824,490	3,706,723	3,706,723	2,836,771	5,280,977
At 31 December 2019						
Bank overdrafts	76,681	76,681	76,681	76,681	-	-
Trade and other payables	3,400,537	3,400,537	3,400,537	3,400,537	-	-
Finance lease liabilities	3,454,217	3,454,217	367,572	367,572	1,355,179	1,731,466
Bond loan	3,853,348	6,045,000	214,500	214,500	858,000	4,972,500
Amounts due to third parties	396,821	396,821	396,821	396,821	-	-
	11,181,604	13,373,256	4,456,111	4,456,111	2,213,179	6,703,966

Company	Carrying amounts €	Contractual cash flows €	On demand €	Within one year €	Between two and five years €	After five years €
At 31 December 2020						
Trade and other payables	235,268	235,268	235,268	235,268	-	-
Amounts due to group companies	1,004,193	1,004,193	1,004,193	1,004,193	-	-
Amounts due to related party	28,796	28,796	28,796	28,796	-	-
Finance lease	197,087	197,087	91,514	91,514	105,573	-
	1,465,344	1,465,344	1,359,771	1,359,771	105,573	-

14 FINANCIAL RISK MANAGEMENT (continued)

14.4 Liquidity risk (continued)

Company	Carrying amounts €	Contractual cash flows €	On demand €	Within one year €	Between two and five years €	After five years €
At 31 December 2019						
Trade and other payables	140,085	140,085	140,085	140,0875	-	-
Amounts due to group companies	907,547	907,547	907,547	907,547	-	-
Amounts due to related party	28,796	28,796	28,796	28,796	-	-
Finance lease	291,347	291,347	94,260	94,260	197,087	-
	1,367,775	1,367,775	1,170,688	1,170,688	197,087	-

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 15 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 period was as follows:

	Group 2020 €	Group 2019 €
Debt (i)	7,306,974	7,809,861
Cash and bank balances	(1,233,654)	(1,319,502)
Net debt	6,073,320	6,490,359
Equity (ii)	(401,876)	499,683
Net debt to equity ratio	-	12.99%

15 CAPITAL MANAGEMENT (continued)

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
	€
Cost	
At 1 January 2019	42,500
Share of net losses of subsidiaries accounted for using the equity method	(42,500)
At 31 December 2019	-
At 1 January 2020	-
Additions	-
At 31 December 2020	-

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**	
			2020	2019
Testa Catering Concepts Limited	To operate Cibo Pizzeria restaurants and French Affaire cafeteria	RU 19, The Pjazza, The Point, Tigne Point, Sliema	100%	100%
Testa Finance PLC	To act as a finance and investment company	RU 19, The Pjazza, The Point, Tigne Point, Sliema	99.9%	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.

16 INVESTMENT IN SUBSIDIARIES (continued)

Financial Support: (continued)

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	
	2020	2019
Directors' remuneration	€ 121,025	€ 121,025

17.2 Loans to related parties

	Group		Company	
Current assets	2020	2019	2020	2019
Related parties	€ (28,796)	€ (28,796)	€ (28,796)	€ (28,796)

18 COMMITMENTS FOR EXPENDITURE

	Group	
	2020	2019
Commitments for the acquisition of property, plant and equipment	€ 192,500	€ 152,500

During the year under review the Group had contracted capital commitments with regards to purchase of immovable property for the aggregate amount of € 3,000,000. During the year under review the Group had € 192,500 as deposits paid on account on such immovable property.

19 CONTINGENT LIABILITIES

Post year end, Testa Catering Concepts Limited (a subsidiary company) and the landlord of an ex outlet, both filed a claim against each other in relation to disputes arising on the Valletta leased premises. The landlord filed a claim against the company in relation to lease payments and due for services for an estimate value of EUR 158,000. Testa Catering Concepts Limited has filed a counterclaim against the landlord for breach of contract for an estimate value that is north of EUR 250,000. The Directors are disclosing this as a possible obligation, however, the board is confident that the claim against the Company is unfounded. The claim therefore does not meet the requirements for the Company to recognise a provision as per IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

20 GOING CONCERN

The Group primarily operates in the catering industry. In preparing these financial statements, given that the Group is economically dependent on the operations carried out in the catering industry, the directors of the Company have taken into consideration the potential impact of the outbreak of COVID- 19 on the Company as well as the wider Group.

Due to the COVID-19 outbreak, all the operations of the Group were negatively affected and had to deal with government-imposed restrictions on all operations, which measures were introduced in an effort to curb the pandemic. In light of the situation, the Government of Malta announced several support measures to mitigate the negative effects brought about by the pandemic. The Group applied for various schemes including the COVID-19 Wage Supplement Scheme and the MDB COVID-19 Assist loan provided by local credit institutions, to manage the liquidity and cash flow position of the Group.

The Group shall continue to closely monitor the situation and constantly assess the impact of the COVID-19 pandemic on its operations. The Group acknowledges that there is still a high degree of uncertainty, however the directors will continue to take appropriate actions, as they have already done, and consider the Group resilient enough to be able to sustain the current conditions.

Taking into consideration all of the above factors and circumstances, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

21 ACCOUNTING POLICIES

21.1 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

21.1.1 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.

21 ACCOUNTING POLICIES (continued)

21.1 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING (continued)

21.1.2 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.

21.2 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.

21.3 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.

21 ACCOUNTING POLICIES (continued)

21.3 REVENUE RECOGNITION (continued)

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

21.3.1 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.

21.3.2 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.

21.4 LEASING

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

21.4.1 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.

21 ACCOUNTING POLICIES (continued)

21.4 LEASING (continued)

21.4.1 The Group as a Lessee (continued)

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.

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.

21 ACCOUNTING POLICIES (continued)

21.4 LEASING (continued)

21.4.2 The Group as a lessor

Operating Leases

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

21.5 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.

21.6 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.

21.7 GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

21 ACCOUNTING POLICIES (continued)

21.7 GOVERNMENT GRANTS (continued)

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds and the fair value of the loan based on prevailing market interest rates.

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense. Government grants relating to the acquisition of property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

21.8 SHORT TERM AND OTHER LONG TERM EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

21.9 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.

21 ACCOUNTING POLICIES (continued)

21.9 INCOME TAX (continued)

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.

21.10 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 10.1.2.

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.

21 ACCOUNTING POLICIES (continued)

21.11 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.

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.

21.12 INTANGIBLE ASSETS

21.12.1 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.

21.12.2 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.

21 ACCOUNTING POLICIES (continued)

21.13 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.

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.

21.14 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.

21.15 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.

21 ACCOUNTING POLICIES (continued)

21.15 INVESTMENT AND OTHER FINANCIAL ASSETS (continued)

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.

21.16 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.

21.17 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.