

## COMPANY ANNOUNCEMENT

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

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Date: 28th April 2022

Ref No: TST0041

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

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

#### Quote

The Company announces that the Board of Directors today met today on 28th April 2022 to consider and approve the Company's Audited Financial Statements for the financial year ended 31st December 2021. The board then considered and approved the Company's Audited Financial Statements.

In addition, the Company announces that the Board of Directors of the Company's guarantor, being Testa Properties Ltd, a company registered under the laws of Malta, having company registration number C 80524 and address at RU 19, The Pjazza, The Point, Tigne Point, Sliema, Malta also held board of directors meeting today. The audited financial statements of the Guarantor for the year ended on the 31st December 2021 were then considered and approved.

The Audited Financial Statements are attached with this announcement.

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

#### Unquote

By order of the Board of Directors of the Company,



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Reuben Debono  
ID 422778M  
Company Secretary

TESTA FINANCE PLC  
ANNUAL REPORT  
For the year ended 31 December 2021

TESTA FINANCE PLC

**Company Information**

**Directors:** Mr Jean Paul Testa  
Ms Hanna Testa  
Mr Nigel Scerri  
Mr Raymond Pace  
Mr Reuben Debono

**Secretary:** Mr Reuben Debono

**Company number:** C 85495

**Registered office:** RU 19, The Pjazza, The Point,  
Tigne Point,  
Sliema

**Auditors:** KSi Malta  
6, Villa Gauci  
Mdina Road  
Balzan BZN 9031

# TESTA FINANCE PLC

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TESTA FINANCE PLC

## **Report of the Directors**

For the year ended 31 December 2021

The directors present their report and the audited financial statements for the year ended 31 December 2021.

### ***Incorporation***

The Company was incorporated on 22 March 2018.

### ***Principal Activity***

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

### ***Review of Business***

During the year under review the Company registered a profit before tax of € 13,019. During 2019, the Company issued €3,900,000 5.5% unsecured Bonds having a nominal value of €100 each.

### ***Dividends and Reserves***

The directors do not recommend the payment of a dividend.

### ***Financial Risk Management***

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

#### **(a) Liquidity risk**

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

#### **(b) Credit risk**

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

**Report of the Directors (continued)**

For the year ended 31 December 2021

***Subsequent Events After Year End***

The Directors evaluated subsequent events from 1 January 2022 through 28 April 2022, the date the financial statements are approved. As at 28 March 2022, Testa Finance pls issued a company announcement in relation to the acquisition of property by Testa Properties Limited. The Company confirms that the final contract in relation to the acquisition of the property located at the complex formerly known as 'Serena Beach Club', without official number in 'Islets Promenade, Bugibba, Saint Paul's Bay, Malta' has been finalised.

***Directors***

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

Mr Jean Paul Testa  
Ms Hanna Testa  
Mr Nigel Scerri  
Mr Raymond Pace  
Mr Reuben Debono

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 on 31 December 2021 is limited to 2 ordinary shares having a nominal value of €1 and 25% paid up held equally by Ms Hanna Testa and Mr Jean Paul Testa.

***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 Company as at the end of the financial year and of the profit or loss of the Company for that year in accordance with the requirements of International Financial Reporting Standards as adopted by the EU. In preparing these financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- select suitable accounting policies and apply them consistently from one accounting period to another;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on accruals basis; and
- value separately the components of asset and liability items on a prudent basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Report of the Directors (continued)**

For the year ended 31 December 2021

**Statement of Directors' Responsibilities (continued)**

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

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

- the financial statements give a true and fair view of the financial position of the company at 31 December 2021, 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 Company, together with a description of the principal risks and uncertainties that the Company faces.

**Going Concern Statement**

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

**Auditors**

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

BY ORDER OF THE BOARD

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Ms Hanna Testa  
Director

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Mr Jean Paul Testa  
Director

28 April 2022

## **Corporate Governance - Statement of Compliance**

For the year ended 31 December 2021

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

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

### **Part 1: Compliance with the Code**

The Board of Directors (the "**Board**") of the Company believe in the adoption of the Code and has endorsed them except where the size and/or particular circumstances of the Company are deemed by the Board not to warrant the implementation of specific recommendations. In this context it is relevant to note that the Company has issued bonds on Prospects MTF and has no employees. Accordingly, some of the provisions of the Code are not applicable whilst others are applicable to a limited extent.

#### **Principle 1: The Board**

The Board of Directors is responsible for devising a strategy and setting policies of the Company. It is also responsible for reviewing internal control procedures, financial performance and business risks facing the Company. The Board is also responsible for decisions relating to the redemption of the Bond, and for monitoring that its operations are in conformity with the prospectus and all relevant rules and regulations.

The Board is composed of Mr Jean Paul Testa (Executive Director and Chief Executive Officer), Ms Hanna Testa (Executive Director and Chief Operations Officer), Mr Nigel Scerri (Executive Director and Chief Financial Officer), Mr Raymond Pace (Non-Executive Director) and Mr Reuben Debono (Non-Executive Director). All of the directors were nominated and appointed by the shareholders in general meeting.

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

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



**Corporate Governance - Statement of Compliance (continued)**

For the year ended 31 December 2021

**Part 1: Compliance with the Code (continued)**

**Principle 2: Chairman and Chief Executive Officer**

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

The Chairman's main function is to lead the Board, set the agenda and ensure that all board members partake in discussions of complex and contentious issues.

The Chief Executive Officer has specific authorities from the Board to manage the Company's operational activities within the strategy and parameters set by it.

**Principle 3: Composition of the Board**

The Board considers that the size of the Board, whilst not being large as to be unwieldy, is appropriate, taking into account the size of the Company and its operations. The combined and varied knowledge, experience and skills of the Board members provides the balance of competences that are required and adds value to the functioning of the Board and gives direction to the Company.

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

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

**Principle 4: The Responsibilities of the Board**

The Board has the first level responsibility for executing the four basic roles of Corporate Governance, namely accountability, monitoring, strategy formulation and policy development. The Board seeks to effectively monitor the implementation of strategy and policy by management.

Clear internal and external reporting lines are established with a view to ensuring that the Board can properly discharge its obligation to take decisions in the best interests of the Company. An audit committee has been set up with clear terms of reference in line with the Rules. The procedure of the Audit Committee is regulated under its terms of reference.

**Corporate Governance - Statement of Compliance (continued)**

For the year ended 31 December 2021

**Part 1: Compliance with the Code (continued)**

**Principle 5: Board Meetings**

Board meetings concentrate mainly on strategy, operational performance and financial performance of the Company. After each Board meeting and before the next, Board minutes that faithfully record attendance, key issues and decisions are sent to the directors. Meetings were attended as follows:

<i>Members</i>	<i>Meetings Attended out of total held during tenure</i>
Mr Jean Paul Testa	4 out of 5
Ms Hanna Testa	1 out of 5
Mr Nigel Scerri	5 out of 5
Mr Raymond Pace	5 out of 5
Mr Reuben Debono	5 out of 5

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

**Board Committees**

Audit Committee

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

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

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

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

Senior Management

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

**Corporate Governance - Statement of Compliance (continued)**

For the year ended 31 December 2021

**Part 1: Compliance with the Code (continued)**

**Principle 6: Information and Professional Development**

Each director is made aware of the Company's on-going obligations in terms of the Companies Act, the Rules and other relevant legislation. Directors have access to the advice and services of the Company Secretary and to legal counsel. The Company is also prepared to bear the expense incurred by the directors requiring independent professional advice should they judge it necessary to discharge their responsibilities as directors.

**Principle 9: Relations with Shareholders and with the Market and Principle 10: Institutional Shareholders**

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

**Principle 10: Institutional Shareholders**

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

**Principle 11: Conflicts of Interest**

The directors are aware that their primary responsibility is always to act in the interest of the Company and its shareholders as a whole irrespective of who appointed them to the Board. Acting in the interest of the Company includes an obligation to avoid conflicts of interest. In such instances, the Company has strict policies in place which allow it to manage such conflicts, actual or potential, in the best interest of the Company.

**Principle 12: Corporate Social Responsibility**

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

**Part 2: Non-Compliance with the Code**

**Principle 7: Evaluation of the Board's Performance**

At present, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of, the Board itself, the Issuer's shareholders, the market and the rules by which the Issuer is regulated.

**Corporate Governance - Statement of Compliance (continued)**

For the year ended 31 December 2021

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

**Principle 8: Committees**

The Issuer does not have a Remuneration Committee as recommended by this principle because it is not deemed as necessary in view of the very limited number of directors engaged by the Issuer. Furthermore, the Issuer does not have a Nomination Committee as recommended in Principle 8. Appointments to the Board of Directors are determined by the shareholders of the Company in accordance with the Memorandum and Articles of Association. The Issuer considers that the members of the Board provide the level of skill, knowledge and experience expected in terms of the Code.

**Internal Controls**

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to achieve business objectives and to manage rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance against material error, losses or fraud.

Authority to manage the business of the Group, including the Company is delegated to the Group Chief Executive Officer within the limits set by the Board of Directors. Systems and procedures are in place for the Company to control, report, monitor and assess risks and their financial implications, and to take timely corrective actions where necessary. Regular financial budgets and strategic plans are prepared, and performance against these plans is actively monitored and reported to the directors on a regular basis.

**Remuneration Statement**

In terms of the Company's Memorandum and Articles of Association, it is the shareholders of the Company in the General Meeting who determine the maximum annual aggregate remuneration of the directors. Since inception, the directors have waived their right to receive remuneration due to the effects of the Covid-19 pandemic on the wider Group's operation.

No part of the remuneration paid to the directors is performance based, and the Chief Executive Officer receives no additional remuneration in relation to this role. None of the directors, in their capacity as a Director of the Company, is entitled to profit sharing, share options or pension benefits with respect to Testa Finance PLC.

Signed on behalf of the Board of Directors on 28 April 2022 by:



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Ms Hanna Testa  
Director



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Mr Jean Paul Testa  
Director

## **Independent Auditors' Report**

To the shareholders of Testa Finance PLC

### **Report on the Audit of the Financial Statements**

We have audited the financial statements of Testa Finance PLC (the Company), set out on pages 13 to 34, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

### **Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of matter**

We draw attention to Note 15 of the financial statements, which describes the effects of COVID-19 on the Company's operations. Our opinion is not modified in respect of this matter.

### **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 period.

### **Other Information**

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

## **Independent Auditors' Report (continued)**

### **Report on Corporate Governance**

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditors to include a report on the Statement of Compliance prepared by the Directors.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the annual return.

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

In our opinion, the Statement of Compliance set out on pages 4 to 8 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

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

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 period for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with the Maltese Companies Act (Cap.386).

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

### **Responsibilities of the Directors**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Independent Auditors' Report (continued)

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


## Independent Auditors' Report (continued)

### 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.
- 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

28 April 2022



**Statement of Profit or Loss and Other Comprehensive Income**

For the year ended 31 December 2021

	Notes	2021 €	2020 €
Administrative expenses	6	(13,992)	(17,862)
<b>Operating loss</b>		(13,992)	(17,862)
Finance income	6	246,697	268,569
Finance costs	6	(219,686)	(214,983)
<b>Net finance income</b>		27,011	53,586
<b>Profit before tax</b>		13,019	35,724
Income tax expense	7	(10,838)	-
<b>Profit for the year</b>		2,181	35,724
<b>Other comprehensive income for the year</b>			
Other comprehensive income for the year		-	-
<b>Total comprehensive profit for the year</b>		2,181	35,724

TESTA FINANCE PLC

**Statement of Financial Position**

As at 31 December 2021

	Notes	2021 €	2020 €
<b>Assets</b>			
Trade and other receivables	8	2,894,488	2,875,296
Cash and cash equivalents	8	1,200,531	1,200,531
<b>Total current assets</b>		<b>4,095,019</b>	<b>4,075,827</b>
<b>Total assets</b>		<b>4,095,019</b>	<b>4,075,827</b>
<b>Liabilities</b>			
Borrowings	8	3,863,715	3,858,531
<b>Total non-current liabilities</b>		<b>3,863,715</b>	<b>3,858,531</b>
Trade and other payables	8	209,523	208,534
Current tax liabilities		10,838	-
<b>Total current liabilities</b>		<b>220,361</b>	<b>208,534</b>
<b>Total liabilities</b>		<b>4,084,076</b>	<b>4,067,065</b>
<b>Net assets</b>		<b>10,943</b>	<b>8,762</b>
<b>Equity</b>			
Share capital	9	12,500	12,500
Accumulated losses	9	(1,557)	(3,738)
<b>Total equity</b>		<b>10,943</b>	<b>8,762</b>

The financial statements on pages 13 to 34 were approved and authorised for issue by the Board on 28 April 2022 and were signed on its behalf by:

Ms Hanna Testa  
Director

Mr Jean Paul Testa  
Director

TESTA FINANCE PLC

**Statement of Changes in Equity**

For the year ended 31 December 2021

	Share capital €	Accumulated losses €	Total €
<b>Changes in equity for 2020</b>			
Balance at 1 January 2020	12,500	(39,462)	(26,962)
Profit for the year	-	35,724	35,724
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2021</b>	<b>12,500</b>	<b>(3,738)</b>	<b>8,762</b>
	<hr/>	<hr/>	<hr/>
<b>Changes in equity for 2021</b>			
Balance at 1 January 2021	12,500	(3,738)	8,762
Profit for the year	-	2,181	2,181
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2021</b>	<b>12,500</b>	<b>(1,557)</b>	<b>10,943</b>
	<hr/>	<hr/>	<hr/>

TESTA FINANCE PLC

**Statement of Cash Flows**

For the year ended 31 December 2021

	Note	2021 €	2020 €
<b>Cash flows from operating activities</b>			
Profit before tax		13,019	35,724
Adjustments for:			
Amortisation of bond issue cost		5,184	5,184
Tax paid		-	(171)
Bond interest payable		214,502	209,799
		<hr/>	<hr/>
<b>Operating profit before working capital changes</b>		232,705	250,536
Movement in payables		989	(3,701)
Movement in receivables		(200,339)	(268,528)
		<hr/>	<hr/>
Net cash outflow from operating activities		33,355	(21,693)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Payments from related company		181,147	231,533
Bond interest paid		(214,502)	(209,799)
		<hr/>	<hr/>
Net cash inflow from financing activities		(33,355)	21,734
		<hr/>	<hr/>
Net movement in cash and cash equivalents		-	41
Cash and cash equivalents at beginning of year		1,200,531	1,200,490
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	8.3	1,200,531	1,200,531
		<hr/>	<hr/>

**Notes to the Financial Statements**

For the year ended 31 December 2021

**1 REPORTING ENTITY AND OTHER INFORMATION**

Testa Finance PLC is a limited liability company domiciled and incorporated in Malta. The company's registered office is RU 19, The Pjazza, Tigne Point, The Point, Sliema. The Company is to act as a finance and investment company to related companies within the Group.

**2 BASIS OF ACCOUNTING**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and comply with the Companies Act, 1995. They were authorised for issue by the Company's board of directors 28 April 2022.

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

**3 FUNCTIONAL AND PRESENTATION CURRENCY**

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

**4 USE OF JUDGEMENTS AND ESTIMATES**

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

4.1 Judgements

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

- Estimation of current tax payable and current tax expense;
- Recognition of deferred tax liabilities.

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**5 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)****Standards and interpretations applied during the current year**

Amendments and interpretations applicable for the first time in 2021 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.

<b>Standard</b>	<b>Subject of amendment</b>	<b>Effective date</b>
<i>IFRS 4 Insurance Contracts</i>	Amendments regarding replacement issues in the context of the IBOR reform	1 January 2021
<i>IFRS 7 Financial Instruments: Disclosures</i>	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2021
<i>IFRS 9 Financial Instruments</i>	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2021
<i>IFRS 16 Leases</i>	Amendments regarding replacement issues in the context of the IBOR reform  Amendment to extend the exemption from assessing whether a COVID-19 related rent concession is a lease modification	1 January 2021  1 April 2021
<i>IAS 39 Financial Instruments: Recognition and Measurement</i>	Amendments regarding replacement issues in the context of the IBOR reform	1 January 2021

**Standards issued but not yet effective**

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

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

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

<b>Standard</b>	<b>Subject of amendment</b>	<b>Effective date</b>
<i>IFRS 1 First-time Adoption of International Financial Reporting Standards</i>	Amendments resulting from <i>Annual Improvements to IFRS Standards 2018–2020</i> (subsidiary as a first-time adopter)	1 January 2022
<i>IFRS 3 Business Combinations</i>	Amendments updating a reference to the <i>Conceptual Framework</i>	1 January 2022
<i>IFRS 4 Insurance Contracts</i>	Amendments regarding the expiry date of the deferral approach	1 January 2023
<i>IFRS 9 Financial Instruments</i>	Amendments resulting from <i>Annual Improvements to IFRS Standards 2018–2020</i> (fees in the '10 per cent' test for derecognition of financial liabilities)	1 January 2022
<i>IFRS 17 Insurance Contracts</i>	Original issue	1 January 2023
	Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published (includes a deferral of the effective date to annual periods beginning on or after 1 January 2023)	1 January 2023
<i>IAS 1 Presentation of Financial statements</i>	Amendments regarding the classification of liabilities	1 January 2023
	Amendment to defer the effective date of the January 2020 amendments	1 January 2023
	Amendment regarding the disclosure of accounting policies	1 January 2023
<i>IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</i>	Amendments regarding the definition of accounting estimates	1 January 2023
<i>IAS 12 Income Taxes</i>	Amendments regarding deferred tax on leases and decommissioning obligations	1 January 2023

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**5 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)****Standards issued but not yet effective (continued)**

<i>IAS 16 Property, Plant and Equipment</i>	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
<i>IAS 37 Provisions, Contingent Liabilities and Contingent Assets</i>	Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022

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

**6 OTHER INCOME AND EXPENSE ITEMS****6.1 Breakdown of expenses by nature**

	2021 €	2020 €
Auditors' remuneration	3,000	3,000
Other expenses	10,992	14,862
	<hr/>	<hr/>
Total administrative expenses	13,992	17,862
	<hr/>	<hr/>

**6.2 Finance costs**

	2021 €	2020 €
Amortisation- bond issue costs	5,184	5,184
Bond interest	214,502	209,799
	<hr/>	<hr/>
	219,686	214,893
	<hr/>	<hr/>



**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**6 OTHER INCOME AND EXPENSE ITEMS (continued)****6.3 Finance income**

	2021 €	2020 €
Bank interest received	-	41
Interest on related company loans	246,697	268,528
	<hr/>	<hr/>
	246,697	268,569
	<hr/>	<hr/>

**7 INCOME TAX EXPENSE****7.1 Income tax expense**

	2021 €	2020 €
<b>Current tax</b>		
Current tax on taxable income for the year	10,838	-
	<hr/>	<hr/>
Total current tax expense	10,838	-
	<hr/>	<hr/>
<b>Deferred income tax</b>		
Deferred tax expense for the year	-	-
	<hr/>	<hr/>
Total deferred tax expense	-	-
	<hr/>	<hr/>
Total income tax expense	10,838	-
	<hr/>	<hr/>

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**7 INCOME TAX EXPENSE (continued)****7.2 Reconciliation of income tax expense**

	2021 €	2020 €
Profit before tax	13,019	35,724
Theoretical tax expense @ 35%	4,557	12,503
Tax effect of amounts which are not deductible in calculating taxable income:		
Disallowable expenses	4,898	5,972
Amortisation of bond issue costs	1,814	1,814
Fines and penalties	-	280
Group loss relief absorbed	(431)	(21,000)
Deferred tax not recognised	-	431
	<u>10,838</u>	<u>-</u>

**8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The company holds the following financial instruments:

	Notes	2021 €	2020 €
<b>Financial assets</b>			
Other financial assets at amortised costs	8.2	2,239,938	2,421,085
Trade and other receivables	8.1	654,550	454,211
Cash and cash equivalents	8.3	1,200,531	1,200,531
		<u>4,095,019</u>	<u>4,075,827</u>
<b>Financial liabilities</b>			
Trade and other payables	8.4	209,523	208,534
Borrowings	8.5	3,863,715	3,858,531
Taxation		10,838	-
		<u>4,084,076</u>	<u>4,067,065</u>

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)****8.1 Trade and other receivables**

	2021 €	2020 €
<b>Current assets</b>		
Other receivables	210,000	-
Accrued income	444,550	454,211
	<hr/>	<hr/>
	654,550	454,211
	<hr/>	<hr/>

**8.2 Other financial assets at amortised cost**

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

- The asset is held within a business model whose objective is to collect the contractual cash flows;
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost include the following debt investments:

	2021 €	2020 €
<b>Current assets</b>		
Loan from related companies (note)	2,239,938	2,421,085
	<hr/>	<hr/>
	2,239,938	2,421,085
	<hr/>	<hr/>

Note:

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

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)****8.3 Cash and cash equivalents**

	2021	2020
<b>Current assets</b>		
Cash at bank and in hand	€ 1,200,531	€ 1,200,531
	<hr/>	<hr/>

**8.3.1 Reconciliation to cashflow statement**

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

	2021	2020
Balance as above	€ 1,200,531	€ 1,200,531
	<hr/>	<hr/>

**8.4 Trade and other payables**

	2021	2020
	€	€
<b>Current liabilities</b>		
Trade payables	673	-
Other payables	234	-
Accruals	208,616	208,534
	<hr/>	<hr/>
	209,523	208,534
	<hr/>	<hr/>

**8.5 Borrowings**

	2021	2020
	€	€
<b>Secured</b>		
Amounts falling due after on year		
Bond loan (note)	3,863,715	3,858,531
	<hr/>	<hr/>
<b>Total Borrowings</b>	3,863,715	3,858,531
	<hr/>	<hr/>

Note:

**Bond loan**

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

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**9 EQUITY****9.1 Share Capital**

	2021	2020
<u>Authorised</u>		
500,000 ordinary shares of €1 each	€ 500,000	€ 500,000
	_____	_____
<u>Called-up, issued and 25% paid up</u>		
50,000 ordinary shares of €1 each	€ 12,500	€ 12,500
	_____	_____

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

**9.2 Retained earnings**

The profit and loss account represents accumulated losses as follows:

	€
At 1 January 2020	(39,462)
Net profit for the year	35,724
	_____
At 31 December 2020	(3,738)
	_____
At 1 January 2021	(3,738)
Net profit for the year	2,181
	_____
At 31 December 2021	(1,557)
	_____

**10 EARNINGS PER SHARE**

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

	2021	2020
Profit for the year	€ 2,181	€ 35,724
	_____	_____
Weighted number of ordinary shares	50,000	50,000
	_____	_____
Earnings per shares	€ 0.04	€ 0.71
	_____	_____

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**11 FINANCIAL RISK MANAGEMENT**

The company's risk management is carried out by the board of directors. There are written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidities.

**11.1 Market risk****(i) Cash flow and fair value interest rate risk**

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financial position and cash flows. As at the reporting date, the Company has fixed and variable interest-bearing liabilities. Fixed interest-bearing liabilities consists of finance lease liability whilst exposure to variable interest-bearing liabilities consists of bank overdrafts. As at the consolidated statement of financial position date, the Company'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 borrowing with a fixed rate interest rate.

**11.2 Credit risk**

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

	2021	2020
Cash at bank	€ 1,200,531	€ 1,200,531
	<hr/>	<hr/>

With respect to amounts receivable, the Company assesses on an ongoing basis the credit quality of the third party tenants, taking into account financial position, past experience and other factors. The Company manages credit limits and exposures actively in a practical manner such that there are no material past due amounts receivable from third party tenants as at the reporting date. The Company has no significant concentration of credit risk arising from third parties. As at 31 December 2021 and 2020, the company had no trade receivables.

**11.3 Liquidity risk**

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

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

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**11 FINANCIAL RISK MANAGEMENT (continued)****11.3 Liquidity risk (continued)**

	Carrying amounts €	Contractual cash flows €	On demand €	Within one year €	Between two and five years €	After more than five years €
<b>At 31 December 2021</b>						
Trade and other payables	209,523	209,523	209,523	209,523	-	-
Bond loan	3,863,715	5,616,000	214,500	214,500	858,000	4,543,500
	<u>4,073,238</u>	<u>5,825,523</u>	<u>424,023</u>	<u>424,023</u>	<u>858,000</u>	<u>4,543,500</u>
<b>At 31 December 2020</b>						
Other payables	208,534	208,534	208,534	208,534	-	-
Bond loan	3,858,531	5,830,500	214,500	214,500	858,000	4,758,000
	<u>4,067,065</u>	<u>6,039,034</u>	<u>423,034</u>	<u>423,034</u>	<u>858,000</u>	<u>4,758,000</u>

**12 CAPITAL MANAGEMENT****12.1 Risk management**

The Company's objectives when managing capital are:

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

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

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**13 RELATED PARTY TRANSACTIONS****13.1 Parent Entity**

The Company is partially-owned subsidiary of Testa Properties Limited, the Group's parent Company. The registered office of the parent Company is situated at RU 19, The Pjazza, The Point, Tigne Point, Sliema. The ultimate beneficial owners are Mr Jean Paul Testa and Ms Hanna Testa.

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

**13.2 Loans from related companies**

	Note	Transaction value period ending 31 December		Balance outstanding as at 31 December	
		2021	2020	2021	2020
Amounts due from related companies (note)	13.2.1	€ (181,147)	€ (231,533)	€ 2,239,938	€ 2,421,085

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

**14 ACCOUNTING POLICIES****14.1 BORROWING COSTS**

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

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



**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**14 ACCOUNTING POLICIES (continued)**

**14.2 TAXATION**

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

**14.2.1 Current Tax**

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

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

**14.2.2 Deferred Tax**

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

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

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

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

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**14 ACCOUNTING POLICIES (continued)**

**14.2 TAXATION (continued)**

**14.2.3 Current and deferred tax for the year**

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

**14.3 FINANCIAL INSTRUMENTS**

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

**14.4 FINANCIAL ASSETS**

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

**14.4.1 Classification of financial assets**

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

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

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

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

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**14 ACCOUNTING POLICIES (continued)**

**14.4 FINANCIAL ASSETS (continued)**

**14.4.1 Classification of financial assets (continued)**

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

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

**14.4.2 Write off policy**

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

**14.4.3 Impairment of financial assets**

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

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

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

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

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**14 ACCOUNTING POLICIES (continued)**

**14.4 FINANCIAL ASSETS (continued)**

**14.4.4 Derecognition of financial assets**

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

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

**14.5 FINANCIAL LIABILITIES**

**14.5.1 Initial recognition and measurement**

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

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

**14.5.2 Subsequent measurement**

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

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

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

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

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**14 ACCOUNTING POLICIES (continued)**

**14.5 FINANCIAL LIABILITIES (continued)**

**14.5.3 Loans and borrowings**

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

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

**14.5.4 Derecognition**

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

**14.6 PROVISIONS**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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.

**14.7 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.

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**15 GOING CONCERN**

The Company's principal activity is to act as a finance company. Since the Company does not carry out any trading activities itself, it is economically dependent on the business prospects of Testa Catering Concepts Limited whose core operations are catering outlets. In preparing these financial statements, given that the Company is economically dependent on the operations carried out by the group companies, 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 wider 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 Company 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.

TESTA PROPERTIES LIMITED

ANNUAL REPORT AND CONSOLIDATED  
FINANCIAL STATEMENTS

For the year ended 31 December 2021

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

**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



# TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

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## **Report of the Directors**

For the year ended 31 December 2021

The directors present their report and the audited financial statements for the year ended 31 December 2021.

### ***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 profit before tax of € 1,245,076 (2020: Loss of € 1,163,464). Such increase in the profit for the year was due to the transfer existing outlets and rights over brands to brand partners.

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.

After significant capital expenditure and expansion in previous years, the Group planned to operate for the first time all of its outlets for twelve whole months during the previous year, but this was not possible due to the COVID-19 outbreak and the economic crisis it has generated. The Group's performance during the year ended 31 December 2021 has improved, yet the effects of the COVID-19 pandemic have persisted. The directors are confident that 2022 will be an important step towards post pandemic recovery.

### ***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 2021

***Subsequent Events After Year End***

The Directors evaluated subsequent events from 1 January 2022 through 28 April 2022, the date the financial statements are approved. As at 28 March 2022, Testa Properties Limited confirms that the final contract in relation to the acquisition of the property located at the complex formerly known as ‘Serena Beach Club’, without official number in ‘Islets Promenade, Bugibba, Saint Paul’s Bay, Malta’ has been finalised.

***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 2021 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 2021

**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 2021, 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



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Mr Jean Paul Testa  
Director

28 April 2022



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Ms Hanna Yevheniivna Testa  
Director

## **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 2021, 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 2021, 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 Note 20 of the financial statements, which describes the effects of COVID-19 on the Company's operations. Our opinion is not modified in respect of this matter.

## **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 2021 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.

## **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.

## 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.

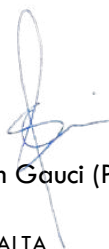
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### 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

28 April 2022



**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

For the year ended 31 December 2021

	Notes	Group		Company	
		2021 €	2020 €	2021 €	2020 €
<b>Revenue</b>	6	2,558,885	1,202,331	100,000	90,000
Cost of sales	7	(572,856)	(453,564)	-	-
<b>Gross profit</b>		1,986,029	748,767	100,000	90,000
Other income	7	639,010	488,348	-	10,000
Administration expenses	7	(1,086,681)	(2,120,214)	(168,210)	(164,692)
<b>Operating profit/ (loss)</b>		1,538,358	(883,099)	(68,210)	(64,692)
Finance income	7	-	41	-	-
Finance costs	7	(293,282)	(280,406)	(120,834)	(146,685)
<b>Net finance cost</b>		(293,282)	(280,365)	(120,834)	(146,685)
Share of net profits of subsidiaries accounted for using the equity method		-	-	10,943	-
<b>Profit/ (Loss) before tax</b>		1,245,076	(1,163,464)	(178,101)	(211,377)
Income tax	8	(167,366)	261,902	-	-
<b>Profit/ (Loss) for the year</b>		1,077,710	(901,562)	(178,101)	(211,377)
<b>Other comprehensive income for the year</b>					
Other comprehensive income for the year		-	-	-	-
<b>Total comprehensive profit/ (loss) for the year</b>		1,077,710	(901,562)	(178,101)	(211,377)

**Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)**

For the year ended 31 December 2021

	Note	Group		Company	
		2021 €	2020 €	2021 €	2020 €
<b>Profit/ (Loss) for the year attributable to:</b>					
Owners of Company		1,077,710	(901,563)	-	-
Non-controlling interest		3	1	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		1,077,713	(901,562)	(178,101)	(211,377)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total comprehensive profit/ (loss) for the year attributable to:</b>					
Owners of Company		1,077,710	(901,563)	-	-
Non-controlling interest		3	1	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		1,077,713	(901,562)	(178,101)	(211,377)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Earnings per share</b>	9	1.68	(1.41)	(0.28)	(0.33)
		<hr/>	<hr/>	<hr/>	<hr/>

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

**Consolidated Balance Sheet**

As at 31 December 2021

	Notes	Group		Company	
		2021 €	2020 €	2021 €	2020 €
<b>Assets</b>					
Property, plant and equipment	10	4,185,778	5,692,185	718,099	871,907
Investment properties	10	640,152	640,152	640,152	640,152
Intangible assets	10	280,000	586,469	-	-
Investment in subsidiaries	16	-	-	10,943	-
Deferred tax assets	10	234,142	390,669	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total non-current assets</b>		5,340,072	7,309,475	1,369,194	1,512,059
		<hr/>	<hr/>	<hr/>	<hr/>
Inventories	10	20,554	76,941	-	-
Trade and other receivables	11	1,977,855	891,378	232,500	192,500
Cash and cash equivalents	11	1,220,482	1,233,654	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total current assets</b>		3,218,891	2,201,973	232,500	192,500
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets</b>		8,558,963	9,511,448	1,601,694	1,704,559
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>					
Borrowings	11	4,941,478	6,323,589	11,151	105,573
Deferred tax liabilities	10	32,008	32,008	32,008	32,008
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total non-current liabilities</b>		4,973,486	6,355,597	43,159	137,581
		<hr/>	<hr/>	<hr/>	<hr/>
Borrowings	11	941,283	983,386	1,173,009	1,124,503
Trade and other payables	11	1,957,522	2,574,341	356,420	235,268
Current tax liabilities		10,838	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total current liabilities</b>		2,909,643	3,557,727	1,529,429	1,359,771
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>		7,883,129	9,913,324	1,572,588	1,497,352
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net liabilities</b>		(675,834)	(401,876)	29,106	207,207
		<hr/>	<hr/>	<hr/>	<hr/>

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

**Consolidated Balance Sheet (continued)**

As at 31 December 2021

	Notes	Group		Company	
		2021 €	2020 €	2021 €	2020 €
<b>Equity</b>					
Share capital	12	641,356	641,356	641,356	641,356
Other reserve	12	676,002	676,002	-	-
Retained earnings	12	(641,527)	(1,719,237)	(612,250)	(434,149)
		<hr/>	<hr/>	<hr/>	<hr/>
Equity attributable to owners of the Group		675,831	(401,879)	29,106	207,207
Non-controlling interest	13	3	3	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total equity/(Deficiency)</b>		<b>675,834</b>	<b>(401,876)</b>	<b>29,106</b>	<b>207,207</b>
		<hr/>	<hr/>	<hr/>	<hr/>

The consolidated financial statements set out on pages 8 to 49 were approved and authorised for issue by the Board on 28 April 2022 and were signed on its behalf by:

Mr Jean Paul Testa  
Director

Ms Hanna Yevheniivna Testa  
Director

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

**Consolidated Statement of Changes in Equity**

For the year ended 31 December 2021

**Group**

	Share capital €	Retained earnings €	Other reserve €	Non- controlling interest €	Total €
<b>Changes in equity for 2020</b>					
Balance at 1 January 2020	641,356	(817,675)	676,002	2	499,685
Loss for the year	-	(901,562)	-	1	(901,561)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2020</b>	<b>641,356</b>	<b>(1,719,237)</b>	<b>676,002</b>	<b>3</b>	<b>(401,876)</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Changes in equity for 2021</b>					
Balance at 1 January 2021	641,356	(1,719,237)	676,002	3	(401,876)
Profit for the year	-	1,077,710	-	-	1,077,710
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2021</b>	<b>641,356</b>	<b>(641,527)</b>	<b>676,002</b>	<b>3</b>	<b>675,834</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

**Consolidated Statement of Changes in Equity (continued)**

For the year ended 31 December 2021

**Company**

	Share capital €	Retained earnings €	Total €
<b>Changes in equity for 2020</b>			
Balance at 1 January 2020	641,356	(222,772)	418,584
Loss for the year	-	(211,377)	(211,377)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2020</b>	<b>641,356</b>	<b>(434,149)</b>	<b>207,207</b>
	<hr/>	<hr/>	<hr/>
<b>Changes in equity for 2021</b>			
Balance at 1 January 2021	641,356	(434,149)	207,207
Loss for the year	-	(178,101)	(178,101)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2021</b>	<b>641,356</b>	<b>(612,250)</b>	<b>29,106</b>
	<hr/>	<hr/>	<hr/>

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

**Consolidated Statement of Cash Flows**

For the year ended 31 December 2021

	<b>Group</b>		<b>Company</b>	
	2021	2020	2021	2020
	€	€	€	€
<b>Cash flows from operating activities</b>				
Loss before tax	1,245,076	(1,163,464)	(178,101)	(211,377)
Adjustments for:				
Minority interest	-	(1)	-	-
Depreciation	674,624	815,952	153,808	153,808
Amortisation	40,000	68,866	-	-
Share of net losses of subsidiaries accounted for using the equity method	-	-	-	-
Amortisation of bond issue costs	5,184	5,184	-	-
Tax paid	-	(171)	-	-
Profit on disposal of ROU assets	(284,156)	-	-	-
Profit/ (Loss) on disposal of property, plant and equipment	(858,590)	2,469	-	-
Profit on disposal of intangible assets	(413,033)	-	-	-
Bond interest payable	214,502	209,799	-	-
Finance charge	2,913	42,425	2,913	5,740
Operating (loss)/profit before working capital changes:	626,520	(18,941)	(21,380)	(51,829)
Movement in trade and other receivables	13,526	(708,381)	(40,000)	(40,000)
Movement in inventories	56,387	181,637	-	-
Movement in trade and other payables	(607,323)	(727,008)	(121,152)	95,183
Net cash (outflow)/inflow from operating activities	89,110	(1,272,693)	59,772	3,354
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	(315,932)	(55,474)	-	-
Acquisition of intangible assets	-	(9,500)	-	-
Advances from/(Payment of) subsidiary company loans	-	-	(48,829)	(3,354)
Proceeds from disposal of property, plant and equipment	600,000	300,048	-	-
Net cash inflow/(outflow) from investing activities	284,068	235,074	(48,829)	(3,354)
<b>Cash flows from financing activities</b>				
Proceeds from/(Repayment of) bank loans	(31,609)	1,346,560	-	-
Advances to shareholders	(1,450)	-	-	-
Advances from third party	(102,436)	149,067	-	-
Acquisition of investment in subsidiary	-	-	(10,943)	-
Bond interest paid	(214,502)	(209,799)	-	-
Repayment of finance lease liabilities	(100,005)	(327,022)	-	-
Net cash inflow from financing activities	(450,002)	958,806	(10,943)	-
Net movement in cash and cash equivalents	(76,824)	(78,813)	-	-
Cash and cash equivalents at beginning of year	1,164,008	1,242,821	-	-
<b>Cash and cash equivalents at end of year</b>	<b>1,087,184</b>	<b>1,164,008</b>	<b>-</b>	<b>-</b>

## TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

#### 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:

<b>Brand</b>	<b>Subsidiary</b>	<b>Address</b>
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
Beefbar in the City	Testa Catering Concepts Limited	The Mall, The Phoenicia Malta, Floriana

#### 2 BASIS OF ACCOUNTING

The Group's consolidated financial statements are prepared in accordance with IFRSs. They were authorised for issue by the Company's board of directors on 28 April 2022.

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.



**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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 2021 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.

<b>Standard</b>	<b>Subject of amendment</b>	<b>Effective date</b>
<i>4 Insurance Contracts</i>	Amendments regarding replacement issues in the context of the IBOR reform	1 January 2021
<i>IFRS 7 Financial Instruments: Disclosures</i>	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2021
<i>IFRS 9 Financial Instruments</i>	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2021
<i>IFRS 16 Leases</i>	Amendments regarding replacement issues in the context of the IBOR reform  Amendment to extend the exemption from assessing whether a COVID-19 related rent concession is a lease modification	1 January 2021  1 April 2021
<i>IAS 39 Financial Instruments: Recognition and Measurement</i>	Amendments regarding replacement issues in the context of the IBOR reform	1 January 2021

**Standards issued but not yet effective**

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

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

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

<b>Standard</b>	<b>Subject of amendment</b>	<b>Effective date</b>
<i>IFRS 1 First-time Adoption of International Financial Reporting Standards</i>	Amendments resulting from <i>Annual Improvements to IFRS Standards 2018–2020</i> (subsidiary as a first-time adopter)	1 January 2022
<i>IFRS 3 Business Combinations</i>	Amendments updating a reference to the <i>Conceptual Framework</i>	1 January 2022
<i>IFRS 4 Insurance Contracts</i>	Amendments regarding the expiry date of the deferral approach	1 January 2023
<i>IFRS 9 Financial Instruments</i>	Amendments resulting from <i>Annual Improvements to IFRS Standards 2018–2020</i> (fees in the '10 per cent' test for derecognition of financial liabilities)	1 January 2022
<i>IFRS 17 Insurance Contracts</i>	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
<i>IAS 1 Presentation of Financial statements</i>	Amendments regarding the classification of liabilities  Amendment to defer the effective date of the January 2020 amendments  Amendment regarding the disclosure of accounting policies	1 January 2023  1 January 2023  1 January 2023
<i>IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</i>	Amendments regarding the definition of accounting estimates	1 January 2023
<i>IAS 12 Income Taxes</i>	Amendments regarding deferred tax on leases and decommissioning obligations	1 January 2023

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

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

**Standards issued but not yet effective (continued)**

<i>IAS 16 Property, Plant and Equipment</i>	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
<i>IAS 37 Provisions, Contingent Liabilities and Contingent Assets</i>	Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022

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.

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**6 REVENUE**

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

	<b>Group</b>		<b>Company</b>	
	2021 €	2020 €	2021 €	2020 €
Sale of food and beverages	2,558,885	1,202,331	-	-
Rental income	-	-	100,000	90,000
	<u>2,558,885</u>	<u>1,202,331</u>	<u>100,000</u>	<u>90,000</u>

**7 OTHER INCOME AND EXPENSE ITEMS**

**7.1 Other Income**

	<b>Group</b>		<b>Company</b>	
	2021 €	2020 €	2021 €	2020 €
Rent discount affecting finance lease liability	13,804	75,103	-	10,000
COVID-19 wage supplement	341,050	281,304	-	-
Disposal of Right of Use asset	284,156	131,941	-	-
	<u>639,010</u>	<u>488,348</u>	<u>-</u>	<u>10,000</u>

**7.2 Breakdown of expenses by nature**

	<b>Group</b>		<b>Company</b>	
	2021 €	2020 €	2021 €	2020 €
Purchases	572,856	453,564	-	-
Staff salaries	624,993	710,683	-	-
Directors' remuneration	120,513	121,025	-	-
Depreciation	580,283	582,348	153,808	153,808
Depreciation – right of use	94,342	233,604	-	-
Amortisation	40,000	68,866	-	-
Audit fees	13,000	11,000	2,000	2,000
Profit/(loss) on disposal	(858,590)	2,469	-	-
Other expenses	472,141	390,219	12,402	8,884
	<u>1,659,537</u>	<u>2,573,778</u>	<u>168,210</u>	<u>164,692</u>

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**7 OTHER INCOME AND EXPENSE ITEMS (continued)**

**7.3 Staff Salaries**

	<b>Group</b>		<b>Company</b>	
	2021 €	2020 €	2021 €	2020 €
Wages and salaries	585,587	665,720	-	-
Employers NI	39,406	44,963	-	-
	<u>624,993</u>	<u>710,683</u>	<u>-</u>	<u>-</u>

Note:

The average number of persons employed by the Group during the current year was 44 (2020:45) (Company: Nil).

**7.4 Finance costs**

	<b>Group</b>		<b>Company</b>	
	2021 €	2020 €	2021 €	2020 €
Interest on bank overdraft and loans	53,044	4,281	-	-
Bank charges	17,639	18,717	-	-
Other interest	-	-	2,913	5,740
Amortisation of bond issue cost	5,184	5,184	-	-
Bond interest	214,502	209,799	-	-
Finance charge in respect of finance lease	2,913	42,425	117,921	140,945
	<u>293,282</u>	<u>280,406</u>	<u>120,834</u>	<u>146,685</u>

**7.5 Finance income**

	<b>Group</b>		<b>Company</b>	
	2021 €	2020 €	2021 €	2020 €
Bank interest received	-	41	-	-
	<u>-</u>	<u>41</u>	<u>-</u>	<u>-</u>

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

**8 INCOME TAXES**

**8.1 Income tax**

	<b>Group</b>		<b>Company</b>	
	2021 €	2020 €	2021 €	2020 €
<b>Current tax:</b>				
Current tax on taxable income for the year	-	-	-	-
Total current tax liabilities	-	-	-	-
<b>Deferred tax:</b>				
Temporary differences arising on unabsorbed capital allowances and tax losses	167,366	(261,902)	-	-
Total income tax recognised in the current year	167,366	(261,902)	-	-

**8.2 Reconciliation of income tax**

	<b>Group</b>		<b>Company</b>	
	2021 €	2020 €	2021 €	2020 €
Profit/ (Loss) before tax	1,245,076	(1,163,464)	(178,101)	(211,377)
Theoretical taxation expense at 35%	435,777	(407,212)	(62,335)	(73,982)
Disallowable expenses	51,211	88,858	46,312	73,982
Depreciation	88,511	27,762	53,833	-
Amortisation of goodwill	14,000	24,103	-	-
Amortisation on bond issue cost	1,814	1,814	-	-
Fines and penalties	310	492	-	-
Donations	-	560	-	-
Rental income	(35,000)	-	(35,000)	-
Other expenses	17,870	-	-	-
Other income	(4,831)	(68,966)	-	-
Permanent difference- balance allowance	(214,382)	11,427	-	-
Loss on disposal of PPE	-	864	-	-
Permanent difference- IFRS16	(99,455)	58,396	-	-
Finance lease	1,020	-	1,020	-
Rent expense	2,664	-	-	-
Group loss relief	(431)	-	-	-
Proceeds from sale of business	(40,262)	-	-	-
Other adjustments	(51,450)	-	-	-
Share of profits accounted for using the equity method	-	-	(3,830)	-
	167,366	(261,902)	-	-

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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.

	<b>Group</b>		<b>Company</b>	
	2021 €	2020 €	2021 €	2020 €
Profit/ (Loss) for the year	1,077,710	(901,562)	(178,101)	(211,377)
Weighted number of ordinary shares	641,356	641,356	641,356	641,356
	<hr/>	<hr/>	<hr/>	<hr/>
Basic earnings per share	1.68	(1.41)	(0.28)	(0.33)
	<hr/>	<hr/>	<hr/>	<hr/>

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**10 NON-FINANCIAL ASSETS AND LIABILITIES**

**10.1 Property, plant and equipment**

<b>Group</b>	Improvements to premises €	Air- conditioning €	Furniture & fittings €	Motor vehicles €	Computer equipment €	Computer software €	Electrical plumbing €	Catering equipment €	Right of use assets €	Lifts €	Total €
<b><u>Cost/Revalued amount</u></b>											
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
At 1 January 2021	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
Additions	293,729	-	110,500	-	-	-	7,739	4,273	-	-	416,241
Disposal	(96,138)	(31,473)	(267,018)	-	(45,581)	-	(7,460)	(92,606)	(2,048,175)	-	(2,588,451)
At 31 December 2021	990,801	39,808	2,241,340	87,871	123,452	5,809	1,793,017	423,755	471,710	84,746	6,262,309
<b><u>Depreciation</u></b>											
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
At 1 January 2021	190,220	4,501	540,280	45,492	102,302	4,754	253,437	229,503	1,354,895	16,950	2,742,334
Charge for the year	99,081	3,529	224,134	14,969	30,864	527	126,664	72,039	94,342	8,476	674,625
Disposal	(45,953)	-	(95,427)	-	(41,323)	-	-	(85,856)	(1,071,869)	-	(1,340,428)
At 31 December 2021	243,348	8,030	668,987	60,461	91,843	5,281	380,101	215,686	377,368	25,426	2,076,531
At 31 December 2021	747,453	31,778	1,572,353	27,410	31,609	528	1,412,916	208,069	94,342	59,320	4,185,778
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



TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

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 €
<b>Cost</b>					
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
At 1 January 2021	471,710	691,655	110,500	-	1,273,865
Additions	-	-	-	-	-
At 31 December 2021	471,710	691,655	110,500	-	1,273,865
<b>Depreciation</b>					
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
At 1 January 2021	283,026	96,832	22,100	-	401,958
Charge for the year	94,342	48,416	11,050	-	153,808
At 31 December 2021	377,368	145,248	33,150	-	555,766
<b>Carrying amounts</b>					
At 31 December 2021	94,342	546,407	77,350	-	718,099
At 31 December 2020	188,684	594,823	88,400	-	871,907

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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.

	<b>Group</b>		<b>Company</b>	
	2021 €	2020 €	2021 €	2020 €
<b>Leased property</b>				
Cost	2,519,885	2,519,885	471,710	471,710
Disposals	(2,048,175)	-	-	-
Accumulated depreciation	(377,368)	(1,354,895)	(377,368)	(283,026)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book amount	94,342	1,164,990	94,342	188,684
	<hr/>	<hr/>	<hr/>	<hr/>

**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**

	<b>Group</b>		<b>Company</b>	
	2021 €	2020 €	2021 €	2020 €
<b>Leased property</b>				
Opening balance at 1 January	640,152	640,152	640,152	640,152
Additions	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at close of year	640,152	640,152	640,152	640,152
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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.

<b>Group</b>	Fair value €
<u>2020</u>	
<u>Investment property:</u>	
Apartment 2, Les Lapins, Triq il-Markizi Zimmermann Barbaro, Sliema	320,740
Apartment 1, Block 1, Salina Park, Triq Andrew Cunningham, Qawra	319,412
	<hr/>
	640,152
	<hr/>
<u>2021</u>	
<u>Investment property:</u>	
Apartment 2, Les Lapins, Triq il-Markizi Zimmermann Barbaro, Sliema	320,740
Apartment 1, Block 1, Salina Park, Triq Andrew Cunningham, Qawra	319,412
	<hr/>
	640,152
	<hr/>

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

10 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

10.3 Intangible assets

<b>Group</b>	Intangible asset €
<u>Cost</u>	
At 1 January 2020	762,500
Additions	9,500
	<hr/>
At 31 December 2020	772,000
	<hr/>
At 1 January 2021	772,000
Additions	-
Disposals	(372,000)
	<hr/>
At 31 December 2021	400,000
	<hr/>
<u>Amortisation</u>	
At 1 January 2020	116,665
Amortisation for the year	68,866
	<hr/>
At 31 December 2020	185,531
	<hr/>
At 1 January 2021	185,531
Amortisation for the year	40,000
Release on disposal	(105,533)
	<hr/>
At 31 December 2021	119,998
	<hr/>
<u>Carrying amounts</u>	
At 31 December 2021	280,002
	<hr/>
At 31 December 2020	586,469
	<hr/>

10.4 Deferred tax balances

	<b>Group</b>		<b>Company</b>	
	2021	2020	2021	2020
	€	€	€	€
<b>The balances comprises temporary differences attributable to:</b>				
Deferred tax asset	234,142	390,669	-	-
Investment property	(32,008)	(32,008)	(32,008)	(32,008)
	<hr/>	<hr/>	<hr/>	<hr/>
	202,134	358,661	(32,008)	(32,008)
	<hr/>	<hr/>	<hr/>	<hr/>

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**10 NON-FINANCIAL ASSETS AND LIABILITIES (continued)**

**10.4 Deferred tax balances (continued)**

**10.4.1 Deferred tax assets**

	<b>Total Group €</b>	<b>Total Company €</b>
At 1 January 2020	(128,767)	-
Credited:		
- to profit or loss	(261,902)	-
	<hr/>	<hr/>
At 31 December 2020	(390,669)	-
	<hr/>	<hr/>
At 1 January 2021	(390,669)	-
Credited:		
- to profit or loss	156,528	-
	<hr/>	<hr/>
At 31 December 2021	(234,141)	-
	<hr/>	<hr/>

**10.4.2 Deferred tax liabilities**

	<b>Total Group €</b>	<b>Total Company €</b>
At 1 January 2020	32,008	32,008
Dedited:		
- to profit or loss	-	-
	<hr/>	<hr/>
At 31 December 2020	32,008	32,008
	<hr/>	<hr/>
At 1 January 2021	32,008	32,008
Dedited:		
to profit or loss	-	-
	<hr/>	<hr/>
At 31 December 2021	32,008	32,008
	<hr/>	<hr/>

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**10 NON-FINANCIAL ASSETS AND LIABILITIES (continued)**

**10.5 Inventories**

	<b>Group</b>		<b>Company</b>	
	2021 €	2020 €	2021 €	2020 €
Inventories	20,554	76,941	-	-
	<u>20,554</u>	<u>76,941</u>	<u>-</u>	<u>-</u>

**11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The Group/Company hold the following financial instruments:

	Notes	<b>Group</b>		<b>Company</b>	
		2021 €	2020 €	2021 €	2020 €
<b>Financial assets</b>					
Financial assets at amortised cost					
Trade and other receivables	11.1	1,977,856	891,378	232,500	192,500
Cash and cash equivalents	11.2	1,220,482	1,233,654	-	-
		<u>3,198,338</u>	<u>2,125,032</u>	<u>232,500</u>	<u>192,500</u>
<b>Financial liabilities</b>					
Liabilities at amortised cost					
Trade and other payables	11.3	1,957,522	2,574,341	356,420	235,268
Borrowings	11.4	5,882,761	7,306,974	1,184,160	1,230,076
		<u>7,840,283</u>	<u>9,881,315</u>	<u>1,540,580</u>	<u>1,465,344</u>

**11.1 Trade and other receivables**

	<b>Group</b>		<b>Company</b>	
	2021 €	2020 €	2021 €	2020 €
<b>Current assets</b>				
Trade and other receivables	1,845,937	280,435	232,500	192,500
Prepayments and accrued income	131,919	610,943	-	-
	<u>1,977,856</u>	<u>891,378</u>	<u>232,500</u>	<u>192,500</u>

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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**

	<b>Group</b>		<b>Company</b>	
	2021 €	2020 €	2021 €	2020 €
Cash at bank	1,214,853	1,215,600	-	-
Cash in hand	5,629	18,054	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,220,482	1,233,654	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

**11.2.1 Reconciliation to cash flow statement**

	<b>Group</b>		<b>Company</b>	
	2021 €	2020 €	2021 €	2020 €
Balance as above	1,220,482	1,233,654	-	-
Bank overdraft	(133,298)	(69,646)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,087,184	1,164,008	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

*Restricted cash*

The cash and cash equivalent disclosed above and in the statement of cash flows include €1,200,000 held in escrow at year end. These funds were used post year-end during the purchase of the property in Bugibba.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

**11.3 Trade and other payables**

	<b>Group</b>		<b>Company</b>	
	2021 €	2020 €	2021 €	2020 €
<b>Current liabilities</b>				
Trade payables (note)	845,395	721,900	300	-
Capital payables (note)	-	294,813	-	-
Accrued capital payables	-	179,135	-	-
FSS/NI payable (note)	488,184	393,204	-	-
VAT payable	369,283	176,279	31,891	28,980
Accruals	254,660	809,010	324,229	206,288
	<hr/>	<hr/>	<hr/>	<hr/>
	1,957,522	2,574,341	356,420	235,268
	<hr/>	<hr/>	<hr/>	<hr/>

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.



TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

11.4 Borrowings

	Group		Company	
	2021 €	2020 €	2021 €	2020 €
<b>Secured</b>				
<b>Current liabilities</b>				
Leased liabilities	88,849	91,514	88,849	91,514
Bank loan (note a)	248,338	247,542	-	-
Bank overdraft (note b)	133,298	69,646	-	-
	<u>470,485</u>	<u>408,702</u>	<u>88,849</u>	<u>91,514</u>
<b>Unsecured</b>				
<b>Current liabilities</b>				
Amounts due to third parties (note c)	442,002	545,889	-	-
Amounts due to related party (note d)	28,796	28,795	28,796	28,796
Amounts due to group companies (note d)	-	-	1,055,364	1,004,193
	<u>470,798</u>	<u>574,684</u>	<u>1,084,160</u>	<u>1,032,989</u>
<b>Total secured/unsecured current liabilities</b>	<u>941,283</u>	<u>983,386</u>	<u>1,173,009</u>	<u>1,124,503</u>
	Group		Company	
	2021 €	2020 €	2021 €	2019 €
<b>Secured</b>				
<b>Non-Current liabilities</b>				
Bond loan	3,863,715	3,858,531	-	-
Leased liabilities	11,151	1,366,040	11,151	105,573
Bank loan (note a)	1,066,612	1,099,017	-	-
	<u>4,941,478</u>	<u>6,323,588</u>	<u>11,151</u>	<u>105,573</u>
<b>Total secured non-current liabilities</b>	<u>4,941,478</u>	<u>6,323,588</u>	<u>11,151</u>	<u>105,573</u>
<b>Total borrowings</b>	<u>5,882,761</u>	<u>7,306,974</u>	<u>1,184,160</u>	<u>1,230,076</u>

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.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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**

	<b>Company</b>	
	2021	2020
<u>Authorised</u>		
641,356 ordinary shares of €1 each	€ 641,356	€ 641,356
	_____	_____
<u>Called-up, issued and fully paid</u>		
641,356 ordinary shares of €1 each	€ 641,356	€ 641,356
	_____	_____

**12.2 Retained earnings**

<b>Group</b>	<b>€</b>
At 1 January 2020	(817,675)
Loss for the year attributable to owners	(901,562)
	_____
At 31 December 2020	(1,719,237)
	_____
At 1 January 2021	(1,719,237)
Profit for the year attributable to owners	1,077,710
	_____
At 31 December 2021	(641,527)
	_____

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**12 EQUITY (continued)**

**12.2 Retained earnings (continued)**

<b>Company</b>	<b>€</b>
At 1 January 2020	(222,772)
Loss for the year	(211,377)
	<hr/>
At 31 December 2020	(434,149)
	<hr/>
At 1 January 2021	(434,149)
Loss for the year	(178,101)
	<hr/>
At 31 December 2021	(612,250)
	<hr/>

**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**

<b>Group</b>	<b>€</b>
At 1 January 2020	2
For the year	1
	<hr/>
At 31 December 2020	3
	<hr/>
At 1 January 2021	3
For the year	-
	<hr/>
At 31 December 2021	3
	<hr/>

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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:

	<b>Group</b>	
	2021	2020
	€	€
Trade and other receivables	1,845,937	280,435
Cash at bank	1,220,482	1,233,654
	<hr/>	<hr/>
	3,066,419	1,514,089
	<hr/>	<hr/>

**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 2021

**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.

<b>Group</b>	Carrying amounts €	Contractual cash flows €	On demand €	Within one year €	Between two and five years €	After five years €
<b>At 31 December 2021</b>						
Bank overdrafts	133,298	133,298	133,298	133,298	-	-
Trade and other payables	1,957,522	1,957,522	1,957,522	1,957,522	-	-
Finance lease liabilities	100,000	100,000	88,849	88,849	11,151	-
Bond loan	3,863,714	5,616,000	214,500	214,500	858,000	4,329,000
Bank loan	1,314,951	1,314,951	248,338	248,338	1,066,612	-
Amounts due to third parties	443,452	443,452	443,452	443,452	-	-
	<u>7,812,937</u>	<u>9,565,223</u>	<u>3,085,959</u>	<u>3,085,959</u>	<u>1,935,763</u>	<u>4,329,000</u>
<b>At 31 December 2020</b>						
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	-	-
	<u>9,852,521</u>	<u>11,824,490</u>	<u>3,706,723</u>	<u>3,706,723</u>	<u>2,836,771</u>	<u>5,280,997</u>
<b>Company</b>						
	Carrying amounts €	Contractual cash flows €	On demand €	Within one year €	Between two and five years €	After five years €
<b>At 31 December 2021</b>						
Trade and other payables	356,420	356,420	356,420	356,420	-	-
Amounts due to group companies	1,055,364	1,055,364	1,055,364	1,055,364	-	-
Amounts due to related party	28,796	28,796	28,796	28,796	-	-
Finance lease	100,000	100,000	88,849	88,849	11,151	-
	<u>1,540,580</u>	<u>1,540,580</u>	<u>1,529,429</u>	<u>1,529,429</u>	<u>11,151</u>	<u>-</u>

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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 €
<b>At 31 December 2020</b>						
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	-
	<u>1,465,344</u>	<u>1,465,344</u>	<u>1,359,771</u>	<u>1,359,771</u>	<u>105,573</u>	<u>-</u>

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:

	<b>Group</b>	
	2021 €	2020 €
Debt (i)	5,882,761	7,306,974
Cash and bank balances	(1,220,482)	(1,233,654)
	<u>4,662,279</u>	<u>6,073,320</u>
Net debt		
	<u>4,662,279</u>	<u>6,073,320</u>
Equity (ii)	675,834	(401,876)
	<u>675,834</u>	<u>(401,876)</u>
Net debt to equity ratio	6.90	-
	<u>6.90</u>	<u>-</u>

TESTA PROPERTIES LIMITED – CONSOLIDATED ACCOUNTS

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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:

	<b>Company €</b>
<u>Cost</u>	
At 1 January 2020	-
Additions	-
	-
At 31 December 2020	-
	-
At 1 January 2021	-
Additions	-
	-
At 31 December 2021	-
	-

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

<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Registered office</u>	<b>Proportion of ownership interest and voting power held</b>	
			<u>2021</u>	<u>2020</u>
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.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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:

	<b>Group</b>	
	2021	2020
Directors' remuneration	€ 120,513	€ 121,025
	<hr/>	<hr/>

**17.2 Loans to related parties**

<b>Current assets</b>	<b>Group</b>		<b>Company</b>	
	2021	2020	2021	2020
Related parties	€ (28,796)	€ (28,796)	€ (28,796)	€ (28,796)
	<hr/>	<hr/>	<hr/>	<hr/>

**18 COMMITMENTS FOR EXPENDITURE**

	<b>Group</b>	
	2021	2020
Commitments for the acquisition of property, plant and equipment	€ 232,500	€ 192,500
	<hr/>	<hr/>

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 € 232,500 as deposits paid on account on such immovable property.



**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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 595,000. 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.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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 retrospectively.
- 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.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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.



**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2021

**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.