



19-25, Conservatory Street, Floriana, Malta
Company Registration Number C89431
(the “Company”)

Company Announcement

The following is a company announcement issued by FES Finance p.l.c. (“FES” or the “Company”) pursuant to Rule 4.11.12 of the Prospects Rules.

The Company refers to the obligation to which Prospects MTF companies are subject to in terms of Rule 4.11.03 and Rule 4.11.12 relating to the publication of the twelve-month financial information as defined in Table 1 paragraph 3 and specifically the publication and dissemination via an announcement of Financial Sustainability Forecasts including management assumptions thereon (‘FSFs’). The below copy of the Group FSFs (which consists of FES Projects Ltd and its subsidiaries FES Operations Ltd, FES Finance p.l.c. and Contractors Only Limited), as approved by the Board of Directors, are based on the following assumptions:

Revenues

As the COVID-19 pandemic has significantly disrupted the hospitality industry and inherently, the performance of the Euro Guesthouse, Contractors Only Limited was set up during 2020, to introduce a new revenue stream for the Group, in order to mitigate the effect of economic realities, by repurposing use of resources that the Group developed to provide turnkey projects to third parties. Consequently, the Group’s revenue for the financial years ending 31 December 2021 and 2022 is expected to total €4.1 million and €2.9 million respectively, composed primarily of tenders awarded to Contractors Only Limited. Whilst the Group has focused on these short-term tenders to ensure business continuity, works on the Euro Guesthouse are expected to continue as scheduled, based on the assumption that the Group shall raise a further €3.8 million in order to complete the envisaged development. However, due to the current restrictions imposed by the Government in an effort to curb the pandemic, these have restricted operations and consequently, the projections assume that minimal revenue shall be generated by the Euro Guesthouse, but will pick up as from Summer 2022 onwards.

Direct costs

The direct costs relating to the contracted tenders are assumed at 75% of the contracted revenue that Contractors Only Limited shall generated during the projected period. Direct costs relating to the Euro Guesthouse are assumed at c. 53.5% of the expected revenue, which is based on historical trends.

Administrative expenses

Administrative expenses are expected to amount to c. €0.3 million in FY2021 and €0.4 million FY2022, and primarily consist of administrative salaries, professional fees, insurance costs and depreciation and amortization costs.

Finance costs

Finance costs are expected to total €0.2 million in both FY2021 and FY2022, and consist of interest on (i) the Bond; (ii) a €1 million facility issued by FCM Bank in 2021 to support the tenders in hand; (iii) issue of a €3.8 million facility in order to complete the envisaged development on the Euro Guesthouse, which facility is currently in negotiations. In line with IAS 23, part of this interest cost is expected to be capitalized as part of property, plant and equipment, given that the development on the Euro Guesthouse meets the qualifying asset criteria stipulated in the said standard.

Taxation

A handwritten signature in blue ink, consisting of a stylized, cursive script that appears to be the initials 'J.M.' followed by a long, sweeping horizontal stroke.

Current taxation is provided at 35% chargeable income for the period.

Consolidated income statement of FES Group

Projected consolidated income statement for the year ending

€000	FY2021	FY2022
Revenue	4,050	2,934
Cost of sales	(3,070)	(2,136)
Gross profit	981	798
Administrative expenses	(373)	(385)
Operating profit	608	413
Net finance costs	(183)	(183)
Profit before tax	425	230
Tax expense	79	(81)
Profit after tax	503	150

Consolidated statement of financial position of FES Group

Projected consolidated statement of financial position as at

€000	31-Dec-21	31-Dec-22
Assets		
Non-current assets		
Property, plant and equipment	8,327	11,043
Total non-current assets	8,327	11,043
Current assets		
Trade and other receivables	541	216
Cash and cash equivalents	1,047	762
Total current assets	1,588	978
Total assets	9,915	12,021
Equity and liabilities		
Equity		
Share capital	1,818	2,518
Retained earnings	(2)	148
Total equity	1,816	2,666
Non-current liabilities		
Borrowings	6,900	8,800
Total non-current liabilities	6,900	8,800
Current liabilities		
Trade and other payables	207	440
Borrowings	992	115
Total current liabilities	1,199	555
Total liabilities	8,099	9,355
Total equity and liabilities	9,915	12,021

Consolidated statement of cash flows of the FES Group

Projected consolidated statement of cash flows for the period ending

€000	FY2021	FY2022
Cashflows from operating activities		
Net profit	503	150
Add back depreciation	115	115
Movement in working capital	632	(319)
Net movement in cashflows from operating	1,250	(54)
Cashflows from investing activities		
Acquisition/(disposal) of property, plant and equipment	(2,129)	(2,831)
Net movement in cashflows from investing	(2,129)	(2,831)
Cashflows from financing activities		
Movement in borrowings	1,900	1,900
Movement in equity	-	700
Net movement in cashflows from financing	1,900	2,600
Net movement in cashflows	1,021	(285)
Opening balance of cash and cash equivalents	26	1,047
Closing balance of cash and cash equivalents	1,047	762



Dr Reuben Debono

Company Secretary

27 April 2021