



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 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").

As per company announcement FES10, the Bondholders of the Company approved:

- i) a change in the use of proceeds to part-fund the acquisition of an additional adjoining property to the Gzira boutique hotel (as defined in the Company Admission Document dated 6 March 2019 and known as the Euro Guesthouse) for which FES Projects Ltd (the Guarantor of the Secured Bonds) has already entered into a promise of sale agreement as per company announcement FES05;
- ii) the issue a fresh issue of bonds equivalent to €3.8 million on Prospects MTF, which is subject to approval of the Malta Stock Exchange, to become fungible with the Secured Bonds issued in terms of Company Admission Document dated 6 March 2019.

The below copy of the FSFs, as approved by the Board of Directors, assume that the fresh issue of bonds is raised by the Company in March 2019 and consequently the FES Group (FES Finance p.l.c., FES Projects Ltd, and FES Operations Limited) will acquire the additional adjoining property to the Gzira boutique hotel and develop the property between May 2020 and May 2021 into a 107 room boutique hotel.

#### Revenues

In the original projections issued in the Company Admission Document dated 6 March 2019 (the Original Projections), the FES Group was expected to carry out development works in Winter 2019/2020, and as from 1 April 2020, the Gzira boutique hotel was expected to have a room stock of 56 rooms. Due to the proposed acquisition of the additional adjoining property, the FES Group did not carry out any development in Winter 2019/2020 but has postponed all development works to take place from May 2020 onwards so as to develop both properties together. Despite the development works taking place during FY2020, the boutique hotel will remain open for business as a 30-room boutique hotel, and therefore the FES Group is expected to generate revenue of €0.8 million during FY2020. This translates into a decrease of €0.5 million when compared to the Original Projections, due to a lower room stock.

The projections assume that the Gzira boutique hotel will close in late Winter 2020/2021, to carry out further development works on the ground floors and reopen to the public in May 2021. The projections are based on a stabilised room occupancy level of 72.5% as from FY2022 and a room rate of €65 per available room.

Following the change in use of proceeds, the FES Group will not develop the St. Julian's boutique hotel as per the Original Projections, but instead will develop a property in Senglea which was acquired by the Group in FY2019. Consequently, the projections assume that the Senglea property shall be developed into a 10-room boutique hotel by 1 July 2021. The projections are based on a gradual increase in room occupancy, stabilising at 70% as from FY2022, and an average daily rate of €46 per available room.

### Cost of sales

Cost of sales are expected to stabilize at c. €0.9 million per annum as from FY2022 and shall consist of direct wages and other costs directly related to the hotel operations, including consumables, laundry and commissions representing an increase of c. €0.2 million on the Original Projections, due to the higher room stock. As a result, the FES Group is expected to generate a gross profit margin of c. 67% in FY2022.

### Administrative expenses

Administrative expenses shall primarily comprise the Manager and Operator fee, marketing costs, professional fees, insurance costs and ongoing bond issue costs.

Amortisation and depreciation costs shall include depreciation on the boutique hotels and the amortisation of bond issue costs. Depreciation is calculated using the straight-line method to allocate the building and development costs on the Gzira and Senglea over an estimated useful life of 50 years and furniture over an estimated useful life of 10 years.

### Finance costs

Finance costs relate to interest on the Secured Bonds as per the Company Admission Document dated 6 March 2019 and the fresh issue of bonds which is expected to take place in March 2020.

### Consolidated income statement

€000	FY2020	FY2021	FY2022
Revenue	812	1,916	2,835
Cost of sales	(277)	(620)	(940)
<b>Gross profit</b>	<b>535</b>	<b>1,296</b>	<b>1,895</b>
Administrative expenses	(261)	(496)	(715)
<b>EBITDA</b>	<b>273</b>	<b>800</b>	<b>1,180</b>
Depreciation and amortisation	(117)	(217)	(284)
<b>Operating profit</b>	<b>157</b>	<b>583</b>	<b>896</b>
Net finance costs	(189)	(285)	(441)
<b>Profit before tax</b>	<b>(32)</b>	<b>298</b>	<b>455</b>
Tax expense	20	(107)	(169)
<b>Profit after tax</b>	<b>(12)</b>	<b>191</b>	<b>287</b>



## Consolidated statement of financial position

€000	FY2020	FY2021	FY2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11,446	12,746	12,589
Intangible assets	176	156	135
Deferred tax asset	100	-	-
<b>Total non-current assets</b>	<b>11,721</b>	<b>12,901</b>	<b>12,725</b>
<b>Current assets</b>			
Inventories	4	19	30
Trade and other receivables	48	122	184
Cash and cash equivalents	1,453	420	849
<b>Total current assets</b>	<b>1,505</b>	<b>560</b>	<b>1,063</b>
<b>Total assets</b>	<b>13,226</b>	<b>13,462</b>	<b>13,788</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	601	601	601
Revaluation	3,307	3,307	3,307
Retained earnings	(152)	39	326
<b>Total equity</b>	<b>3,757</b>	<b>3,948</b>	<b>4,234</b>
<b>Non-current liabilities</b>			
Borrowings	8,800	8,800	8,800
Deferred tax liability	288	288	288
<b>Total non-current liabilities</b>	<b>9,088</b>	<b>9,088</b>	<b>9,088</b>
<b>Current liabilities</b>			
Trade and other payables	34	78	118
Accrued interest	348	348	348
<b>Total current liabilities</b>	<b>382</b>	<b>426</b>	<b>466</b>
<b>Total liabilities</b>	<b>9,470</b>	<b>9,514</b>	<b>9,554</b>
<b>Total equity and liabilities</b>	<b>13,226</b>	<b>13,462</b>	<b>13,788</b>
Gearing	66.2%	68.0%	65.3%

## Consolidated statement of cash flows

€000	FY2020	FY2021	FY2022
<b>Cash flows from operating activities</b>			
EBITDA	273	800	1,180
<b>Working capital adjustments</b>			
Changes in inventory	(3)	(15)	(11)
Changes in receivables	94	(74)	(62)
Changes in payables	22	44	41
<b>Operating cash flow</b>	<b>385</b>	<b>755</b>	<b>1,148</b>
Tax paid	-	(8)	(170)
<b>Net cash (used in)/ generated from operating activities</b>	<b>385</b>	<b>747</b>	<b>978</b>
<b>Cash flow from investing activities</b>			
Payments for property, plant and equipment	(3,697)	(1,342)	(108)
<b>Net cash used in investing activities</b>	<b>(3,697)</b>	<b>(1,342)</b>	<b>(108)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of shares	-	-	-
Proceeds from bond issue	3,800	-	-
Interest paid	(250)	(440)	(440)
Bond issue costs	(100)	-	-
<b>Net cash generated from financing activities</b>	<b>3,450</b>	<b>(440)</b>	<b>(440)</b>
<b>Movement in cash and cash equivalents</b>	<b>138</b>	<b>(1,035)</b>	<b>430</b>
Cash and cash equivalents at the beginning of the year	1,315	1,453	418
<b>Cash and cash equivalents at end of year</b>	<b>1,453</b>	<b>418</b>	<b>848</b>

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

---

Dr Reuben Debono  
Company Secretary  
20 December 2019