IGFinance

Financial Sustainability Forecast for FY 2021

1. Background and Business overview

IG Finance plc (the "Issuer") was incorporated on 19th December 2016 as a special purpose vehicle ("SPV") set up to act as a financing company solely for the needs of Impresa Limited ("the Guarantor") and its subsidiary undertakings ("the Group").

On 7th April 2017, the Issuer listed a '€3,700,000 5.5% Unsecured Bonds 2024-2027' debt security on Prospects MTF. As part of its continuing obligations the Issuer and Guarantor are publishing a forecast statement of financial position, a forecast income statement of cash flows ("the Forecasts") of the Group and its subsidiaries ("the Group") for the Financial Year 2021.

The Group's principal activities are exercised by the Impresa limited and its subsidiaries, namely Elepac Limited, Meritlink Limited and Eurosupplies Limited. The operations are substantially unchanged with Elepac involved in the manufacture of electronic packaging products and other injection moulded products for third parties. Meritlink is a trading company involved in products ancillary to electronic packaging. Eurosupplies is also a trading company dealing with electrical installation products, primarily electrical cable, as well as carton packaging for local manufacturing enterprises.

2. Review of the Business

The Group's turnover for the year ended 31st December 2020 is around €8.96M. This is a decrease of €0.71M (7.4%) from €9.67M during the year ending 31 December 2019. On the other hand, Cost of Sales also decreased by €0.65 (8.1%), from €8.09M to €7.44M.

Whereas EBITDA for 2019 amounted to €1320K, the EBITDA in 2020 was in fact €1408K, a year on year growth in core business result of €88K (6.7%).

The Directors believe that the Group is continuing to enjoy the substantial cost savings achieved during 2018 and 2019 as a result of the investment in new machinery that runs with higher energy efficiency, higher productivity and improved yields. Moreover, the benefits from the investment and operational cost measures are continuing to improve the company's core business performance. This is the policy that the Group has adopted and on which plans for further expansion are being based.

3. Assumptions

The Forecasts are intended to show a possible outcome based on assumptions relating to anticipated future events, which the directors expect to take place, and on actions the directors of the Guarantor expect to take. Events and circumstances do not necessarily occur as expected, and therefore, actual results may differ materially from the forecast and projected financial information. Attention is drawn in particular, to the risk factors set out in the Company Admission Document dated 7th April 2017, which describes the primary risks associated with the business.

The Forecasts are not intended to and do not provide all the information and disclosures necessary to give a true and fair view of the financial results, financial position, and cash

flows of the Group, in accordance with International Financial Reporting Standards as adopted by the EU, however the Directors have exercised due care and diligence in adopting the assumptions set out below.

The directors of the Guarantor formally approved the Forecasts on the 15th April 2021 and the stated assumptions reflect the judgements made by the Directors at that date. The assumptions that the Directors believe are significant to the prospective financial information are described in Section 3 below.

4. Significant accounting policies

The significant accounting policies of the Group are set out in the draft audited financial statements of the Guarantor for the financial year ended 31st December 2020 which are being presented to the Board of Directors to inter alia consider, and if deemed fit approve on the 15th April 2021. Where applicable, as far as they relate to recognition and measurement criteria, they have been consistently applied in the preparation of the forecast financial information.

5. Basis of preparation and principal assumptions

The forecasts for FY2021 are based on consolidated management accounts of the Group for 31st December 2020.

The principal assumptions relating to the environment in which the Group operates, and the factors which are exclusively outside the influence of the Directors and which underlie the forecast financial statements, are the following:

a) Exchange rates will not change significantly over the period covered by the forecast financial information;
b) Interest rates will not change significantly over the period covered by the forecast financial information;
c) Electricity rates will not change significantly over the period covered by the forecast financial information;
d) The Group will continue to enjoy the confidence of its bankers;
e) The Group will be able to meet its financial obligations;
f) The basis and rates of taxation, direct and indirect, will not change materially throughout the period covered by the prospective financial information.

6. Key assumptions underlying the financial projections

Business Strategy

In 2018, the Group entered into an emphyteusis agreement with INDIS (formerly Malta Industrial Parks) to construct a new factory on a 9,000 square meter site in Hal Far. During the last twelve months, particularly as a consequence of the Covid-19 pandemic, the Group has seen a significant delay in the construction of the new factory. This is now envisaged to be completed by the end of April 2021. The electrical and mechanical works will commence by mid April and should be completed by end September 2021, at

which point the gradual move to the new premises can commence. It is envisaged that the Group will be operating from the new premises by the end of 2021. Naturally with the continuously evolving situation with Covid-19, these timelines may vary. By way of this investment, the Group expects to:

- Consolidate its operations under one premises;
- Operate ergonomic process flows;
- Improve efficiency;
- Reduce energy costs; and
- Provide space for further growth

During 2019 and 2020, the Group has set up a dedicated HR work stream to focus on building a more academically and technically qualified personnel partly in view of expected retirement of senior employees, and to provide training where necessary.

Moreover, one of the subsidiaries within the Group obtained British Approval Service for Cable (BASEC) certification for almost all of its product range of cables. BASEC in one of the highest quality certification in the cable industry. The Group is confident that it can target certain markets/customers where BASEC certification is a pre-requisite.

Additionally, the same subsidiary obtained its ISO9001 and ISO14001 certification in September 2019. As a result, the Group's entire operating entities are now ISO9001 and ISO14001 certified.

Financial Projections

Guarantor

Annual revenue has been projected on a product basis using 2020 trends as well as management's expectations of changes in production volumes and product mix, resulting from new arrangements with customers as well as projected changes in production capacity following the investment in new machinery mainly being in wafer packaging, carrier tapes and sub-contracting.

Cost of sales are projected on a product by product basis and are assumed to vary in line with product sales. Accordingly forecasted contribution margins are projected to change in accordance with the sales product mix.

Administrative expenses have been forecast on the basis of management's expectations using 2019 audited Financial Statements and 2020 draft audited Financial Statements as a basis and providing for known increases such as increases in professional fees and salary expectations. Furthermore, in view of the inevitable increase in administration requirements that the Directors believe the planned investment has brought about, additional increases in Administrative expenses have been incorporated.

Finance costs on Bank borrowings have been projected based on existing arrangements and an additional €2,794k amount to be drawn in 2021 in order to partly finance the capital expenditure of €2,821k.

Issuer

Interest income relates to an inter-group loan amount of €3.6m at an annual interest rate of 6.1%.

Interest expense is projected at a 5.5% coupon of €3.7m bond.

7. Outlook for 2021

Reference is made to the continuously developing situation relating to Covid-19 in Malta and in other countries around the world.

The Group believes that the wellbeing of its employees and customers are of paramount importance and will certainly continue to abide by all the directives issued by the competent health authorities.

As stated above, notwithstanding the difficulties that Covid-19 brought about, the Group still managed to improve its performance by 6.7%, in 2020.

Apart from the expected return on the investment in machinery and equipment stated above, the Group is forecasting a growth of 6% for 2021.

As in 2020, the Group will continue to monitor the Covid-19 situation on an on-going basis and will continue to take measures, within its control, to mitigate the adverse impact on its business, both operationally and financially.

Annexures

Annexure 1 – Impresa Group projected financial statements

Statement of comprehensive income

In €000	2021
Revenue	11,934
Cost of Sales	(9,621)
Gross Profit	**2,313**
Administrative Expenses	(782)
Other operating income	172
Operating profit/(loss)	**1,703**
Finance costs	(419)
Depreciation	(441)
Profit before tax	**843**
Tax credit/(charge)	-
Profit after tax	**843**

Statement of financial position

In €000	2021
Non-Current Assets	
PPE & Assets under Construction	10,496
Right of use asset	1,343
Intangible Assets	3,173
Other Investments	11
Deferred Tax Asset	113
Total non-current assets	**15,136**
Current Assets	
Inventories	1,698
Trade and other receivables	2,637
Cash and cash equivalents	252
Total current assets	**4,587**
Total Assets	**19,723**
Non Current Liabilites	
Borrowings	7,648
Trade and other payables	1,748
Lease Liability	1,661
Total non-current liabilities	**11,057**
Current Liabilities	
Borrowings	1,608
Trade and other payables	1,245
Total current liabilities	**2,853**
Total liabilities	**13,910**
Net Assets	**5,813**
Equity	
Share Capital	500
Retained Earnings	5,249
Other Reserves	64
Total equity	**5,813**

Statement of cash flow

In €000	2021
Cash flows from operating activities	
Cash generated from operations	2,365
Net interest income/(expense)	(129)
Net cash generated from operating activites	2,236
Cash flows from investing activites	
Purchase of property, plant and equipment	(2,671)
Purchase of intangible assets	(150)
Net cash used in investing activities	(2,821)
Cash flows from financing activities	
Movement in bank and other loans	2,043
Dividend paid	(345)
Bond Interest	(203)
Net cash from financing activites	1,495
Movement in cash and cash equivalents	910
Cash and cash equivalents at beginning of year	(658)
Cash and cash equivalents at end of year	252

Annexure 2 – IG Finance plc projected financial statements

Statement of comprehensive income

In €000	2021
Interest Income	225.4
Administrative Expenses	(9.5)
Operating Profit	**215.9**
Finance Costs – Interest	(203.5)
Finance Costs – Bank Charges	(0.1)
Amortisation of Bond Issue Costs	(9.4)
Profit before tax	**2.9**
Income Tax Expense	-
Profit after tax	**2.9**

Statement of financial position

In €000	2021
Non-Current Assets	
Loans and advances to group companies	3,606
Current Assets	
Loans and advances to group companies	94
Loan interest receivable	131
Trade and other receivables	2
Cash and cash equivalents	2
Total Assets	**3,835**
Non Current Liabilites	
Debt in issue	3,641
Current Liabilities	
Trade and other payables	6
Interest payable	127
Deferred Bond Expenses	9
Total current liabilities	**142**
Total liabilities	**3,783**
Net Assets	**52**
Equity	
Share Capital	47
Retained Earnings	5
Total equity	**52**

Statement of cash flow

In €000	2021
Operating Profit before Tax	**2.9**
Adjustment for:	
Amortisation of bond issue costs	9.4
Changes in working capital	
Debtors	(1.4)
Creditors	(8.9)
Total change in NWC	(0.9)
Net cash flows in operating activities	2.0
Net movement in cash and cash equivalents	**2.0**
Cash and cash equivalents at beginning of year	0.1
Cash and cash equivalents at end of year	**2.1**