ANNEX G – Financial Analysis Summary

FINANCIAL ANALYSIS SUMMARY
SP Finance p.l.c.
8th April 2019

Calamatta Cuschieri
INVESTMENT ADVISORS & STOCKBROKERS

The Directors
SP Finance p.l.c.,
89, The Strand,
Sliema, Malta

8th April 2019

Dear Sirs,

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary (the "Analysis") set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to SP Finance p.l.c. (C 89462) ("the Issuer"), and Sea Pebbles Limited (C 6138) ("the Guarantor") and related companies within the group as explained in part 1 of the Analysis. The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the three years ended 2015, 2016 and 2017, and 8-months interim 2017 and 2018 has been extracted from the audited financial statements and the interim management accounts of the Guarantor respectively.

(b) The forecast data for the financial year 2018 and the year ending 2019 have been provided by management.

(c) Our commentary on the Issuer's and the Guarantor's results and financial position is based on the explanations set out by the Issuer in the Prospectus and Listing Authority Policies.

(d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.

(e) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies.

The Analysis is meant to assist potential investors by summarising the more important financial data set out in the Prospectus. The Analysis does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. The Analysis does not constitute an endorsement by our firm of the proposed bond issue and should not be interpreted as a recommendation to invest in the Bonds. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. Potential investors are encouraged to seek professional advice before investing in the bonds.

Yours sincerely,

Nick Calamatta

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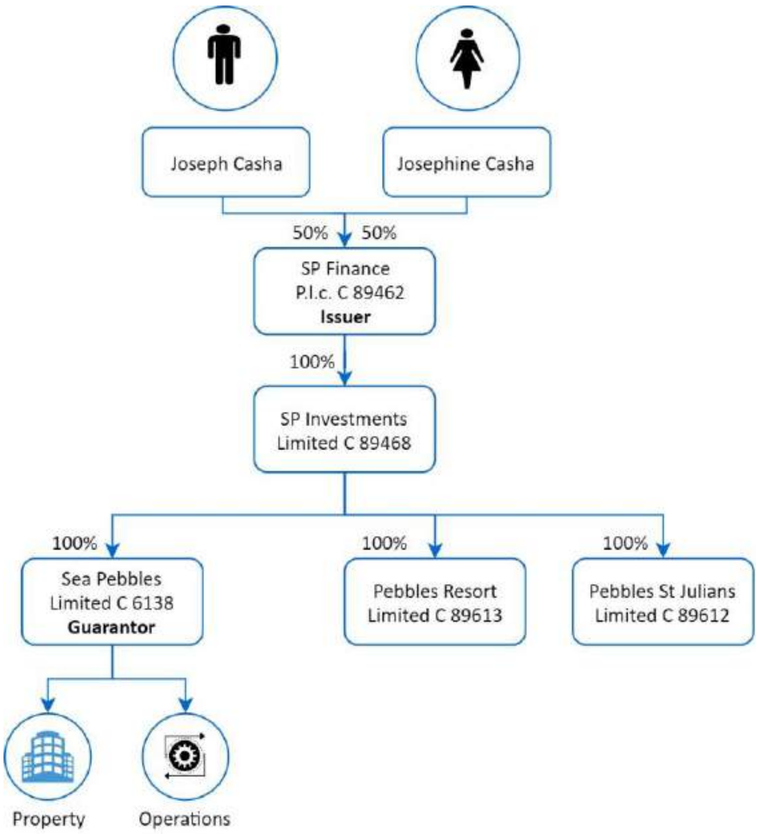
Part 1 - Information about the Group

1.1 Issuer, Guarantor and Group's Subsidiaries Key Activities and Structure

The Group structure is as follows:



The "Group" of companies consists of the Issuer, SP Investments Limited acting as a "Holding" company of the fellow subsidiaries of the Group being: the Guarantor, Pebbles Resort Limited and Pebbles St Julians Limited. The objective of the Group is the operating of hotels, in addition to acquiring and financing immovable property.

The Issuer, SP Finance plc, was incorporated on 19 November 2018 as a private limited liability company, registered in terms of the Companies Act with company registration number C 89462, and subsequently changed its status to a public company with effect from 23 January 2019. The Issuer, which was set up and established to act as the parent company of the Group and as a finance vehicle, has as at the date of the prospectus an authorised and issued share capital of €250,000 divided into 250,000 ordinary shares of €1 each, all fully paid up. The ultimate beneficial owners are; Mr. Joseph Casha and Ms. Josephine Casha who both hold 125,000 ordinary shares each.

SP Investments Limited, a fully owned subsidiary of the Issuer, is a private limited liability company incorporated and registered in Malta on 19 November 2018, with company registration number C 89468. SP Investments Limited has an authorised and issued share capital of €10,000 divided into 10,000 ordinary shares of €1 each, all fully paid up. SP Investments limited carries out the activity of a holding company within the Group.

The Guarantor, Sea Pebbles Limited, was incorporated on 15 November 1982 as a private limited liability company, registered in terms of the Companies Act with company registration number C 6138. Pursuant to a reorganisation concluded on 10 December 2018, The Guarantor through the Holding company is a wholly owned subsidiary of the Issuer. The authorised and issued share capital of the Guarantor, as at the date of the Prospectus, is €465,874.60 divided into 200,000 ordinary shares of €2.329373 each, all fully paid up. The principal objective of the Guarantor is to carry out all or any of the business of hotel-keepers, hotel managers or operators, and to manage and operate one or more hotels and guest houses.

Pebbles Resort Limited (C 89613) and Pebbles St Julians Limited (C 89612) were both incorporated on 28 November 2018 and are wholly owned by the Issuer through the Holding company. Pebbles Resort Limited was set up to operate a hotel ("San Pawl Hotel") situated in St. Paul's Bay, which is held under a 15-years lease commencing from the first quarter of 2019. Pebbles St Julians Limited was incorporated to construct and manage a hotel overlying Ryan's Pub ("Pebbles St Julians Hotel"), which is held under a 20-years lease. Ryan's Pub is a well-known restaurant and bar situated in Spinola Bay, St. Julian's, Malta.

1.2 Directors and Key Employees

Board of Directors - Issuer
As at the date of the prospectus, the Issuer is constituted by the following persons:

Name	Office Designation
Joseph Casha	Executive Director
Josephine Casha	Executive Director
Alex Perici-Calascione	Independent non-executive Director and Company Secretary
Mark Grech	Independent non-executive Director
Reuben Debono	Independent non-executive Director

The business address of all of the directors is the registered office of the Issuer. Refer to section 4 of the registration document for the curriculum vitae of the Issuer's directors.

Board of Directors – Guarantor
As at the date of the prospectus, the Guarantor are constituted by the following persons:

Name	Office Designation
Joseph Casha	Executive Director
Josephine Casha	Executive Director and Company Secretary

The business address of all of the directors is the registered office of the Issuer.

A board of five directors who are responsible for the overall direction and management of the Issuer currently manage the Issuer. The board currently consists of two executive directors, who are entrusted with the Issuer's day-to-day management, and three non-executive directors, all of whom are also independent of the Issuer. The main functions of the non-executive directors are to monitor the operations of the executive directors and their performance, as well as to review any proposals tabled by the executive directors. This practice goes in accordance with the generally accepted principles of sound corporate governance, where at least one of the directors shall be a person independent of a group of companies. The Issuer does not have any employees of its own, and thus is dependent on the resources within the Group entities.

The Guarantor has its own board of directors, which is responsible for the management, and direction of the Guarantor. The same two executive directors of the Issuer govern the Guarantor.

1.3 Major Assets owned by the Group

The Issuer does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company.

The Group, through the Guarantor owns and operates the Sea Pebbles Boutique Hotel ("Sea Pebbles Hotel") situated at No. 88/89, The Strand, Sliema, a freehold property consisting of a 9-storey block from which the Guarantor operates a 52-room apart-hotel situated along the Gzira – Sliema promenade. The said property overlies the commercial outlet TexMex Bar & Grill.

The Guarantor also owns the neighbouring corner building situated at No. 90, The Strand, Sliema and having another entrance from Saint Agatha Street, Sliema, which property is freehold and is overlying the popular restaurant MEDASIA Fusion Lounge, which is leased out to a related operating company. The said property at No. 90, The Strand, Sliema consists of a 9-storey block with mix use, including a catering establishment, apartments and garages, all of which are operated by the Guarantor.

The Guarantor has entered into a promise of sale agreement to acquire two apartments overlying the block at No. 90, The Strand Sliema and the relative airspace and an adjoining guesthouse in Sliema for a total amount of €5 million. The apartments and guesthouse will be financed through the proposed bond issue.

The Group intends to eventually construct and extend the Sea Pebbles Boutique Hotel and to add a further 150 rooms (bring the total number of rooms up to 202 rooms), with construction planned to take place during 2021 and 2022. Management is projecting the redeveloped hotel to be fully operational from year 2024.

Pebbles Resort Limited operates San Pawl Hotel, which is held under a 15-year lease commencing from the first quarter of 2019. As part of its lease commitments, the Group has to carry out a comprehensive upgrade of the hotel with an estimated cost of €3 million, which will be financed through the proposed bond issue. Pebbles St Julians Limited is in the process of constructing the Pebbles St Julians Hotel and subsequently operate it. The hotel is held under a 20-year lease and the development costs is estimated at €0.6 million, which will be financed through the proposed bond issue.

1.4 Operational Developments

As described above the Group owns a 52-room hotel, which is situated on the Sliema Front overlooking Marsamxett harbour, in addition to the adjacent building and the two underlying commercial properties, which are currently leased to parties outside of the Group. Through the proposed bond issue, the Group will finance the acquisition of two apartments and the relative airspace overlying the adjacent building to the 52-room hotel, in addition to an adjoining guesthouse for a total amount of €5 million.

San Pawl hotel, to be re-branded as Pebbles Resort, is a 3-star 234-room hotel situated in St. Paul's Bay, Malta. On 30 August 2018, the Group has entered into a lease agreement through Pebbles Resort Limited for the management of the hotel operations with the hotel’s owners for a term of 15-years commencing from the first quarter of 2019. The lease agreement does not provide for an automatic right of renewal in favour of Pebbles Resort Limited.

As part of its lease commitments, the Group will undertake a comprehensive upgrade of the existing premises in Q1 2019, which will allow it to re-open for operations in Q3 2019. The Group has estimated the redevelopment and upgrade cost at €3 million and the hotel’s first full year of operations will be 2020. The renovation costs will be financed through the proposed bond issue. Following the aforesaid redevelopment and upgrade, the Pebbles Resort will be operated as a 4-star hotel located in the heart of Saint Paul’s Bay, offering elegant, modern and luxurious accommodation. All of the hotel’s rooms will be fitted with flat screen TV’s, showing satellite channels, tea and coffee facilities, private bathrooms with hairdryer, air conditioning, electronic door lock, daily cleaning service, and either a balcony or a terrace overlooking the outside pool, or with a city view. Pebbles Resort will offer its patrons four restaurants, all serving different specialities from around the world, besides the two bars to be situated on the premises. Guests will also have access to a seasonal outdoor pool, as well as an indoor pool with hot bath, a garden, a fitness centre and a hair and nail salon.

In April 2017, the Group, through Pebbles St Julians Limited, entered into a lease agreement for the construction and management of Pebbles St Julians Hotel overlying Ryan’s Pub for a 20-year term. Ryan’s Pub is a well-known restaurant and bar situated in Spinola Bay, St. Julians, Malta. The Group has applied for a development permit for the addition of a hotel above the existing Ryan’s Pub and, subject to the requisite permits being issued, the Group is expected to commence construction and complete the project of the proposed hotel by the end of 2019. The hotel capacity is expected to be of 18-rooms and the estimated cost for such development is valued at €0.6 million, which cost is to be funded from the proposed bond issue. Such cost shall include the finishing of the hotel rooms and the common parts and, subject to the necessary development permits being issued as previously mentioned, the hotel's first full year of operations is expected to be 2020.

1.4.1 Sea Pebbles Boutique Hotel

The Sea Pebbles Hotel is a freehold property consisting of a 9-storey block from which the Guarantor operates a 3-star, 52-room apart-hotel situated along the Gzira – Sliema promenade. The said property overlies the commercial outlet TexMex Bar & Grill.

Operational Performance

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

Sea Pebbles Boutique Hotel	Dec-15	Dec-16	Dec-17	F2018	P2019
	€000s	**€000s**	**€000s**	**€000s**	**€000s**
Revenue	925	1,284	1,372	1,399	1,427
Gross operating profit	445	714	843	860	877
Gross operating profit margin	48.1%	55.6%	61.4%	61.5%	61.5%
Occupancy level	87.1%	78.1%	88.7%	89.0%	89.0%
Average daily rate (€)	83.1	86.7	81.5	82.8	84.5
Revenue per available room (Rev/PAR) (€)	26.4	24.7	26.4	26.9	27.4
Gross operating profit per available room (GOP/PAR)	12.7	13.7	16.2	16.5	16.9
Benchmark performance					
Occupancy level	82.0%	82.1%	82.6%	n/a	n/a
Average daily rate (€)	67.0	67.6	75.5	n/a	n/a
Gross operating profit margin	38.0%	42.0%	42.8%	n/a	n/a
Gross operating profit per available room (GOP/PAR)	11.7	13.3	14.7	n/a	n/a
Rooms	35	52	52	52	52

In May 2016, the hotel increased its rooms by 17-rooms, to a total of 52-rooms. For this reason, the revenue generated in 2016 is not comparable to that of 2015 and neither to that of 2017, where the latter figures capture the full-year operations of the 52-rooms.

The hotel occupancy level declined in 2016 due to the addition of the 17-rooms. These rooms were added to the booking system 3 months earlier for advance booking purposes and if adjusted for the occupancy level stood stable at the 87% level, in-line with 2015. The hotel has continuously improved its gross operating profit margin, which stood at 48.1% in 2015 and increased to 61.4% in 2017. Moreover, Sea Pebbles Boutique Hotel has for the historically presented above outperformed the benchmark performance in terms of the GOP/PAR and the Gross operating profit margin.

Management estimates that the occupancy level will remain constant with its historic average of 89% over the projected period based on the strategic location of the hotel, its historical performance and the upward trend of the tourism sector in Malta. GOP/PAR is projected to increase by 2% every year, where it expected to be €16.5 thousand for F2018 and subsequently increase to €16.9 thousand in P2019.

1.4.2 San Pawl Hotel

San Pawl hotel, to be re-branded as Pebbles Resort, is a 3-star 234-room hotel situated in St. Paul's Bay. Pebbles Resort Limited will operate the hotel under a 15-year lease term, which will commence from the first quarter of 2019. As part of its lease commitments the Group will carry out refurbishment to the hotel with an estimated cost of €3 million, which should be completed in quarter 3 of 2019 and following which the hotel will be upgraded to a 4-star hotel.

Operational Performance
The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

San Pawl Hotel	F2018	P2019
	€000s	€000s
Revenue	-	1,049
Gross operating profit	-	472
Gross operating profit margin	n/a	45.0%
Occupancy level	n/a	70.0%
Average daily rate (€)	n/a	69.6
Revenue per available room (Rev/PAR) (€)	n/a	17.8
Gross operating profit per available room (GOP/PAR)	n/a	8.0
Rooms	n/a	59

Management expects San Pawl Hotel to initially open with 59-rooms in 2019 and will be fully functional in 2020 with a total of 234-rooms. Management projects that the hotel will have a constant occupancy level of 70%. The GOP/PAR is anticipated to be €8 thousand for the first year of operation that is 2019. Subsequently, the GOP/PAR is projected to grow each year by 2%.

1.4.3 Pebbles St Julians Hotel

The Group, through Pebbles St Julians Limited, entered into a lease agreement for the construction and management of a hotel overlying Ryan's Pub for a 20-year term. The Group has applied for development permits and subject to the requisite permits being issued, the Group is expected to commence construction of the proposed hotel in 2019 and to complete the project by the end of 2019.

Pebbles St Julians Hotel capacity is expected to be of 18-rooms and the estimated cost for such development is valued at €0.6 million. Such cost shall include the finishing of the hotel rooms and the common parts and, subject to the necessary development permits being issued as previously mentioned, the hotel's first full year of operations is expected to be 2020.

Operational Performance
The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

Pebbles St Julians Hotel	F2018	P2019
	€000s	€000s
Revenue	-	360
Gross operating profit	-	180
Gross operating profit margin	n/a	50.0%
Occupancy level	n/a	85.0%
Average daily rate (€)	n/a	128.9
Revenue per available room (Rev/PAR) (€)	n/a	40.0
Gross operating profit per available room (GOP/PAR)	n/a	20.0
Rooms	n/a	9

Pebbles St Julians Hotel will initially open to 9-rooms in 2019 and as explained above it will be fully functional in 2020 with 18-rooms. Management projects that the hotel will have a constant occupancy level of 85%. The GOP/PAR is anticipated to be €20 thousand for the first year of operation that is 2019. Subsequently, the GOP/PAR is projected to grow each year by 2%.

Part 2 – Historical Performance and Forecasts

The Issuer was incorporated on 19 November 2018 and, accordingly, has no trading record or history of operations. Furthermore, the Issuer does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company solely for the needs of the Group, and, as such, its assets are intended to consist primarily of loans issued to the Group's fellow subsidiaries. The issuer will act as the parent company of the Group, consequently it will issue consolidated financial figures that will capture the operations of all the companies within the Group. Therefore, the projected figures of the issuer has not been presented as they are captured in the Group's forecasts as set out in section 2.4 of this Analysis.

For the purpose of this document, the focus is on a review of the performance of the Guarantor and the Group. The Guarantor's historical financial information for the period ended 31 December 2015 to 31 August 2018 is set out in the audited financial statements of the Guarantor section 2.1 to 2.3 of this Analysis. Forecasts of the Group's consolidated figures are based on management projections and are set out in section 2.4 of this Analysis.

2.1 Guarantor' Statement of Comprehensive Income

The Guarantor, Sea Pebbles Limited, carries out all or any of the business of hotel-keepers, hotel managers or operators, and to manage and operate one or more hotels and guest houses. The audited historical performance for the period ended 31 December 2015 to 31 December 2017, inclusive of the interim unaudited management accounts covering the period 1 January to 31 August 2017 and 2018 are presented below.

Statement of Comprehensive Income	Dec-15 Audited	Dec-16 Audited	Dec-17 Audited	Jan - Aug 17 Interim	Jan - Aug 18 Interim
	€000s	€000s	€000s	€000s	€000s
Revenue	925	1,284	1,372	910	1,030
Cost of sales	(212)	(250)	(237)	(165)	(171)
Gross profit	713	1,034	1,135	744	859
Administrative expenses (excl. Depreciation)	(268)	(320)	(292)	(193)	(236)
Other operating income	47	54	61	33	33
EBITDA	**492**	**768**	**904**	**584**	**656**
Depreciation	(128)	(166)	(174)	(112)	(117)
EBIT	**364**	**602**	**730**	**472**	**539**
Profit on sale of property	126	-	-	-	358
Investment income	65	1	-	-	-
Finance costs	(135)	(138)	(141)	(94)	(89)
Profit before tax	**420**	**465**	**589**	**377**	**809**
Income tax	(148)	(44)	(205)	-	-
Profit after tax	**272**	**421**	**384**	**377**	**809**
Other comprehensive income					
Revaluation of property	1,129	-	4,056	-	-
Total comprehensive income	**1,401**	**421**	**4,440**	**377**	**809**

Ratio Analysis	Dec-15	Dec-16	Dec-17	Jan - Aug 17	Jan - Aug 18
Gross Profit Margin (Gross Profit / Revenue)	77.1%	80.5%	82.7%	81.8%	83.4%
EBITDA Margin (EBITDA / Revenue)	53.2%	59.8%	65.9%	64.2%	63.7%
Net Margin (Profit for the year / Revenue)	29.4%	32.8%	28.0%	41.5%	78.5%

The Guarantor generates revenue from room rentals. In 2017, Sea Pebbles Hotel had all of its 52-rooms rented out with an average occupancy of 88.7%. Revenue has increased by 48.3% from 2015 to 2017. As explained above, the increase is attributable to the increase in the number of rooms from 35 to 52 in 2016, and improved rental rates.

Cost of sales mainly represents booking fees paid to the third party online booking portals like “booking.com”. Administrative expenses mainly consists of salaries and wages, water and electricity expenses, repairs and maintenance expenses and bank charges, representing 82.0% of the total administrative expenses in 2017. Administrative expenses decreased by 8.8% in 2017 from 2016. This was mainly due to a decrease in legal and professional fees from €40 thousand in 2016 to €9 thousand in 2017. Wages and salaries increased to €86 thousand in 2017 from €59 thousand in 2016 due to the increase in average number of employees from five employees in 2016 to six employees in 2017. In addition, the average salary cost per employee increased by 77.8% during the historic data presented above. In 2016, the Guarantor secured new loans from HSBC, which resulted in an increase in bank charges of 50.7% from €29 thousand in 2015 to €44 thousand in 2016.

Other income represents rental income generated by the Guarantor from its properties at ground floor level that are rented out to two restaurants being, TexMex and MedAsia. The rental income aggregated to €61 thousand in 2017.

Both the company’s gross profit margin and the EBITDA margin has continuously improved for the audited historic data presented above. The gross profit margin and the EBITDA margin stood at 82.7% and 65.9% in 2017 respectively, which shows an improved position from the gross profit margin and the EBITDA margin of 2015, which stood at 77.1% and 53.2% respectively.

2.2 Guarantor' Statement of Financial Position

Statement of Financial Position	Dec-15 Audited	Dec-16 Audited	Dec-17 Audited	Jan - Aug 17 Interim	Jan - Jun 18 Interim
	€000s	€000s	€000s	€000s	€000s
Assets					
Non-current assets					
Property, plant and equipment	15,486	16,284	20,539	16,390	23,645
Investment in associate	47	-	-	-	-
	15,533	16,284	20,539	16,390	23,645
Current assets					
Trade and other receivables	626	490	338	303	1,023
Current tax recoverable	9	10	-	-	-
Cash and cash equivalents	341	399	60	64	114
	976	899	398	367	1,137
Total assets	**16,509**	**17,183**	**20,937**	**16,757**	**24,783**
Equity and liabilities					
Capital and reserves					
Share capital	466	466	466	466	466
Revaluation reserve	12,628	12,628	14,793	12,628	17,738
Retained earnings	750	1,071	731	824	1,435
Total equity	**13,844**	**14,165**	**15,990**	**13,917**	**19,638**
Non-current liabilities					
Long-term borrowings	2,108	2,439	2,160	2,258	2,070
Deferred taxation	112	151	2,058	151	2,428
	2,220	2,590	4,218	2,409	4,498
Current liabilities					
Short-term borrowings	365	295	306	265	263
Trade and other payables	80	128	235	161	211
Current tax payable	-	5	188	5	172
	445	428	729	431	646
Total liabilities	2,665	3,018	4,947	2,839	5,144
Total equity and liabilities	**16,509**	**17,183**	**20,937**	**16,757**	**24,783**

Total assets mainly comprise of property, plant and equipment, which account for 98.1% of the company's total assets as of 2017. Non-current assets mainly comprise of land and buildings. A revaluation of land and buildings was carried out in 2015, in 2017 and in the interim accounts of August 2018. In the latter period, land and buildings were revalued upwards by €3.7 million and disposals net of additions amounted to €0.5 million, resulting in an ending balance of €23.0 million.

In 2017, current assets comprised only 1.9% of the total assets of the Guarantor as at 31 December 2017. Trade and other receivables represent the primary component of current assets, where they mainly comprise of amounts receivable from related parties. As a result of a decrease in the amounts due from related parties, trade and other receivables in 2017 declined by €0.2 million in comparison to the previous financial year. In the interim accounts of August 2018 trade and other receivables increased by €0.7 million when compared to the prior period, due to an increase in the amounts receivable from related parties

Non-current liabilities represented 85.3% of the Guarantor's liabilities in 2017. Non-current liabilities comprise of six loans taken from HSBC, these loans have interest rates ranging from 5.05% to 5.35%. The Guarantor also has an overdraft facility of €93 thousand with HSBC to fund its working capital requirements out of which €25 thousand was availed in 2017. Out of the €2.5 million bank loans as at

2017, 17.7% are due over the next five years. As described in the use of proceeds, these loans will be paid-off from the proceeds of the proposed bond issue.

The current liabilities represented 14.7% of the total Guarantor's liabilities in 2017. Current liabilities comprise of trade and other payables, current tax liability and short-term borrowings. Trade and other payables mainly consist of amounts payable to related parties.

2.3 Guarantor' Statement of Cash Flows

Statement of Cash Flows	Dec-15 Audited	Dec-16 Audited	Dec-17 Audited	Jan - Aug 17 Interim	Jan - Jun 18 Interim
	€000s	€000s	€000s	€000s	€000s
Cash flows from operating activities					
EBITDA	492	768	904	584	656
Interest and Tax paid	(222)	(140)	(146)	(1)	(17)
Dividend received	65	1	-	-	-
Tax refunded	19	-	10	10	-
Change in trade and other receivables	(174)	137	152	186	(686)
Change in trade and other payables	(62)	47	106	35	(24)
Net cash flows generated from operating activities	**118**	**813**	**1,026**	**813**	**(70)**
Cash flows from investing activities					
Capex	(76)	(962)	(371)	(218)	(130)
Proceeds from the sale of property, plant and equipment	419	-	-	-	580
Other investing activities	126	47	-	-	-
Net cash flows generated from/(used in) investing activities	**469**	**(915)**	**(371)**	**(218)**	**450**
Cash flows from financing activities					
Movement in related party loan	-	(100)	-	-	-
Movement in bank loan	(271)	360	(294)	(287)	(272)
Dividend paid	(50)	(100)	(725)	(625)	(105)
Net cash flows used in/(generated from) financing activities	**(321)**	**160**	**(1,019)**	**(912)**	**(377)**
Movement in cash and cash equivalents	**266**	**58**	**(364)**	**(317)**	**3**
Cash and cash equivalents at start of year	75	341	399	399	35
Cash and cash equivalents at end of year	**341**	**399**	**35**	**82**	**38**

In 2017, the EBITDA of the company improved from €0.8 million to €0.9 million, and consequently so did the cash flow from operations, which increased to €1.0 million in 2017 from €0.8 million in 2016. The latter increase in the cash flow from operations is also attributable to the change in trade and other payables, which was €59 thousand higher in 2017 when compared to 2016.

2.4 The Group's Financial Forecast

Projected Income Statement	F2018	P2019
	€000s	**€000s**
Revenue	1,399	2,836
Cost of sales	(241)	(517)
Gross profit	1,158	2,319
Administrative expenses	(298)	(790)
Other operating income	55	127
EBITDA	**915**	**1,656**
Depreciation	(195)	(687)
EBIT	**720**	**969**
Finance costs	(152)	(861)
Profit before tax	**568**	**108**
Income tax	(198)	(160)
Profit after tax	**370**	**(52)**

The gross profit of the Group for forecasted year 2018 is comprised of the gross profit generated by Sea Pebbles Hotel. The gross operating profit per room is estimated to be of €16.5 thousand in 2018, which represents an increase of 2% over the prior year. The occupancy level is projected to remain constant at 89% as further described in section 1.4.1 of this Analysis. Further to the gross profit contribution of Sea Pebbles Hotel in 2019, gross profit will comprise also of the gross profit generated from the San Pawl Hotel and the Pebbles St Julians Hotel. The latter two hotels will be partially open in 2019, as San Pawl Hotel will be closed for most of 2019 for refurbishment and Pebbles St Julians Hotel will also be mostly closed in 2019 as it will be under construction as further described in section 1.4.2 and 1.4.3 respectively, of this Analysis.

Other operating income comprises of the rental income that will be generated from the two retail outlets situated at street level. In forecast year 2018, the income from the two retail outlets is estimated to be €55 thousand and this is projected to remain constant for the next five years. In 2019, other operating income will increase by €72 thousand to a total of €127 thousand, as a result of the rental of the guesthouse, which will be acquired through the proposed bond issue.

Depreciation costs for 2018 are estimated to be in-line with that of 2017, experiencing an increase of €21 thousand. In 2019, depreciation costs will increase significantly as it captures the depreciation of San Pawl Hotel and Pebbles St Julians Hotel, experiencing an increase of €492 thousand. Following revised accounting standards on accounting for leases, as from January 2019 all leases will be classified as a finance lease the result of which is that the lease payments for the above two hotels have been capitalised and accordingly the depreciation on property, plant and equipment increased.

Finance costs for 2018 are estimated to be slightly higher than 2017, experiencing an increase of €11 thousand. In 2019, finance cost will increase significantly experiencing an increase of €709 thousand from 2018, which reflects the interest payable on the proposed bond issue and the interest expense on the lease payments of the two new hotels as required by the new accounting standard on accounting for leases, as described above.

Projected Balance Sheet	F2018	P2019
	€000s	€000s
Assets		
Non-current assets		
Property, plant and equipment	21,534	34,847
	21,534	34,847
Current assets		
Trade and other receivables	338	338
Cash and cash equivalents	364	1,716
	702	2,054
Total assets	**22,236**	**36,901**
Equity and liabilities		
Capital and reserves		
Share capital	466	466
Revaluation reserve	14,793	14,793
Retained earnings	1,101	1,049
Total equity	**16,360**	**16,308**
Non-current liabilities		
Debt facilities	2,276	11,865
Other financial liabilities	1,119	6,247
	3,395	18,112
Current liabilities		
Trade and other payables	235	235
Current tax liability	188	188
Deferred tax liability	2,058	2,058
	2,481	2,481
Total liabilities	5,876	20,593
Total equity and liabilities	**22,236**	**36,901**

Total assets in 2018, mainly comprise of property, plant and equipment, which represents 96.8% of total assets. Total Assets will mainly be impacted in 2019, where property, plant and equipment will increase by €13.3 million representing the addition of the lease capitalisation of Pebbles St Julians Hotel and San Pawl Hotel. In comparison, total liabilities will remain relatively stable in 2018 and will increase by €14.7 million in 2019. This is the result of an increase in debt facilities due to the proposed bond issue and the recognition of the total lease payments as other financial liabilities.

The gearing level (Net Debt / Total Equity) in 2018 stands at 18.5%. Following the increase in liabilities as described above, the gearing level will increase to 100.5% in 2019. The return on common equity stands at 2.3% in 2018. The Group is anticipated to record a marginal loss in 2019, following the renovation of the San Pawl Hotel and the construction of the Pebbles St Julians Hotel. Despite this, the Group’s interest coverage ratio (EBITDA / Interest Paid) stands at 6.5x in 2018 and will remain at a healthy level of 3.5x in 2019.

Projected Cash Flows	F2018	P2019
	€000s	**€000s**
Cash flows from operating activities		
EBITDA	915	1656
Interest paid	(140)	(480)
Tax paid	(198)	(160)
Net cash flows generated from operating activities	577	1,016
Cash flows from investing activities		
Investment Capex	-	(8,600)
Recurrent Capex	(70)	(142)
Net cash flows generated from/(used in) investing activities	(70)	(8,742)
Cash flows from financing activities		
Debt proceeds received	-	12,000
Payment of finance lease liabilities	(13)	(496)
Bond costs	-	(150)
Principal payments	(190)	(2,276)
Net cash flows generated from / (used in) financing activities	(203)	9,078
Movement in cash and cash equivalents	**304**	**1,352**
Cash and cash equivalents at start of year	60	364
Cash and cash equivalents at end of year	**364**	**1,716**

The Group is anticipated to have a positive net cash from operations for both the projected years 2018 and 2019, which stands at €0.6 million and €1.0 million respectively. Cash from investing activities will mainly be affected in 2019, following the implementation of the capital investments, as further described in the *Operational Developments* section of this analysis. Recurrent Capex has been estimated at 5% of revenue throughout the projected period. Cash flows from financing activities will largely be impacted in 2019 following the receipt of the bond proceeds.

Ratio Analysis	2018P	2019P
Profitability		
Growth in Revenue (YoY Revenue Growth)	2.0%	102.7%
EBITDA Margin (EBITDA / Revenue)	65.4%	58.4%
Operating (EBIT) Margin (EBIT / Revenue)	51.5%	34.2%
Net Margin (Profit for the year / Revenue)	26.4%	n/a
Return on Common Equity (Net Income / Total Equity)	2.3%	n/a
Return on Assets (Net Income / Total Assets)	1.7%	n/a
Cash Flow		
Free Cash Flow (Net cash from operations - Capex)	€507	€(7,726)
Financial Strength		
Gearing 1 (Net Debt / Total Equity)	18.5%	100.5%
Gearing 2 (Total Liabilities / Total Assets)	26.4%	55.8%
Net Debt / EBITDA	3.3x	9.9x
Current Ratio (Current Assets / Current Liabilities)	0.3	0.8
Net Debt / Net cash from operations	5.3	16.1
Interest Coverage (EBITDA / Cash interest paid)	6.5	3.5

Part 3 – Key Market and Competitor Data

3.1 General Market Conditions[2]

The tourism industry in Malta has been progressively growing over the years, benefiting from a surge in tourism with records broken year-on-year. In 2018, tourists arrivals increased by 0.3 million from 2.3 million in 2017 to 2.6 million in 2018, an increase of 14.3%. This is comparable to previous year when in 2017 tourists arrivals increased by 15.7%, where in 2016 inbound tourists stood at 2.0 million.
Hotel accommodations benefited from the increasing number of tourists coming to Malta over the recent years, which translated into higher number of guests and occupancy.

In 2018, total nights spent by inbound tourists to Malta reached 18.6 million, an increase of 12.5% over 2017, where total nights stood at 16.5 million. This shows an improved growth when compared to 2017, where total nights increased by 10.3% or 1.5 million from 2016 (total nights 15.0 million). The increase in tourism activity in 2018 has not resulted in a proportional increase in the total expenditure per capita, where in 2018 it stood at €809 per capita, experiencing a decrease of 5.5% from 2017, where it stood at €856 per capita. This was mainly due to a decrease on other expenditure and a decrease on non-package accommodation expenditure, where compared to 2017 these decreased by 14.5% and 7.1% respectively. The average length of stay in Malta has slightly decreased from 2016, where it stood at 7.6 nights in 2016, decreased to 7.3 nights in 2017 and decreased further to 7.1 nights in 2018.

The top three localities for tourist accommodation in 2016 were St Julians (25%), St Paul's Bay/Bugibba/Qawra area (23%) and Sliema (17%), while the net occupancy rate increased from 64.0% to 64.5%.

This trend in the increase in the number of tourist arrivals over the last three years has been stable as can be demonstrated by the table below:

	2016	2017	2018	Change 2018/17
Inbound tourists	1,965,928	2,273,837	2,598,690	14.3%
Tourist guest nights	14,961,366	16,509,141	18,569,716	12.5%
Average length of stay	7.6	7.3	7.1	-2.7%
Tourist expenditure (€'000s)	1,708,952	1,946,894	2,101,765	8.0%
Tourist expenditure per capita (€)	869	856	809	-5.5%

[2] Inbound Tourism December 2018 (NSO)

3.2 Comparative Analysis

The purpose of the table below compares the proposed debt issuance of the Group to other debt instruments with similar duration. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore different.

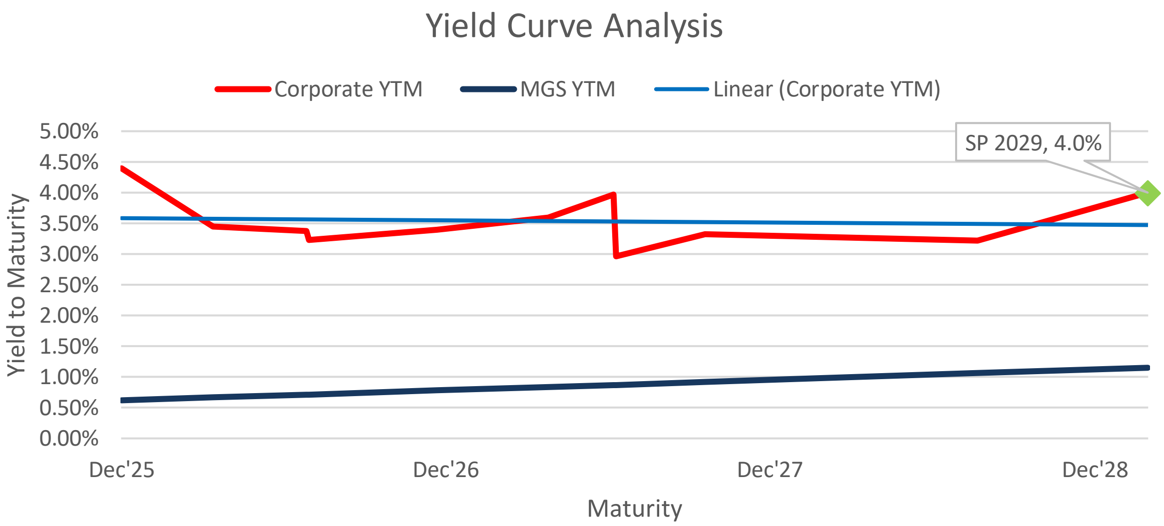
Security	Nom Value €000's	Last Price*	Yield to Maturity (%)	Interest coverage (EBITDA) (times)	Total Assets (€'millions)	Total Equity (€'millions)	Total Liabilities / Total Assets (%)	Net Debt / Total Equity (%)	Net Debt / EBITDA (times)	Current Ratio (times)	Return on Common Equity (%)	Net Margin (%)	Revenue Growth (YoY) (%)
5.25% Central Business Centres plc Unsecured € 2025 S2T1	3,000	105.00	4.40%	0.3	28.57	15.93	44.2%	67.1%	73.0	8.6	-1.1%	-43.7%	47.1%
4.25% Corinthia Finance plc Unsecured € 2026	40,000	105.00	3.45%	2.6	1,765.07	901.60	48.9%	67.9%	8.5	1.0	0.7%	2.0%	40.0%
4% MIDI plc Secured € 2026	50,000	104.00	3.38%	(0.9)	0.24	0.09	63.2%	64.7%	(25.3)	2.4	27.0%	448.1%	-46.5%
4% International Hotel Investments plc Secured € 2026	55,000	105.00	3.23%	2.7	1,602.32	884.63	44.8%	57.1%	7.9	1.5	1.9%	6.1%	53.5%
4% International Hotel Investments plc Unsecured € 2026	40,000	104.10	3.39%	2.7	1,602.32	884.63	44.8%	57.1%	7.9	1.5	1.9%	6.1%	53.5%
4.35% SD Finance plc Unsecured € 2027	65,000	105.25	3.60%	5.5	217.60	65.70	69.8%	92.1%	3.2	0.3	11.0%	14.5%	9.3%
4.4% Central Business Centres plc Unsecured € 2027 S1/17 T1	6,000	103.00	3.97%	0.3	28.57	15.93	44.2%	67.1%	73.0	8.6	-1.1%	-43.7%	47.1%
3.75% Tumas Investments plc Unsecured € 2027	25,000	105.75	2.96%	7.5	198.82	89.24	55.1%	51.8%	2.0	1.6	13.0%	20.1%	31.4%
4% Stivala Group Finance plc Secured € 2027	45,000	104.97	3.33%	9.5	179.73	100.12	44.3%	55.8%	8.3	1.6	59.9%	483.9%	29.2%
4% Exalco Finance plc Secured € 2028	15,000	106.25	3.22%	3.7	55.39	35.47	36.0%	34.0%	6.0	0.3	8.6%	33.6%	24.7%
4% SP Finance plc Secured € 2029 **	12,000	100.00	4.00%	6.4	20.94	15.99	23.6%	15.0%	2.7	0.5	2.5%	28.0%	6.9%
Average ***	34,400	104.83	3.49%	3.4	567.86	299.33	49.5%	61.5%	16.4	2.8	12.2%	92.7%	28.9%

Source: Audited financial statements, 2017

* Last price as at 20/02/2019

** The financial analysis of SP Finance reflects the financial position of the Guarantor for the year ended 31st December 2017.

*** Average figures do not capture the financial analysis of the Group



As at 20 February 2019, the average spread over the Malta Government Stock (MGS) for corporates with maturity range of 8-10 years was 250 basis points. The proposed SP Finance bond is being priced with a 4.0% coupon issued at par, meaning a spread of 285 basis points over the equivalent MGS, and therefore at a premium to the average on the market.

Part 4 - Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
Operating Profit (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Company during the financial year net of any income taxes incurred.
Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by total assets.
Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.

Balance Sheet	
Total Assets	What the Group/Company owns which can de further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can de further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Total Debt	All debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.
Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio Gearing Ratio Level 1 Gearing Ratio Level 2	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets. Is calculated by dividing Net Debt by Total Equity. Is calculated by dividing Total Liabilities by Total Assets.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.
Other Definitions	
Yield to Maturity (YTM)	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.