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The Board of Directors
Tumas Investments plc
Level 3,
Portomaso Business Tower,
Portomaso
St. Julian's STJ4011

28 June 2023

Dear Sirs,

Tumas Investments plc – Financial Analysis Summary Update 2023 (the **"Update FAS"**)

In accordance with your instructions and in line with the requirements of the Malta Financial Services Authority Listing Policies, we have compiled the Update FAS set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the Update FAS is that of summarising key financial data appertaining to Tumas Investments plc (the "**Company**" or "**TI**") and Spinola Development Company Limited (the "**Guarantor**", or "**SDC**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historic financial data for the three years ended 31 December 2020 to 2022 extracted from both the Company's and the Guarantor's audited statutory financial statements for the three years in question;
(b) The forecast data for the financial year ending 31 December 2023 has been extracted from the forecast financial information provided by the management of the Company and the Guarantor;
(c) Our commentary on the results of the Company and Guarantor and on the respective financial positions has been based on the explanations provided by the Company and Guarantor;
(d) The ratios quoted in the Update FAS have been computed by us, applying the definitions as set out and defined within the Update FAS; and
(e) Relevant financial data in respect of competitors as analysed in Part D 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 Update FAS is meant to assist potential investors by summarising the more important financial data of the Company and the Guarantor. The Update FAS does not contain all data that is relevant to potential investors and is meant to complement, and not replace, financial and/or investment advice. The Update FAS does not constitute an endorsement by our firm of the securities of the Company and should not be interpreted as a recommendation to invest. We shall not accept any liability for any loss or damage arising out of the use of the Update FAS and no representation or warranty is provided in respect of the reliability of the information contained in this report. As with all investments, potential investors are encouraged to seek professional advice before investing.

Yours sincerely,

Vincent E Rizzo
Director

FINANCIAL ANALYSIS SUMMARY

Update 2023

Prepared by Rizzo, Farrugia & Co (Stockbrokers) Ltd, in compliance with the Listing Policies issued by the Malta Financial Services Authority, dated 5 March 2013, as revised on 13 August 2021.

28 June 2023

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Important Information

Purpose of the Document

Tumas Investments plc (the "**Company**", "**TI**" or the "**Tumas Investments plc**") issued the following bonds:

- €25 million 5.00% Unsecured Bonds 2024 pursuant to a prospectus dated 7 July 2014; and
- €25 million 3.75% Unsecured Bonds 2027 pursuant to a prospectus dated 10 July 2017

(hereinafter, collectively referred to as the "**Bond Issues**").

Each prospectus included a Financial Analysis Summary ("**FAS**") in line with the requirements of the Listing Policies dated 5 March 2013 and last revised on 13 August 2021. The purpose of this report is to provide an update to the FAS (the "**Update FAS**") on the performance and on the financial position of the Company and Spinola Development Company Limited (the "**Guarantor**" or "**SDC**").

Sources of Information

The information that is presented has been collated from a number of sources, including the Company's website (www.tumas.com), the audited Financial Statements for the years ended 31 December 2020, 2021 and 2022 and forecasts for financial year ending 31 December 2023 for both the Company and the Guarantor.

Forecasts that are included in this document have been prepared and approved for publication by the directors of the Company and Guarantor, who undertake full responsibility for the assumptions on which these forecasts are based.

Wherever used, FYXXXX refers to financial year covering the period 1st January to 31st December. The financial information is being presented in thousands of Euro, unless otherwise stated, and has been rounded to the nearest thousand.

Previous FAS Issued

The Company has published the following FAS which are available on its website:

FAS dated 7 July 2014 (appended to the prospectus)
FAS dated 30 June 2015
FAS dated 28 June 2016
FAS dated 29 May 2017 (appended to the prospectus)
FAS dated 26 June 2018
FAS dated 28 June 2019
FAS dated 19 August 2020
FAS dated 30 June 2021
FAS dated 30 June 2022

List of Abbreviations and Definitions

F&B	Food and beverages
Halland Developments Company Limited or HDCL	A subsidiary of Spinola Development Company Limited which owns the freehold title of the Halland site and adjoining land.
Halland site	The site in Ibragg (formerly Halland Aparthotel) earmarked for development.
Laguna Project	An extension to the Portomaso Complex on its east side which will include the building of 44 residential units.
PA	The Planning Authority.
Portomaso Complex or Portomaso or Complex	The Complex located in St Julian's set on a site owned by SDC comprising the Hilton Malta and its convention centre, the Portomaso Business Tower, residential apartments, a car park, a marina and commercial outlets.
Portomaso Leasing Company Limited or PLCL	A subsidiary of Spinola Development Company Limited which manages the leasing of the long-term commercial and office components the Portomaso Complex.
Premium Real Estate Investments Limited or PREIL	A subsidiary of Spinola Development Company Limited entrusted with acquiring property for investment purposes.
Tumas Group Company Limited or Tumas Group	A group of companies involved in various sectors including hospitality, leisure, tourism, property, automotive and port operations.

1. INTRODUCTION

TUMAS INVESTMENTS PLC – THE ISSUER

Tumas Investments plc is a public limited liability company incorporated in Malta on 17 November 2000 to act as the financing arm of SDC. Given the Company's nature of activities, i.e. raising finance for on-lending to SDC, there is an inherent dependence on SDC's cash flows and operations.

Since 2000, the Issuer has tapped the local bond market six times. The first four bonds, issued in 2000, 2002, 2009 and 2010 respectively, have to date been redeemed. Meanwhile, the Issuer today has, two outstanding bonds, namely the €25 million 5% bonds maturing in 2024 and the €25 million 3.75% bonds maturing in 2027.

SPINOLA DEVELOPMENT COMPANY LTD – THE GUARANTOR

SDC was set up as a limited liability company in Malta on 10 May 1966 and was acquired by the Tumas Group in 1986 through Spinola Investments Limited. The business of SDC has, to date, comprised primarily of the development, management and operation of the Portomaso Complex situated in St Julian's and now the development of the ex-Halland site referred to below. SDC owns three subsidiaries, namely PLCL, HDCL and PREIL, all of which are incorporated in Malta.

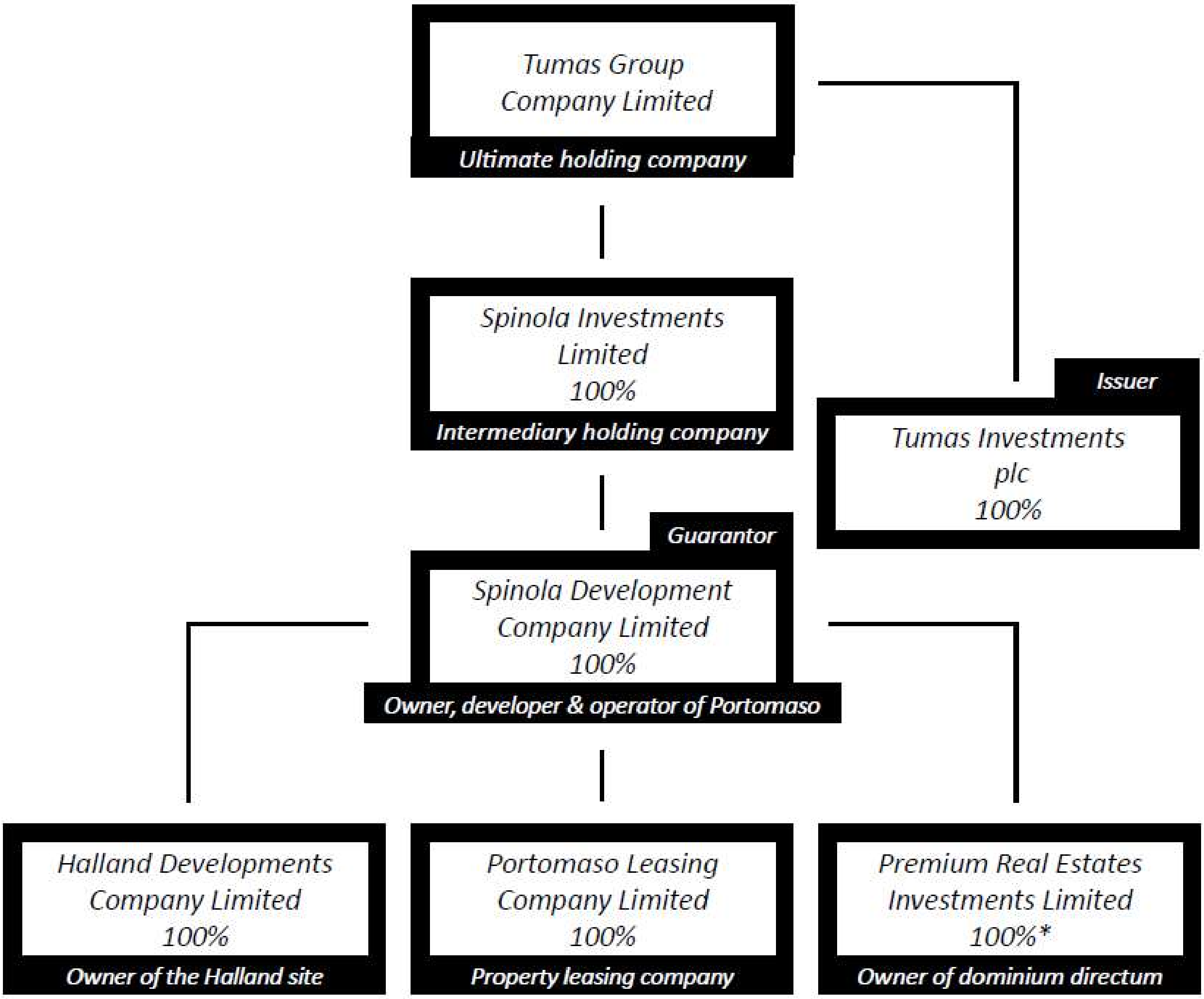
In 1994, the then Malta Hilton Hotel was completely demolished, making way for the development of the Portomaso Complex. The land title was acquired by SDC from the Government of Malta and today the Guarantor benefits from freehold title of the site. For the purpose of management and administration of Portomaso, in 2004 SDC set up PLCL to focus primarily on the leasing of long-term commercial and office components of the Complex.

In 2009, HDCL was set up with the main objective being that of acquiring the freehold title of the Halland site and the adjoining land from St Andrews Hotels Limited – a sister company within the Tumas Group. Excavation works on this site have been recently completed and subsequently commenced construction works related with the development of a high-end residential complex.

PREIL was incorporated in 2011 with the principal objective of acquiring property for investment purposes. The only major transaction that this company has entered into since its formation was that related to the acquisition of the *dominium directum* on a sizeable portion of Portomaso properties from SDC in 2012. PREIL is 99% owned by SDC, with the remaining 1% held by Spinola Investments Limited.

2. GROUP STRUCTURE

Both TI and SDC are wholly-owned subsidiaries of Tumas Group Company Limited – one of the largest and most diversified private business groups in Malta. The Group, which is ultimately owned by members of the Fenech family, is primarily active in property development and leasing, hospitality, leisure and gaming and energy. The position of the Issuer and the Guarantor within the Group is as per below:



*Refers to the effective control that SDC has on Premium Real Estates Investments Limited.

SDC and its subsidiaries, as included above, are referred to as the "**SDC Group**" or "**Group**" hereinafter.

3. Directors and Senior Management

Directors of the Issuer

The directors of the Company are:

Mr Raymond Fenech	Chairman & Chief Executive Officer
Mr Raymond Sladden	Executive Director
Dr Michael Grech	Non-Executive Director
Mr Joseph Schembri	Independent, Non-Executive Director *(appointed on 6 January 2023)*
Mr John Zarb	Independent, Non-Executive Director

The Company Secretary is Dr Katia Cachia.

Mr Kevin Catania was a director until 6 January 2023.

Directors of the Guarantor

The directors of SDC who held office during the financial year ended 31 December 2022 and still hold office as at the date of this Update FAS are:

Mr Raymond Fenech	Chairman & Chief Executive Officer
Mr Emmanuel Fenech	Executive Director
Mr Raymond Sladden	Executive Director

Senior Management of the Issuer

No employees are directly engaged by the Issuer as it entirely relies on the employees of the Guarantor and of the Tumas Group for its management and administration.

Senior Management of the Guarantor

The senior management of the Guarantor are the following:

Mr Raymond Sladden	Tumas Group Finance Director
Mr Maurice Tabone	Sales and Marketing Director of SDC
Mr Richard Cuello	General Manager - Hilton Malta
Mr Gerald Debono	Tumas Group Architect
Mr Kevin Spiteri	Tumas Group Engineer
Mr Anton Cini	Financial Controller
Mr Mark Caruana	Property Administrator

4. Update on Operations and Major Assets

4.1 The Issuer

As the financing arm of SDC, the Issuer's operations are inherently limited to that of raising finance for capital projects and advancing such funds to SDC. The borrowings of the Issuer are on-lent to SDC and are regulated through loan agreements that mirror the characteristics of the borrowings taken by TI plus an additional interest margin intended to cover the costs of the Company.

Major Assets - Issuer

The assets of the Issuer are predominantly made up of the loans receivable from SDC, which altogether amount to over 75% of the Issuer's asset base (FY2020 and FY2021 this stood at 97%). The table below summarises the value of total assets and loans receivable from SDC for the financial years ended 31 December 2020, 2021 and 2022.

Year	Total Assets *€'000*	Loans Receivable from SDC *€'000*	Loans Receivable from SDC as a % of Total Assets
2020	51,545	50,000	97%
2021	51,594	50,000	97%
2022	66,300	50,000	75%

In line with the Company's treasury management function for SDC, in FY2022, the Issuer used excess liquidity from the SDC Group to acquire financial assets on the local capital market in order to efficiently manage liquidity in times when interest rates (and thus returns on financial investments) were increasing. Such liquidity was primarily invested in treasury bills issued by the Government of Malta.

Material Contracts - Issuer

There have been no changes to the material contracts reported in the FAS dated 30 June 2022.

Date of Agreement / Addendum Agreement	Amount	Maturity	Purpose	Interest Rate % p.a.	Financed by TI through
31 July 2014	€24,718,514	31 July 2024	Refinancing of existing borrowings	5.1	Bond Proceeds
6 September 2017	€281,486	31 July 2024	Refinancing of existing borrowings	5.1	Bond Proceeds

10 July 2017	€24,765,154	10 July 2027	Refinancing of existing borrowings	3.85	Bond Proceeds
6 September 2017	€234,846	10 July 2027	Refinancing of existing borrowings	3.85	Bond Proceeds

4.2 THE GUARANTOR

The principal activities of the Guarantor have to date been the development and operation of the Portomaso Complex and adjacent areas situated in St. Julian's. The Complex includes the Hilton Malta hotel and its conference centre, the Portomaso Business Tower, other office units, residential apartments, a marina, a car park and a number of commercial and catering outlets.

The operations of SDC are divided into four segments:

A. the hotel and its ancillary operations;

B. property development;

C. rental operations; and

D. complex management operations.

During 2021, SDC's subsidiary, Halland Developments Co Ltd ("**HDCL**"), embarked on development works at the ex-Halland site. Excavation works have been completed in FY22, while construction commenced in the earlier months of FY2023. HDCL intends to launch this project to the market in the coming months, subject to the economic conditions prevailing at the time. The current level of interest that has been noticed by the Group has thus far been encouraging. The Halland project envisages the development of *circa* 68 residential units, parking facilities, other amenities and open landscaped areas, delivered in a sustainable state-of-the-art design that aims to meet the expectations of clients, stakeholders as well as the environmental realities.

MAJOR ASSETS AND RECENT DEVELOPMENTS

A. THE HOTEL AND ITS ANCILLARY OPERATIONS

This segment comprises the Hilton Malta, the conference centre and ancillary operations including the underground car park, the marina and the Twenty Two Club (a wine lounge on the twenty-second floor of the Portomaso Business Tower). As at the end of FY2022, the Guarantor's property, plant and equipment (PPE) had a carrying value of €150.7 million (FY2021: €153.2 million). The last independent revaluation exercise relating to the Group's PPE was carried out in FY2018, with PPE valued at €165.6 million at the end of the said financial year (net of depreciation charges). The Directors determined that the carrying value of the PPE in the books of SDC as at 31 December 2022 (net of the depreciation charges accounted for since FY2018) does not differ materially from the FY2018 valuation reassessment that the Directors undertook of the PPE, taking into consideration a long-term macroeconomic view.

I) Hilton Malta

The Hilton Malta is a five-star 413-room hotel, with modern conference facilities, a health centre, themed restaurants, a large indoor pool and a number of outside pools and beach clubs. SDC has an operating agreement with Hilton International for the operation of the hotel under the Hilton brand, whereby Hilton International markets and manages the hotel and its adjacent conference centre as an integral part of its world-wide chain. This agreement, which had an initial term of 15 years was renewed for a further 20 years in 2013, effective from 1 January 2012.

During FY2022, a number of Hilton suites underwent a total refurbishment, which included the integration of new features that aim to offer a superior experience to its guests.

II) Portomaso Car Park

SDC operates underground public car parking facilities of *circa* 1,225 car spaces (excluded those sold for private use) with residents and tenants of the Business Tower having reserved areas for their exclusive use. This structure is ancillary to the hotel and contributes to this segment's returns, albeit to a much smaller scale.

III) Portomaso Marina

The Portomaso marina has been in operation since 1999 and has a total capacity of approximately 130 berths. It offers a number of ancillary services to its tenants including mooring assistance which is constantly provided on the quayside; security around the whole perimeter; water and electricity facilities and pump out facilities for waste-water and used oil.

IV) Twenty Two Club

Twenty Two Club is a lounge located on the twenty-second floor of the Portomaso Business Tower. It opened its doors during the summer of 2006, providing evening entertainment attracting an exclusive customer base. While the club was closed during most of FY2020 and some months in FY2021 in terms of the restrictions imposed by the Health Authorities with respect to the CoVID-19 pandemic, the performance of the lounge has been encouraging in the ensuing months to date.

B. Property Development

SDC has to date completed the development of *circa* 500 apartments within the Portomaso Complex including the Laguna units and newly finished Block 32.

In the past few years, the Guarantor undertook the following property development projects:

- the construction of 44 premium residential units referred to as the Laguna apartments, the great majority of these apartments were delivered in 2018.

- construction of the Crystal Ship – the building adjacent to the Portomaso Business Tower – this tower was structurally finished in FY2018, and its delivery was spread over FY2018, FY2019 and FY2020, as the Guarantor completed the finishing works in line with its obligations as per agreement with the purchaser.

As mentioned below and elsewhere in this Update FAS, SDC, through one of its subsidiaries, commenced development works on the ex-Halland site, which will be developed into a complex of *circa* 68 residential units.

New Property Development Projects

The excavation works at the ex-Halland site have been completed and the Group commenced the development phase during the course of this year.

The Guarantor acquired two sites complementing the Portomaso Complex which was developed in a block of 13 residential units and underlying commercial outlets (referred to as Block 32) and a sizeable property annexed to the Portomaso Complex which it plans to develop in later periods. All of the 13 residential units in Block 32 have been sold - 11 during FY2021 and the remaining were delivered during FY2022, along with a small commercial area within the Portomaso Complex.

C. Rental Operations

SDC, through its subsidiary PLCL, leases out areas within the Business Tower (*circa* 3,313 square metres) and other commercial and office areas within the Complex (*circa* 11,800 square metres). At present, practically the entire leasable area within the Portomaso Complex is rented out, except for *circa* 600 sqm within the Business Tower, an area of *circa* 1,000 sqm of commercial space which has recently become available, while a further 1,000 sqm is currently being refurbished (this had previously housed a number of small commercial outlets). This area will be utilised to promote co-working facilities. Following the outbreak of the CoVID-19 pandemic in the first quarter of 2020, and the difficulties that some tenants faced to meet their rent obligations while their premises could not open for business (particularly in the food and beverage sector), was conducive to SDC granting concessions to such tenants. Such concessions are no longer active and the full rental amounts are being collected from tenants.

D. Complex Management Operations

SDC has retained responsibility for the management and administration of the Portomaso Complex, including, the maintenance, cleaning, security and utilities within the common areas of the project and within each block of apartments, and across the exterior landscaping that characterises the whole of the Complex. SDC apportions the expenses incurred in the management of the Complex and recharges the relative costs to the residential owners / tenants, Portomaso-related operating units and the offices and commercial areas. Moreover, SDC receives a management fee as remuneration for its services towards this activity from the various occupants within the Portomaso Complex. The Guarantor has selectively and unilaterally taken upon itself the onus to participate in the cost of upgrading certain Complex infrastructure by injecting the necessary capital funding to meet particularly targeted initiatives. There were no changes to these arrangements in FY2022.

Update to the Material Contracts of the Guarantor

The following are considered to be material contracts that the Guarantor has in place:

I. Hotel Management Agreement with Hilton International

The management agreement that SDC has in place with Hilton International until 2031 did not change since the last FAS of 2022.

II. Lease Agreements

Most of SDC's lease agreements with office and commercial tenants have a term of between 1 and 5 years. The lease agreements provide for renewal terms and periodic inflationary increments. As lease contracts approach the end of their *di fermo* period, the value of the minimum lease payments starts decreasing. Nevertheless, management confirmed that during FY2022 a number of lease agreements entered into their 'di rispetto' period. The minimum lease payments, which exclude inter-Group leases, were as per below over the historic financial period under review:

	Actual FY2020 *€'000*	Actual FY2021 *€'000*	Actual FY2022 *€'000*
Not later than 1 year	2,017	1,887	1,647
Between 1 and 5 years	1,112	4,101	3,114
More than 5 years	299	4,252	2,366
Total	**3,428**	**10,239**	**7,127**

III. Capital Commitments & Contingencies

The Guarantor is party to commitments of a capital nature in relation to contracted or upcoming works. As at 31 December 2022, the value of these commitments was €7.1 million. These commitments relate to the property development projects mainly at the Halland already referred to above.

As at the end of FY2022, the company had guarantees of €26.1 million issued on behalf of other fellow subsidiaries' bank facilities. The guarantees are supported by general and special hypothecs over the company's assets.

5. Market Overview

The Property Market

The construction and real estate industries have traditionally been a key driver of growth for the local economy. Moreover, the positive correlation between the performances of the local economy and the construction and real estate industry has been particularly evident in recent years. These have been mainly fuelled by favourable local and external macroeconomic dynamics as well as various initiatives (including fiscal incentives) by the Government of Malta aimed at boosting the overall level of public and private investment, regenerate business/retail and consumer confidence, and increase the participation and relocation of numerous foreigners and foreign companies opting to reside and do business in Malta.

The outbreak of COVID-19 disrupted the momentum that was building in the local economy as all sectors were adversely affected. The construction and real estate industry was no exception although the data indicated that the industry has been relatively resilient. In fact, whilst prices dipped in 2020, they rebounded in 2021.

Moreover, the most recent data issued by the Central Bank of Malta[1] shows that residential property prices in Malta (based on advertised prices) maintained an upward trend in 2022 to close the year at record highs.

Commercial Property

Although commercial property is a very important sector of the local property market, available statistics are indeed limited. Nonetheless, the most recent data published by the Central Bank of Malta[2] indicates a continued recovery in the commercial property space following the dip experienced in 2020 with the onset of the COVID-19 pandemic which derailed the sector's momentum built in the previous three years. In fact, the number of commercial development permits (comprising permits related to agriculture, manufacturing, warehousing, retail, offices, tourism as well as restaurant and bars) increased to 1,920 permits in 2022 (compared to 1,705 in 2021 and 1,557 in 2020) thereby moving closer to the record levels of more than 2,000 commercial development permits granted in each of 2017, 2018 and 2019.

Economic Results

Despite all the disruptions, brought about by COVID-19, the Ukraine – Russia war and the inflationary pressures experienced in the past few months, property remains an important contributor to the country's GDP. In fact,

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[1] *Central Bank of Malta, 2023, Property Prices Index based on Advertised Prices, available from https://www.centralbankmalta.org/site/Subscriber%20Categories/Real%20Economy%20Indicators/house_prices.xls?rnd=20230505104133&revcount=2130 [Accessed 5 May 2023]*

[2] *Central Bank of Malta, 2023, Development Permits for Commercial, Social and Other Purposes, available from https://www.centralbankmalta.org/site/Subscriber%20Categories/Real%20Economy%20Indicators/dev_permits.xls?rnd=20230505104133&revcount=5246 [Accessed 5 May 2023]*

Gross Value Added ("**GVA**") of the construction sector stood at €560.1 million in 2021 compared to €499.2 million in the previous year. Similarly, the GVA related to real-estate activities expanded to €672.8 million. Over the same period, the combined percentage share of the construction sector and real estate activities to Malta's GVA remained relatively stable at 10.2% in 2021, compared to 10.4% in 2020, but down from 11.6% in 2000[3].

The Tourism Industry

Tourism has inherently been one of the major pillars of the Maltese economy and its importance over recent years has intensified as tourism numbers grew significantly year after year, until the outbreak of the COVID-19 pandemic.

As at December 2022, Malta had 251 active collective accommodation establishments with a net capacity of 18,227 bedrooms and 41,809 bed-places.[4]

The COVID-19 pandemic had a significant negative impact on the tourism sector, which also directly impacted the Maltese economy due to its significant direct and indirect contributions to the country's gross domestic product as restrictions severely limited travelling.

The number of inbound tourists[5] started to recover in 2021 and amounted to 968,136, and increased to 2.3 million by the end of 2022, albeit still lower than the record of 2.8 million inbound tourists recorded in 2019. Such trend[6] extended into the first quarter of 2023, where 443,062 are estimated to have travelled to Malta, nearly double the 235,295 inbound tourists recorded for the first quarter of 2022.

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[3] *National Statistics Office, 2022, Gross Domestic Product: 2021, available from: https://nso.gov.mt/en/News_Releases/Documents/2022/03/News2022_037.pdf [Accessed 9 May 2022]*

[4] *National Statistics Office, 2022, Collective Accommodation Establishments: Q4/2021, available from: https://nso.gov.mt/collective-accommodation-establishments-q4-2022/ [Accessed 16 May 2023]*

[5] *National Statistics Office, 2022, Tourism – December 2022, https://nso.gov.mt/inbound-tourism-december-2022/ [Accessed 16 May 2023]*

[6] *National Statistics Office, 2023, Tourism, https://nso.gov.mt/inbound-tourism-march-2023/#:~:text=Inbound%20tourists%20in%20the%20first%20quarter%20of%202023,million%2C%20while%20expenditure%20per%20capita%20stood%20at%20%E2%82%AC705. [Accessed 16 May 2023]*

6. COMPANY'S FINANCIAL REVIEW & FORECASTS

All figures referred to in this section of the report have been extracted from the audited financial statements of the Issuer for the respective years and supported by management information as necessary, with the exception of ratios which have been calculated by Rizzo, Farrugia & Co (Stockbrokers) Limited. FYXXXX refers to the financial year ended 31 December XXXX.

6.1 INCOME STATEMENT

	FY2020	FY2021	FY2022	FY2023
	€'000	*€'000*	*€'000*	*€'000*
Finance Income	2,370	2,375	2,420	2,955
Finance Costs	(2,233)	(2,235)	(2,249)	(2,681)
Net Interest Income	**137**	**140**	**171**	**274**
Administrative expenses	(125)	(128)	(144)	(150)
Profit before tax	**12**	**11**	**27**	**124**
Tax expense	(4)	(4)	(9)	(43)
Profit for the financial year	**8**	**7**	**18**	**80**

Until FY2021, the Company's limited scope was that of acting as the financing vehicle of the Guarantor, as reflected in the composition of its income statement. In FY2022, TI plc also undertook the treasury management function, which saw the company purchasing treasury bills issued by the Government of Malta that allowed for the better utilisation of excess liquidity.

Administrative expenses incurred by the Issuer in FY2022 amounted to €144K and related to listing, compliance costs and directors' remuneration.

The FY2023 forecasts of the Company, as prepared by management, indicate that TI's profitability figure for the year is expected to improve further, principally on the back of additional finance income earned from the application of excess liquidity through acquisition of financial assets (primarily T-bills). This is expected to lead to a profit after tax of €80K.

6.2 STATEMENT OF CASH FLOWS

	Actual FY2020 €'000	Actual FY2021 €'000	Actual FY2022 €'000	Forecast FY2023 €'000
Net cash generated from operating activities	209	42	222	(208)
Net cash generated used in investing activities	-	-	(11,340)	(10,313)
Net cash generated from financing activities	-	-	14,600	7,400
	209	**42**	**3,482**	**(3,121)**
Cash and cash equivalents at beginning of year	187	396	438	3,920
Cash and cash equivalents at end of year	**396**	**438**	**3,920**	**799**

During FY2022, as explained earlier, the Company utilised excess liquidity at which were utilised to purchase T-bills issued by the Government of Malta in order to generate additional finance income. The funds for this operation were forwarded by its Guarantor namely SDC, and the cash flows statement presented above indicate such an operation (financing and investing activities).

FY2023 is expected to be similar for TI plc, where the Company is expected to continue to undertake the role of treasury management by applying the excess liquidity into money market financial instruments on the capital markets. Excess cash left at the Company at the end of FY2022 and additional funds (€7.4 million), totalling €10.3 million, will be applied towards short-term investment opportunities during FY2023. The cash position of the Company at the end of FY2023 is expected to be €0.8 million.

6.3 Statement of Financial Position

	Actual FY2020 €'000	Actual FY2021 €'000	Actual FY2022 €'000	Forecast FY2023 €'000
Assets				
Non-Current Assets				
Loans and Receivables	50,000	50,000	50,000	25,000
Total Non-Current Assets	**50,000**	**50,000**	**50,000**	**25,000**
Current Assets				
Loans and Receivables	-	-	-	25,000
Trade and Other Receivables	1,149	1,156	1,041	1,372
Other Financial Assets at Amortised Cost	-	-	11,340	21,653
Current Tax Assets	-	1	-	-
Cash and Cash Equivalents	396	438	3,920	798
Total Current Assets	**1,545**	**1,594**	**16,301**	**48,822**
Total Assets	**51,545**	**51,594**	**66,301**	**73,822**
Equity and Liabilities				
Capital and Reserves				
Share Capital	250	250	250	250
Retained Earnings	396	404	422	539
Total Equity	**646**	**654**	**672**	**789**
Non-Current Liabilities				
Borrowings	49,735	49,783	49,833	24,912
Total Non-Current Liabilities	**49,735**	**49,783**	**49,833**	**24,912**
Current Liabilities				
Borrowings	-	-	-	24,982
Trade and Other Payables	1,164	1,158	15,792	23,139
Current Tax Liability	-	-	4	-
Total Current Liabilities	**1,164**	**1,158**	**15,796**	**48,121**
Total Liabilities	**50,899**	**50,940**	**65,629**	**73,033**
Total Equity and Liabilities	**51,545**	**51,594**	**66,301**	**73,822**

The Issuer's asset base is reflective of the outstanding borrowings from the capital market at year end, which are on-lent to the Guarantor. In FY2022, the current assets include the additional funds invested in T-bills as explained in earlier parts of this report, which at the end of the financial year amounted to €11.3 million.

One of the €25 million outstanding bonds is due to mature during 2024 and as such, the receivable from SDC and borrowing related thereto has been moved to 'current assets' for FY2023 as the maturity would be in less than 12 months from the end of the said period. In addition, FY2023 is also characterised by the additional financial assets, as TI plc is expected to continue to apply any excess liquidity towards short-term financial instruments.

6.4 Key Ratios - Issuer

Given the nature of the Company, the use of ratios to analyse the Company's performance is restricted to the below two ratios.

The improvement in these ratios in FY2022 is the result of the treasury management function that TI plc undertakes, where it seeks to generate interest income from excess liquidity, by investing those funds in liquid listed instruments on the Malta Stock Exchange. This trend is expected to continue also in FY2023.

	FY2020 (A)	*FY2021 (A)*	*FY2022 (A)*	*FY2023 (F)*
Net Income Margin *(Net interest income / finance income)*	5.78%	5.88%	7.08%	9.28%
Interest Cover *(Finance income / finance costs)*	1.06x	1.06x	1.08x	1.10x

7. Guarantor's Financial Review & Forecasts

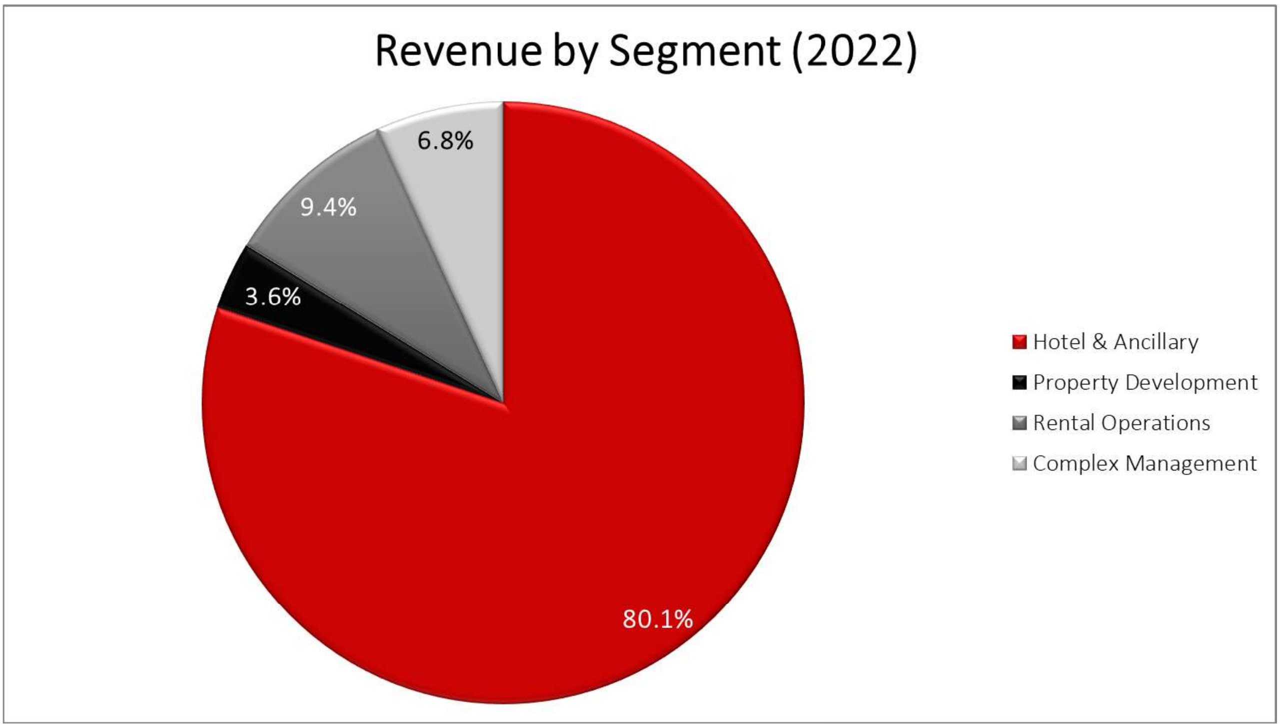
FY2022

FY2022 has been considered as the start of the 'post-pandemic era'. Tourism continued to rebound at an accelerated pace, with new or re-introduced routes confirmed by the Malta International Airport (MIA) for the year. In FY2022, MIA reported a total of 5.85 million passenger movements, exceeding the target for the year, albeit still lower than 2019 (pre-pandemic levels). The war in Ukraine has aggravated supply-chain pressures, due to restrictions on the availability of raw materials, while inflationary pressures are weakening the purchasing power of the end-consumers. These matters are still developing and as yet it is still uncertain how these will unfold and what bearing, if any, they will have on the performance of the Group during FY2023.

It is noteworthy to highlight that despite the challenges that the Group as well as the economy in general encountered over the financial period covered in the Update FAS (both historic and the current FY2023), which included the impact of COVID-19, the Russia-Ukraine war, the severe dislocation of international supply chains that all led to rampant inflationary pressures and labour shortage, the Group managed to return a yearly profit thanks to its diversified portfolio of operations, strong liquidity position and agile management that always strived to proactively manage the situation.

7.1 Segmental Analysis

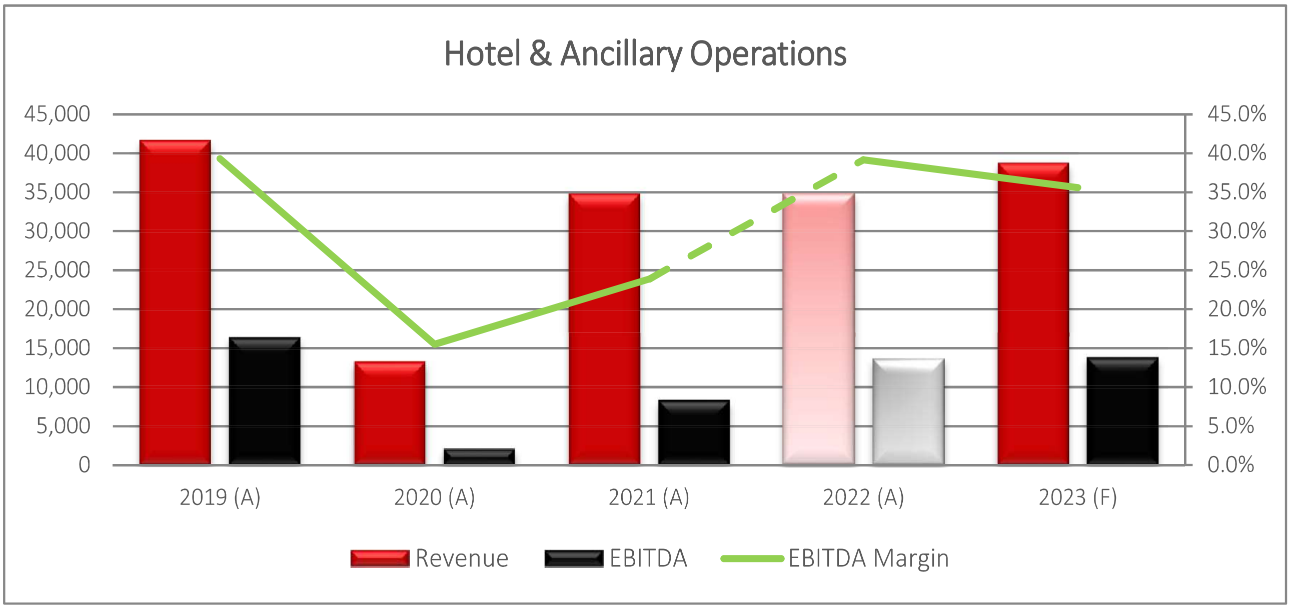
As described in further detail in section 4.2 of this report, the operations of SDC are split into four main segments: hotel and ancillary operations, rental operations, property development and complex management.



A. Hotel and Ancillary Operations (HAO)

The HAO segment remained a significant contributor towards the Guarantor's revenue streams, representing over 80% of total revenue. This concentration on the HAO segment was accentuated in FY2022 by the fact that the Group did not have a significant amount of stock of property for sale during the year, which in FY2021 contributed 14% of total revenue (in FY2022 this was just 3.6%).

Average annual occupancy at the hotel reached *circa* 66% in FY2022 representing a material recovery from the COVID years although still below the circa 80% level achieved pre-pandemic.



As tourism rebounded further in FY2022, the Hilton Malta managed to register improved occupancy levels and room rates when compared to those for FY2021.

The increased footfall at the Hilton hotel (as well as that at the Portomaso Business Tower) affected positively the other operations within this segment, including the Twenty Two Club, the marina and the car park facilities.

As expected, the increase in revenues were also supported by an improved EBITDA margin for this segment, at 39.2%, when compared to those achieved in FY2021 (37.0%) and very close to that achieved in FY2019 (39.3%).

Variances and Forecasts

Hotel and Ancillary Operations	2022 (A)	2022 (F)	Variances	2023 (F)	Comparison to 2022 (A)
			(% / p.p.)		*(% / p.p.)*
Revenue	34,800	33,604	3.6%	38,711	11.2%
EBITDA	13,635	11,781	15.7%	13,785	1.1%
EBIDTA Margin	39.2%	35.1%	+ 4.1 p.p.	35.6%	- 3.6 p.p.

Revenue generated from the HAO segment in FY2022 was better than the forecasts presented in last year's FAS update. EBITDA margins improved as well, from the forecasted 35.1% to the achieved 39.2%.

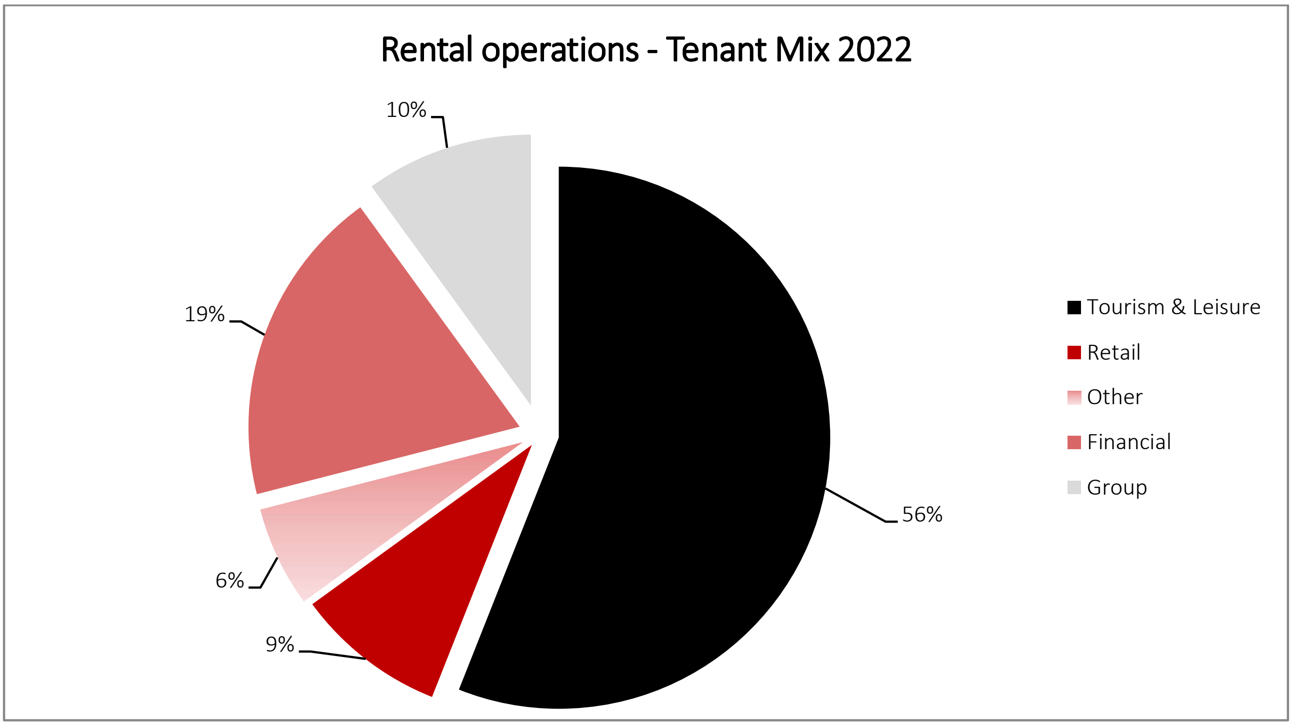
In this context the overall performance of the Hilton hotel was satisfactory as the Group saw a better-than-expected improvement in occupancy to *circa* 66%. With respect to room rate there was also an improvement on the previous year, with the average room rate reached in FY2022 being higher that of FY2019. However, the combined REVPAR was still lower than that achieved in FY2019. Revenue from conference and business travel was still lethargic following the pandemic. This resulted from a multitude of factors affecting the demand of this sector, possibly combined, including the ease of remote seminars, cost consciousness and an increase in travelling expenses. The marina, car parking facilities and ancillary services benefitted from the higher-than-expected increased footfall at the hotel and areas within the Portomaso complex.

In FY2023, revenue is expected to be even higher than FY2022, principally on the back of further anticipated increases in occupancy levels at the hotel, when compared to FY2022. Nevertheless, management is not anticipating the full impact of the increased revenue to be reflected in the EBITDA margin of this segment, as some of the increases in direct costs associated with the operations of this segment will have to be absorbed, to an extent, by the Group. Inflationary pressures have impacted us and the economy in general whilst the Covid wage supplement provided by the Malta Enterprise came to an end in May 2022.

B. Rental Operations

Rental operations consist of areas within the Business Tower and other office spaces within Portomaso, the and other commercial outlets, including a supermarket and a number of eateries This segment operates on a very lean cost structure. In fact, EBITDA is typically over 90% of revenues.

Following a retraction to €3.5 million in FY2020 (FY2019: €3.9 million), with the decline being related to the pandemic as the Guarantor extended some rent concessions to its tenants as assistance to those occupying premises that operated within the hospitality, food and beverage industry, the Group registered a recovery on the revenues for this sector, which increased again to €3.7 million in FY2021, reflecting occupancy in the region of 90%. This improved further in FY2022, with revenues reaching €4.1 million, and reflecting around an 86% average occupancy within the Business Tower and commercial areas. The leasable area tenant mix in this segment was varied, with the tourism & leisure sector contributing 56% of the income from this segment in FY2022, followed by the financial sector at 19%.



VARIANCES AND FORECASTS

The Guarantor achieved better revenue and EBITDA in FY2022, thereby improving margins even further in this segment than originally forecast last year for FY2022. The increase is the result of a number of factors, including the fact that lease easements afforded to F&B tenants in relation to the pandemic were stopped earlier than expected, while inflationary adjustments on contracted leases kicked in. Such increase was also offet partially by a few vacant spaces within the complex that remained empty or became available during the year. The performance of this sector is also inclusive of a retail section within the shopping area that was withdrawn from lease for development purposes.

Rental Operations	2022 (A)	2022 (F)	Variances	2023 (F)	Comparison to 2022 (A)
			(% / p.p.)		(% / p.p.)
Revenue	4,070	3,847	5.8%	4,195	3.1%
EBITDA	3,769	3,485	8.1%	3,933	4.3%
EBIDTA Margin	92.6%	90.6%	+ 2 p.p.	93.7%	+ 1.1 p.p.

Revenue for this segment is expected to show modest growth in FY2023 compared to the actual revenue of FY2022 reflecting a mix of annual increments and the leasing of vacant spaces that were or became available during the year.. Similarly, the EBITDA is forecasted to increase, indicating improved profitability, and the EBITDA margin is expected to expand, reflecting the relativly lean and fixed cost base of this segment.

C. Complex Management

This segment encompasses the management of the Portomaso Complex, including the landscaping, repairs and maintenance, cleaning and security of the common areas and the agency agreement relating to utilities. SDC receives a management fee in return for the performance of its functions. All expenses approved by the condominium general meeting incurred by this segment were recharged to residential apartment owners, Portomaso's own operating units and commercial and office space owners. These, however, exclude the in-house management fees for the general administration of the Group. Some of the costs are exceptionally shared by SDC with the residents and tenants, primarily relating to certain upgrades necessary for the upkeep of the complex thus reflecting the Group's commitment towards the Portomaso in order to retain the complex as a first class location.

Variances and Forecasts

Complex Management	2022 (A)	2022 (F)	Variances	2023 (F)	Comparison to 2022 (A)
			(% / p.p.)		*(% / p.p.)*
Revenue	2,973	3,818	-22.1%	3,427	15.3%
EBITDA	(284)	(160)	77.2%	(291)	2.4%
EBIDTA Margin	n/a	n/a	n/a	n/a	n/a

General administrative fees charged to the Group are allocated to this segment however without effecting condomiunium fees As such, this segment continued to be a negative contributor to EBITDA. The revenue generated for this segment in FY2022 was substantially lower than that envisaged in last year's FAS, at €3.0 million (forecast at €3.8 million). As the budgeted increases in maintenance fees did not materialise hence the management fees charged thereon were lower For FY2023, revenues from the segment are expected to reach €3.4 million, in line with forecast condominium administration budgets.

D. Property Development

Another important segment to the SDC Group is that of property development, which over the years generated revenues from the sale of residential units as well as the delivery of the tower known as the Crystal Ship (the building adjacent to the Portomaso Business Tower) to the respective owners. The financial performance of this segment is volatile given the dependency on the actual number of units available for sale, the timing of new developments and when the final contracts with buyers are executed. Currently, the Group does not have a material stock of properties within Portomaso to deliver. This is expected to change once the group's subsidiary HDCL completes its development at the ex-Halland site. EBITDA for this segment is arrived at after deducting construction, development and finishing costs in line with the contracts with end buyers as well as the costs related to the sale of the properties.

Laguna

Crystal Ship

Portomaso Complex

In 2022, the architect for SDC's Portomaso Laguna won a prestigious award in relation to this development – the Residential Architecture Award during the MASP Awards 2022 – in recognition of the high quality design of the project, applying energy efficient measures.

The stock of property sold during FY2022 was minimal, as it included only two apartments and some commercial space, when compared to the eleven apartments that were delivered during FY2021. As such, revenue for this segment was €1.6 million compared to €4.7 million in FY2021.

VARIANCES AND FORECASTS

Property Development	2022 (A)	2022 (F)	Variances (% / p.p.)	2023 (F)	Comparison to 2022 (A) (% / p.p.)
Revenue	1,580	2,644	-40.2%	185	-88.3%
EBITDA	210	630	-66.7%	(351)	-267.2%
EBIDTA Margin	13.3%	23.8%	- 10.5 p.p.	n/a	n/a

Management confirmed that the two remaining apartments from Block 32 were delivered during FY2022 for a value of €1.6 million. This was lower than the anticipated €2.6 million, as a Laguna apartment that was earmarked to be sold in FY2022 has been shifted to coming years. The €0.2 million revenue for FY2023 relates to one commercial space within the complex.

7.2 Income Statement - Consolidated Analysis

	FY2020 (A)	*FY2021 (A)*	*FY2022 (A)*	*FY2023 (F)*
	€'000	*€'000*	*€'000*	*€'000*
Revenue	34,310	33,823	43,424	46,518
HAO	*13,264*	*22,395*	34,802	*38,711*
Property Development	*14,931*	*4,747*	*1,580*	*185*
Rental	*3,512*	*3,721*	*4,070*	*4,195*
Complex Mgmt	*2,604*	*2,960*	*2,972*	*3,427*
Direct Costs and Administrative Expenses	(15,408)	(20,589)	(26,093)	(29,442)
EBITDA	**18,902**	**13,234**	**17,330**	**17,076**
Depreciation	(6,169)	(5,790)	(5,655)	(5,743)
EBIT (Operating Profit)	**12,734**	**7,443**	**11,676**	**11,333**
Finance Income	327	211	106	217
Investment Income	-	-	323	-
Finance Costs	(2,629)	(2,727)	(2,834)	(2,432)
Profit before Tax	**10,431**	**4,927**	**9,270**	**9,118**
Tax Expense	759	(1,015)	(2,598)	(3,685)
Profit for the Year	**11,190**	**3,913**	**6,672**	**5,433**

As explained earlier, the COVID-19 restrictions were lifted completely gradually along the first half of FY2022. While tourism had picked up in FY2021, FY2022 exceeded expectations, as also indicated by the statistics from the Malta International Airport when compared against forecasts. This is visible in the performance of the SDC Group as well, which benefits and relies, to a large extent, on tourism. The HAO segment, as reported earlier, experienced a significant increase in revenue, from €22.4 million in FY2021 to €34.8 million in FY2022. This remains some 16% below the revenues generated for this segment in FY2019, pre-pandemic, although the increase year-on-year is encouraging. As explained earlier, the revenue from the property development segment was at just €1.6 million, as the Group did not have any significant stock of residential / commercial units available for sale as the majority of the inventory has been sold and delivered. Rental revenues also came in higher, as inflationary adjustments kicked in, but also reflecting the end of discounts afforded to F&B related tenants in relation to the COVID-19 pandemic. Complex management revenues remained largely unchanged.

After deducting total costs of €26.1 million, which reflect the uptake in operations during the year, EBITDA for the Group stood at €17.3 million for FY2022, reflecting an increase of 31% compared to the previous year, and resulting in a margin of just under 40% on total revenues of €43.4 million. Depreciation and net finance costs remained relatively unchanged.

Profit before tax went up by 88.1% to €9.3 million, and after deducting a tax charge of €2.6 million, FY2022 closed at a profit after tax of €6.7 million, which is 70.5% higher than that recorded in the previous year.

FORECAST - FY2023

The forecasts for FY2023 continue to build on the improved momentum in the tourism industry, as travelling continues to pick up further, including business-related. Since the Group does not forecast any stock of property to deliver in FY2023, the main revenue driver is expected to remain the HAO segment which is expected to contribute an additional €4 million of revenue over and above that of FY2022, reaching €38.7 million. Total revenue for the year is forecast to reach €46.5 million, although the increase is expected to be offset by a proportionate increase in costs (largely reflecting the removal of the wage supplement that was available during some months of FY2022), resulting in a marginal drop in EBITDA to €17.1 million. After depreciation as well as finance income and charges, the Group is expected to report a profit before tax of €9.1 million, a marginal decline compared to FY2022, and a profit after tax of €5.4 million.

VARIANCES FY2022

A variance analysis of the respective segments has been included in the section above. During the year under review, SDC's profit before tax was €1.48 million higher than that projected for the same period in the FAS dated 30 June 2022 largely reflecting the better-than-expected recovery of tourism in Malta which led to a better performance in the hospitality operations (including ancillary services) of the Group. The lower income from property development resulted from fewer apartment units sold while complex management was lower in line with the actual works that were carried out during the year.

	FY2022 (F)	*FY2022 (A)*	Variance
	€'000	*€'000*	
Revenue	43,913	43,424	*-1.1%*
HAO	*33,604*	34,802	*3.6%*
Property Development	*2,644*	1,580	*-40.2%*
Rental	*3,847*	4,070	*5.8%*
Complex Mgmt	*3,818*	2,972	*-22.1%*
Direct Costs and Administrative Expenses	(28,176)	(26,093)	*-7.4%*
EBITDA	**15,737**	17,330	*10.1%*
Depreciation	(5,515)	(5,655)	*2.5%*
EBIT (Operating Profit)	**10,222**	11,676	*14.2%*
Finance Income	95	106	*11.3%*
Investment Income	-	323	*n/a*
Finance Costs	(2,522)	(2,834)	*12.4%*
Profit before Tax	**7,795**	9,270	*18.9%*
Tax Expense	(2,503)	(2,598)	*3.8%*
Profit for the Year	**5,292**	6,672	*26.1%*

This variance trickled down to the rest of the income statement for FY2022, as most of the other elements came quite close to the forecast figures, with the exception of finance costs, which were higher in view of higher bank charges particularly in relation to credit card costs, despite the continued repayment of bank loans during the years which had a lowering interest effect.

7.3 Statement of Financial Position

	FY2020 (A)	FY2021 (A)	FY2022 (A)	FY2023 (F)
	€'000	€'000	€'000	€'000
Assets				
Non-Current Assets				
Property, Plant & Equipment	158,939	153,195	150,705	151,055
Investment Property	12,885	14,426	14,289	14,599
Trade & Other Receivables	1,004	952	5,307	952
Total Non-Current Assets	**172,827**	**168,572**	**170,301**	**166,606**
Current Assets				
Inventories	22,476	22,299	25,657	39,556
Trade & Other Receivables	8,827	21,789	19,236	22,583
Current Tax Assets	495	549	-	239
Cash & Cash Equivalents	24,976	18,900	15,471	3,033
Total Current Assets	**56,773**	**63,537**	**60,364**	**65,410**
Total Assets	**229,600**	**232,109**	**230,665**	**232,016**
Equity & Liabilities				
Capital & Reserves				
Share Capital	13,653	13,653	13,653	13,653
Revaluation Reserve	88,711	87,885	87,060	87,060
Retained Earnings	35,160	37,684	39,967	42,185
Total Equity	**137,524**	**139,222**	**140,679**	**142,898**
Non-Current Liabilities				
Borrowings	53,110	51,857	49,891	27,886
Trade & Other Payables	-	-		-
Deferred Tax Liabilities	26,368	26,441	26,438	26,204
Total Non-Current Liabilities	**79,478**	**78,298**	**76,329**	**54,090**
Current Liabilities				
Borrowings	1,286	1,286	-	24,981
Trade & Other Payables	10,868	12,740	12,001	10,047
Current Taxation	445	563	1,656	-
Total Current Liabilities	**12,598**	**14,589**	**13,657**	**35,028**
Total Liabilities	**92,076**	**92,887**	**89,986**	**89,118**
Total Equity & Liabilities	**229,600**	**232,109**	**230,665**	**232,016**

FY2022 Review

SDC's asset base stood at €230.7 million at the end of FY2022, reflecting a marginal easement of 0.6% largely reflecting the drop in value of property, plant and equipment to the extent of the depreciation charge for the year. This was partially offset by the increase in inventories on the back of the works being undertaken in respect of the Halland development. Similarly, liabilities contracted by 3.1% to just below €90 million as SDC continue to repay its borrowings, some of which ahead of the repayment schedule agreed to with the respective lending banks.

On the equity side, the balances were not materially different from those reported a year earlier. The increase in equity represents the profit for the year, net of dividends of €5.2 million.

SDC's Funding Analysis

SDC's total borrowing stood at €49.9 million at the end of FY2022, which was approximately €3.3 million lower than that of FY2021, reflecting both the repayments and prepayment of facilities made during the year. No new bank facilities were drawn downs during FY2022 while the bank loan instalments due in FY2023 and FY2024 were prepaid out of the groups reserves so as to reduce interest costs.

Linked to the management of finance costs is SDC's treasury function for the SDC Group whereby excess cash at the various group companies is applied to lower the finance cost for the SDC Group or increase interest income. As such, particularly during FY2021 and FY2022, SDC applied excess cash towards its subsidiary developing the ex-Halland site so as to reduce the finance costs. In FY2021 up to mid FY2022 the treasury function was also aimed towards mitigating the impact of negative interest rates that were generally applicable on corporate balances.

In FY2022, the Group also routed some of the excess cash to fellow companies outside of the SDC Group particularly TI plc where the majority of the funds were placed in money market instruments, as explained in more detail in earlier parts of this report.

Reported equity improved marginally to €140.7 million by the end of FY2022, reflecting the profit generated in the year net of a dividend of €5.2 million paid out of retained earnings.

as at year ended 31st December	Actual 2020 €'000	Actual 2021 €'000	Actual 2022 €'000	Forecast 2023 €'000
Total Borrowings	54,396	53,143	49,891	52,867
Less Cash & Cash Equivalents	(24,976)	(18,900)	(15,471)	(3,032)
Less SDC Group Treasury Funds*	-	(12,040)	(14,600)	(21,653)
Net Borrowings (A)	29,421	22,203	19,820	28,182
Reported Equity (B)	137,524	139,222	140,679	142,898
Gearing Ratio (A / A+B)	**17.6%**	**13.8%**	**12.3%**	**16.5%**
FV Adjusted Equity (C)	160,500	160,596	164,871	166,811
Adjusted Gearing Ratio (A / A+C)	**15.5%**	**12.1%**	**10.7%**	**14.5%**

**The amounts quoted for SDC Treasury Funds relate to funds extended by the SDC Group to companies outside the said Group, therefore excluding what SDC (as a company) lent to its subsidiaries (FY2022: €10.2 million; FY2021: €10.1 million; FY2020: €2.4 million).*

SDC's net gearing ratio (calculated as the level of net borrowings in relation to the Group's reported equity plus net borrowings) stood at just 12.3% at the end of FY2022, which compared very well to other listed peers.

While SDC recognises the value of investment property at cost in its balance sheet, in the notes to the financial statements it discloses the market value (based on the directors' annual revision of active market prices). Calculating the gearing ratio on the basis of the market value of investment property would result in an even-lower gearing ratio of 10.7% for FY2022.

Forecast - FY2023

SDC group asset base in FY2023 is expected to reflect the capitalised development costs of the ex-Halland site within inventories, and a lower level of cash and equivalents. This is due to SDC Group's treasury management explained above which is backed by means of existing banking facilities available to the SDC Group for this purpose.

Loans are expected to increase by *circa* €3 million, reflecting a partial use of borrowings taken by the SDC Group purposely to part-finance the ex-Halland site development. The other components of Equity and Liabilities are not expected to be materially different than those as at the end of FY2022.

7.4 Statement of Cash Flows

	FY2020 (A)	*FY2021 (A)*	*FY2022(A)*	*FY2023 (F)*
	€'000	*€'000*	*€'000*	*€'000*
Net cash generated from / (used in) operating activities	4,271	(1,348)	12,012	(3,179)
Net cash generated from / (used in) investing activities	(2,366)	(1,228)	(6,940)	(9,044)
Net cash generated from / (used in) financing activities	(5,543)	(3,500)	(8,500)	(214)
Net movements in cash and cash equivalents	**(3,639)**	**(6,076)**	**(3,428)**	**(12,437)**
Cash and cash equivalents at beginning of year	28,614	24,975	18,899	15,471
Cash and cash equivalents at end of year	**24,975**	**18,899**	**15,471**	**3,033**

FY2022 Review

The improved operational performance achieved in FY2022 is reflected also in the cash flows from operating activities, which during the year under review amounted to €12 million. The cash flows related to investment activities include payments made in relation to the ex-Halland development, primarily, while the cash flows related to financing activities include the repayment and prepayment of bank borrowings and the dividend payments made during the year.

At the end of FY2022, cash and cash equivalent balances amounted to €15.5 million.

Forecast - FY2023

The cash flows for FY2023 are reflective of the operational performance of the Group, as described in further detail above, as well as the continued development of the ex-Halland project, which, as explained earlier, is being financed through available cash balances at Group level and bank borrowings.

7.5 Related Party Transactions

All companies forming part of the Tumas Group are considered related parties in view of the common controlling party. Related party transactions are carried out at arm's length between TI and SDC, as well as transactions between SDC and other companies within the group.

During FY2022, SDC played a key role in the management of the treasury function for the SDC Group, as it aimed to maximise the use of available funds within the group and minimise (external) financing costs. It had arrangements with a number of fellow subsidiaries within the Group and outside, as explained above, whereby any excess funds available at SDC were onward lent to said companies, thereby reducing the finance costs for the overall Tumas Group accordingly. Such funds have since been taken back and onward lent to TI plc, which is the financing arm of the group, and placed in money market financial instruments. As at the end of FY2022, these balances were at €14.6 million (FY2021 – €12 million).

Furthermore, the Guarantor regularly enters into trading transactions with fellow subsidiaries and associates within the Tumas Group in its normal course of business. Such transactions being conducted include rental charges, management fees, recharging of expenses and financing charges.

7.6 Ratio Analysis

The below are key ratios applicable to the SDC Group:

	FY2020 (A)	*FY2021 (A)*	*FY2022 (A)*	*FY2023 (F)*
Net Profit Margin *(Net Profit / Revenue)*	32.6%	11.6%	15.4%	11.7%
EBITDA Margin *(EBITDA / Revenue)*	55.1%	39.1%	39.9%	36.7%
Return on Assets *(Profit before Tax / Average Assets)*	4.4%	2.1%	4.0%	3.9%
Return on Equity *(Profit for the Period / Average Equity)*	8.3%	2.8%	4.8%	3.8%
Return on Capital Employed *(Profit for the Period / Average Capital Employed)*	5.9%	2.0%	3.5%	2.8%
Net Debt* / EBITDA	1.6x	1.7x	1.1x	1.7x
Gearing Ratio *(Total Borrowings / Equity + Borrowings)*	28.8%	27.7%	26.3%	27.2%
Gearing Ratio (2) *(Net Borrowings* / Equity + Net Borrowings*)*	0.18x	0.14x	0.12x	0.17x
Gearing Ratio (3) *(Net Borrowings* / Average FV adjusted Equity + Net Borrowings*)*	15.5%	12.1%	10.7%	14.5%
Current Ratio *(Current Assets / Current Liabilities)*	4.5x	4.4x	4.4x	1.9x
Cash Ratio** *(Cash & Equivalents / Current Liabilities)*	2.0x	1.3x	1.1x	0.1x
Interest Cover Ratio *(EBITDA / Net Finance Cost)*	8.2x	5.3x	6.4x	7.7x

** The figure for Net Debt (also referred to as Net Borrowings) includes SDC Group Treasury Funds.*

*** This ratio excludes SDC Group Treasury Funds*

The Group's profitability ratios improved in line with the superior performance achieved in FY2022, as has been aptly described in prior sections of this report.

Gearing also improved and compares very well with industry averages, reflecting the strong financial position of the Group.

Similarly, from a solvency perspective, the metrics were strong, as the Group had substantial cash reserves to meet its short-term obligations.

The ratios of FY2023 are expected to be characterised by the expected weakening of the profit margins, reflecting the unavailability of property inventories for sale, as well as the movement of borrowings from non-current to current, as one of the bonds will become payable within a period shorter than 12 months from the end of FY2023. This is reflected in the current and cash ratios that are expected to go down to 1.8x and 0.1x, respectively.

PART C — LISTED SECURITIES

TI's listed debt securities comprise:

Bond:	€25 million 5% Unsecured Bonds 2024
ISIN:	MT0000231242
Redemption Date:	31 July 2024 at par
Prospectus Date:	7 July 2014

Bond:	€25 million 3.75% Unsecured Bonds 2027
ISIN:	MT0000231259
Redemption Date:	10 July 2027 at par
Prospectus Date:	29 May 2017

PART D COMPARATIVES

The table below compares SDC's financial metrics (as the guarantor to the TI bonds) to those of a few other companies which have debt securities listed on the Malta Stock Exchange and maturing in the same years as the TI securities (or their respective guarantors). It is to be noted, however, that there are significant differences in the business models of each of the listed companies being compared below and an exact match to the operations and business of the Issuer and Guarantor is not available. Thus, while the metrics below can be used as a gauge of SDC's financial standing when compared to other issuers listed locally, they do not capture the quantitative factors such as the different business models of each issuer, their competitive position in the market, KPIs, etc. The list below compares the two outstanding bonds of TI to a few other issuers which have comparable maturities. Such list is not exhaustive.

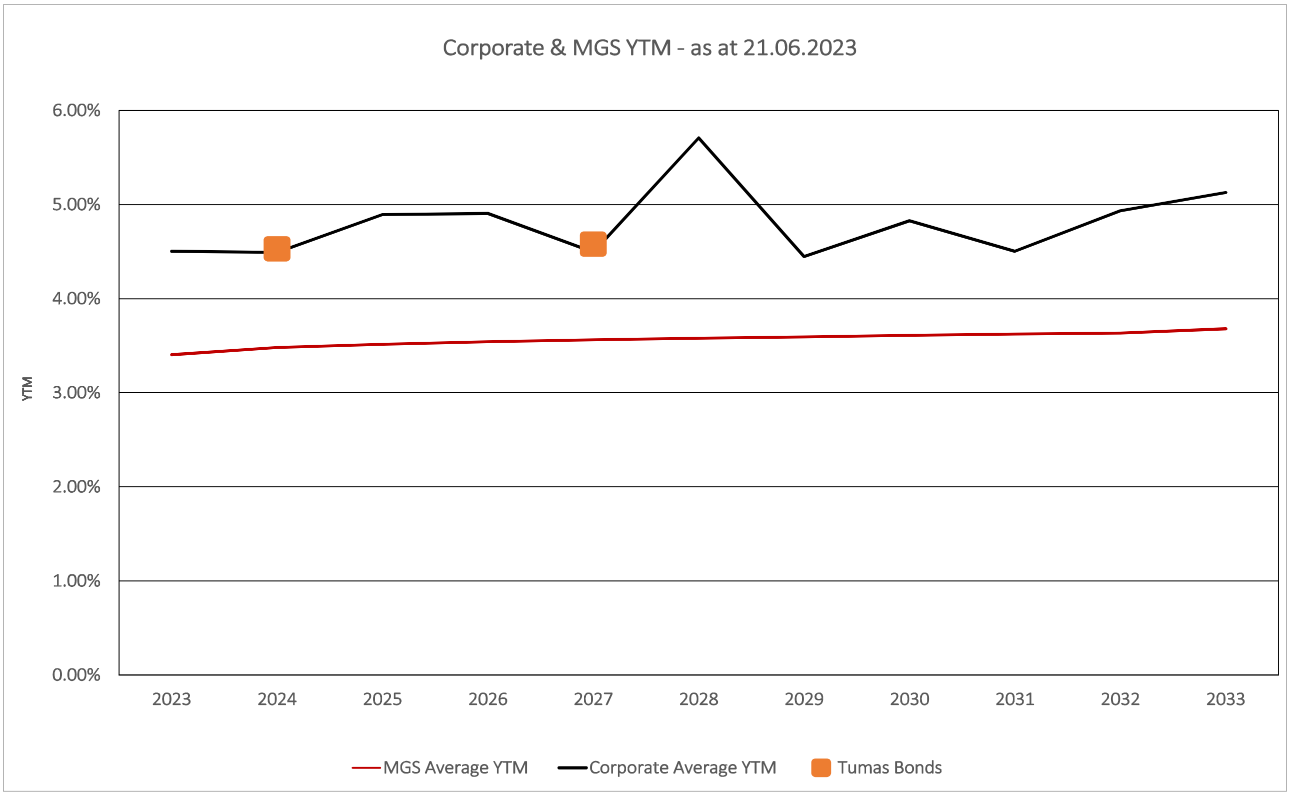
	Outstanding Amounts *(€)*	Gearing Ratio *(%)^*	Net Debt to EBIDTA *(times)*	Interest Cover *(times)*	YTM (as at 21.06.2023) *%*
5.00% Tumas Investments plc 2024	**25,000,000**	**19.7%^^**	**2.0x^^**	**6.4x**	**4.53%**
6.00% AX Investments plc 2024	40,000,000	30.0%	14.8x	1.8x	5.60%
6.00% International Hotel Investments plc 2024	35,000,000	41.4%	11.2x	1.9x	3.66%
3.75% Tumas Investments plc 2027	**25,000,000**	**19.7%^^**	**2.0x^^**	**6.4x**	**4.58%**
3.50% Simonds Farsons Cisk plc 2027	20,000,000	9.6%	0.6x	19.3x	2.99%
4.00% Eden Finance plc 2027	40,000,000	24.7%	5.2x	4.2x	4.07%
3.75% Virtu Finance plc 2027	25,000,000	49.3%	10.3x	2.9x	4.55%

Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 21 June 2023. Ratio workings and financial information quoted have been based on the issuer's and their guarantors where applicable, from published financial data for the financial year 2022.

^Gearing: Net Debt / (Net Debt + Total Equity)

^^ Excludes SDC Group Treasury Funds. If SDC Group Treasury Funds are included the Gearing Ratio would be 12.4% and Net Debt to EBITDA would amount to 1.7 times.

The chart below shows the average yield to maturity of the TI bonds compared to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as at 21 June 2023.



The following is a summary of the YTMs of each of the outstanding TI's bonds and how they compared to the average YTMs of corporate bond and MGS with a similar maturity:

Bond Issue	YTM	Yield Premium / (Discount) over Corporate Bond Average	Yield Premium over Average MGS
5.00% TI plc 2024	4.53%	4 bps	105 bps
3.75% TI plc 2027	4.58%	8 bps	102 bps

PART E GLOSSARY

Income Statement Explanatory Definitions

Revenue	Total revenue generated by the company from its business activity during the financial year.
EBITDA	Earnings before interest, tax, depreciation and amortization, reflecting the company's earnings purely from operations.
Normalisation	Normalisation is the process of removing non-recurring expenses or revenue from a financial metric like EBITDA, EBIT or earnings. Once earnings have been normalised, the resulting number represents the future earnings capacity that a buyer would expect from the business.
EBIT	Earnings before interest and tax.
Depreciation and Amortization	An accounting charge to compensate for the reduction in the value of assets and the eventual cost to replace the asset when fully depreciated.
Finance Income	Interest earned on cash bank balances and from the intra-group companies on loans advanced.
Finance Costs	Interest accrued on debt obligations.
Net Profit	The profit generated in one financial year.

Cash Flow Statement Explanatory Definitions

Cash Flow from Operating Activities	The cash used or generated from the company's business activities.
Cash Flow from Investing Activities	The cash used or generated from the company's investments in new entities and acquisitions, or from the disposal of fixed assets.
Free Cash Flow (FCF)	FCF represents the amount of cash remaining from operations after deducting capital expenditure requirements.
Cash Flow from Financing Activities	The cash used or generated from financing activities including new borrowings, interest payments, repayment of borrowings and dividend payments.

Statement of Financial Position Explanatory Definitions

Assets	What the company owns which can be further classified in Current and Non-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.
Liabilities	What the company owes, which can be further classified in Current and Non-Current Liabilities.
Current Liabilities	Obligations which are due within one financial year.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Equity	Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Free Cash Flow (FCF)	FCF represent the amount of cash remaining from operations after deducting capital expenditure requirements.

Profitability Ratios

EBITDA Margin	EBITDA as a percentage of total revenue.
Operating Profit Margin	Operating profit margin is operating profit achieved during the financial year expressed as a percentage of total revenue.
Net Profit Margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Return on Equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on Capital Employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) measures the rate of return on the assets of the company. This is computed by dividing profit after tax by total assets.

Liquidity Ratios

Current Ratio	The current ratio is a financial ratio that measures whether a company has enough resources to pay its debts over the next 12 months. It compares a company’s current assets to its current liabilities.
Cash Ratio	Cash ratio is the ratio of cash and cash equivalents of a company to its current liabilities. It measures the ability of a business to repay its current liabilities by only using its cash and cash equivalents and nothing else.

Solvency Ratios

Interest Coverage Ratio	This is calculated by dividing a company’s EBITDA of one period by the company’s net finance costs of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders’ equity and debt used to finance a company’s assets and is calculated by dividing a company’s net debt by net debt plus shareholders’ equity.
Net Debt to EBITDA	This is the measurement of leverage calculated by dividing a company's interest-bearing borrowings net of any cash or cash equivalents by its EBITDA.

Other Definitions

Yield to Maturity	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.

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