RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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

25 June 2024

Dear Sirs,

Tumas Investments plc – Financial Analysis Summary Update 2024 (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 2021 to 2023 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 2024 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,

Doreanne Caruana
Head of Corporate Advisory

TUMAS INVESTMENTS plc

FINANCIAL ANALYSIS SUMMARY

Update 2024

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.

25 June 2024

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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 2021, 2022, and 2023 and forecasts for financial year ending 31 December 2024 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 euros, 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
FAS dated 28 June 2023

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.
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.

PART A BUSINESS & MARKET OVERVIEW UPDATE

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. In a Company Announcement dated 29 April 2024, the Company announced that it intends to repay the bond that is set to mature later this year. Further information is included in the financial sections below.

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.

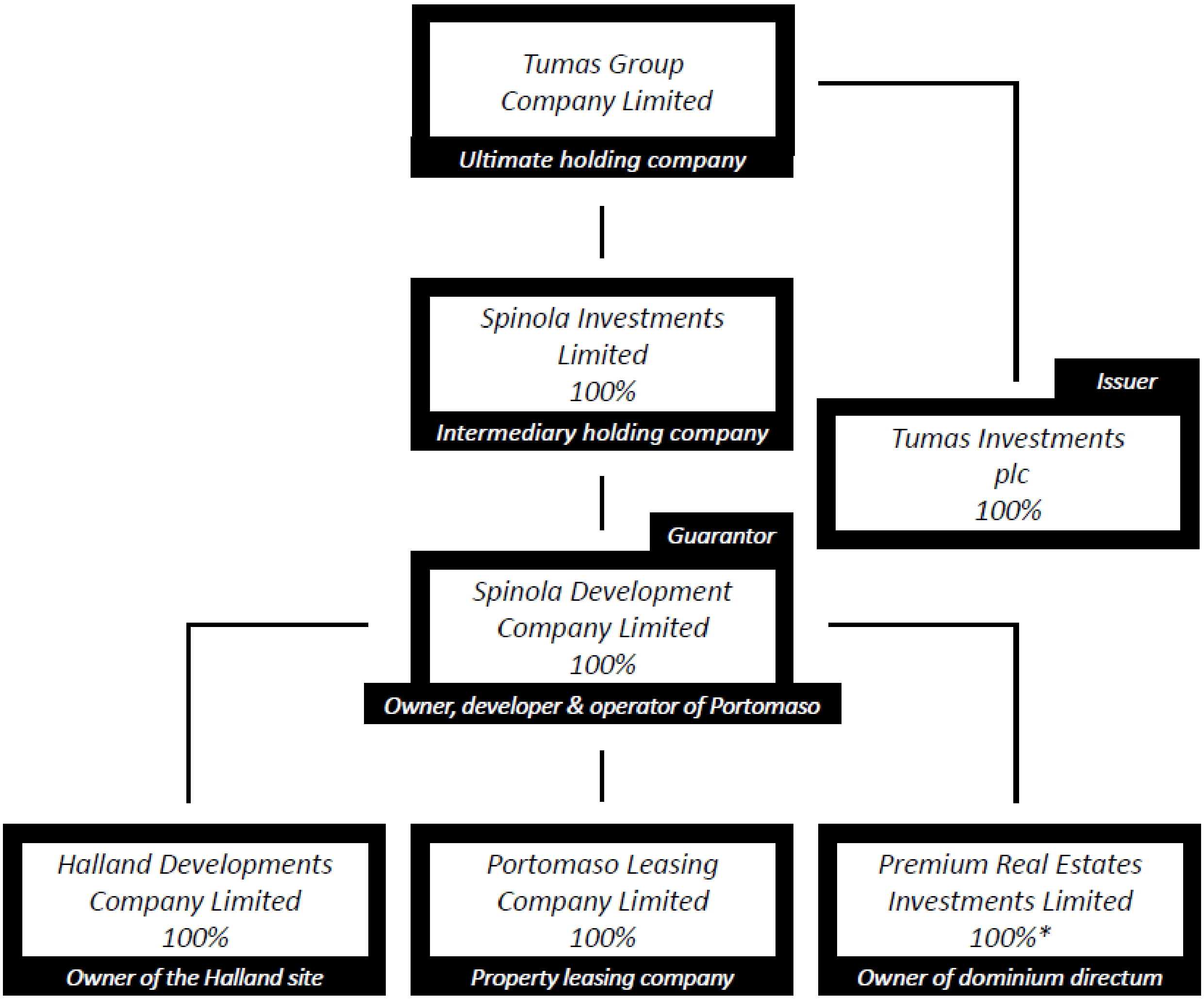
In 1994, the then Malta Hilton Hotel was completely demolished and rebuilt while also making way for the development of the Portomaso Complex. The land title was acquired by SDC from the Government of Malta and today the Guarantor benefits from freehold title of the site. For the purpose of management and administration of Portomaso, in 2004 SDC set up PLCL to focus primarily on the leasing of 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 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. Management advised that PREIL is in the process of being merged within SDC.

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	Independent, 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 2023 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 72% of the Issuer's asset base (FY2021 and FY2022 this stood at 97% and 75% respectively). The table below summarises the value of total assets and loans receivable from SDC for the financial years ended 31 December 2021, 2022, and 2023.

Year	Total Assets *€'000*	Loans Receivable from SDC *€'000*	Loans Receivable from SDC as a % of Total Assets
2021	51,594	50,000	97%
2022	66,300	50,000	75%
2023	69,740	50,000	72%

In line with the Company's treasury management function for SDC, in FY2023, 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 invested in treasury bills issued by the Government of Malta and amounted to €17.2 million (FY2022: €11.3 million).

Material Contracts - Issuer

There have been no changes to the material contracts reported in the FAS dated 28 June 2023.

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

**Note: During 2024, these loan agreements are expected to mature as the 2014 bond becomes repayable.*

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 FY2022, 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 been encouraging. As at the end of FY2023, SDC reported that construction works were at an advanced stage and are expected to be concluded by the end of the summer months in FY2024. At that point, the units will be officially launched, although the company has already noted and received significant interest from interested parties. The Halland project includes 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 FY2023, the Guarantor's property, plant and equipment (PPE) had a carrying value of €147.4 million (FY2022: €150.7 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 of 31 December 2023 (net of the depreciation charges and any additions 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. Additional capex is expected to be undertaken during FY2024 in specific areas of the hotel related to refurbishment of events and conference facilities, upgrade to the hotel's cooling and heating systems, refurbishment of some of the F&B areas and other minor upgrades to the hotel property in order to improve its energy efficiency. The capex expected to be required in this regard is anticipated to be in the region of €3.9 million in FY2024.

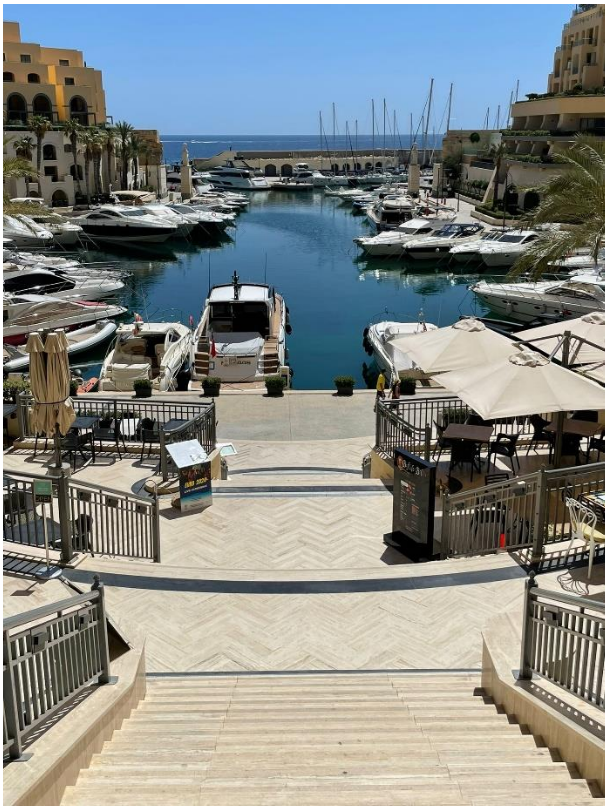
II) Portomaso Car Park

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. It is expected that during FY2024, SDC will undertake a number of small upgrade projects at the car park which are expected to cost around €0.8 million.

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 wastewater and used oil.

As from June FY2024, the operations of the Portomaso Marina are being conducted by a third party under an operations agreement. Management advised that this will not impact the results of the SDC Group materially this financial year, although the contribution from the Marina is expected to improve in the years to come.



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 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.

SDC, through one of its subsidiaries, commenced development works on the ex-Halland site, which will be developed into a complex of *circa* 68 high-end residential units.

In recent years, the Guarantor acquired two sites complementing the Portomaso Complex which were 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.

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* 800 sqm within the Business Tower, an area of *circa* 1,000 sqm of commercial space. A further 1,000 sqm which was being refurbished into meeting and co-working facilities has been put on the market in mid-2023 and is progressing satisfactorily.

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 shares in, and 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 FY2023.

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 update of 2023.

II. Lease Agreements

Most of SDC's lease agreements with office and commercial tenants have a term of between one and five years. The lease agreements provide for renewal terms and periodic inflationary increments. In fact, during the course of FY2023 the renewal of lease periods can be demonstrated through the increase in leases payable across all the tiers. The minimum lease payments, which exclude inter-Group leases, were as per below over the historic financial period under review:

	Actual FY2021 *€'000*	Actual FY2022 *€'000*	Actual FY2023 *€'000*
Not Later than 1 year	1,887	1,647	2,148
Between 1 and 5 years	4,101	3,114	5,115
More than 5 years	4,252	2,366	3,724
Total	**10,239**	**7,127**	**10,987**

III. Capital Commitments & Contingencies

The Guarantor is party to commitments of a capital nature in relation to contracted or upcoming works. As of 31 December 2023, the value of these commitments was €5.9 million. These commitments relate to the property development projects mainly at the Halland already referred to above.

As at the end of FY2023, the company had guarantees of €23.9 million issued on behalf of other fellow subsidiaries' bank facilities. The guarantees are supported by general and special hypothecs over the company's assets.

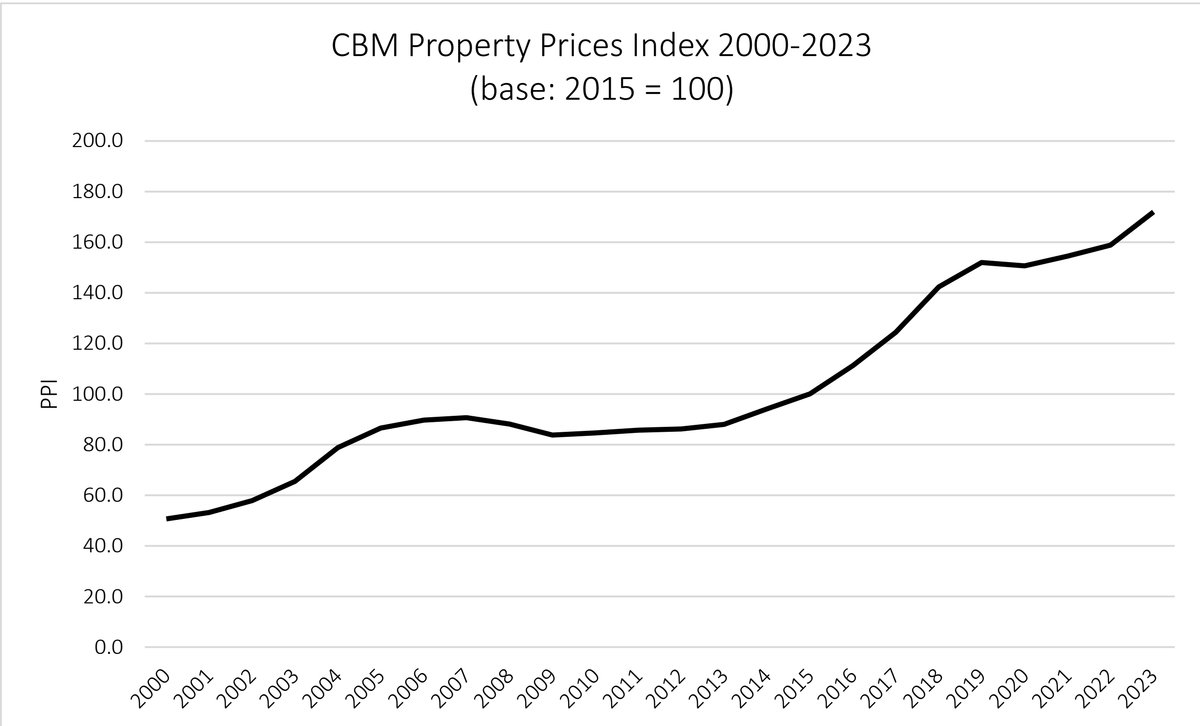
5. Market Overview

The Property Market

The construction and real estate industries have traditionally been key drivers 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 over the 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 Residential Property Market in Malta

Following the disruption in the momentum that was building in the local economy caused by COVID-19, data indicates that the construction and real estate industry has since reembarked on a growth trajectory.



The Property Price Index published by the Central Bank of Malta, which is based on published prices, indicate a general upward trend in the index, with a small dip noticed during 2020, only to increase again as from 2021. The increase in 2023 was significant, when compared to the shifts in previous years, at 8.3% to 172 points. Permits issued in 2023 were 37.4% higher than those issued in 2022, despite the drop in the last quarter of the year of 10.1%. Furthermore, notwithstanding the number of promise of sale agreements entered into during 2023 was lower than the level in 2022 at 12,180 (2022 – 14,331), the value of the final deeds of sale was of €2.5 billion, which is an increase of 8% over 2022, suggesting a higher value per final deed of sale. This is aligned to the increase in the PPI in 2023.

THE COMMERCIAL PROPERTY MARKET IN MALTA

The above gives an overview of the trends in the property market in Malta. Unfortunately, data is very limited particularly in relation to commercial real estate and as such no further detailed analysis could be carried out. Nevertheless, in a seminar held earlier this year, a panel of local experts in commercial property expressed concern on how the supply of office space in Malta seems to be outpacing demand. In addition to the supply side issue, there are other factors effecting the demand, according to the said panel, which include inflationary pressures, higher interest rates and changes in the way employees work, where the work from anywhere and hot-desking has not been completely reversed to pre-COVID state which in turn is affecting the demand for office space.

During the past few years, a number of sizeable developments have been undertaken, offering office and commercial spaces, particularly in the Central Business District area (such as the Quad Central which offers 38,000 sqm of office space; c. 14,600sqm of office space at Trident Park; and 10,000sqm at Avenue 77) and central Malta area (such as ST Business Centre in Gzira at c. 3,000sqm of office space; Pangea in St Julians offering approx. 1,700sqm of office space and c.500sqm of commercial space)[1] while a number of developments are currently underway, which will continue to increase the existing supply of office and commercial space availability.

Sources:

Central Bank of Malta – Property Prices Index – January 2024 [link]

PwC Malta – Real Estate Survey 2024 [link]

NSO – Residential Property Transactions: December 2023 [link]

Report on the Malta Business Network seminar on commercial property [link]

[1] *Information on the office space per development mentioned has been obtained from the respective websites, all of which were accessed on 30 April 2024: https://stprojectsmalta.com/commercial-projects/; https://www.pangeamalta.com/; https://www.thequad.com.mt/about/; https://avenue77.com.mt/; and https://tridentestatesplc.com/trident-park/.*

THE TOURISM INDUSTRY

Tourism has inherently been a major component and contributor of the Maltese economy, which over the past years has become increasingly service based. Prior to the outbreak of the COVID-19 pandemic, Maltese tourism was at the peak of a positive cycle of ten years of record growth. As at December 2023, Malta had 296 (up from 251 a year earlier) active collective accommodation establishments with a net capacity of 19,591 (2022: 18,227) bedrooms and 44,656 (2022: 41,809) bed-places.[2]

The industry made a recovery from the significant slowdown in the number of tourists arrivals in view of the pandemic in preceding years. During 2022, Malta had 2.3 million inbound tourists visiting our islands, which increased further by the end of 2023, to just under 3 million, beating the record reached in 2019 of 2.8 million inbound tourists.[3] The momentum was maintained during the first few months of 2024, exceeding the 2023 figures achieved during the same period, as inbound tourists between January and April amounted to 881,118, which is an uplift of 25.1% over the numbers recorded in 2023.[4]

Source: National Statistics Office, Malta

[2] *National Statistics Office, Collective Accommodation Establishments: Q4/2023, available from: https://nso.gov.mt/collective-accommodation-establishments-q4-2023/ [Accessed 16 May 2024]*

[3] *National Statistics Office, Inbound Tourism: December 2023, available from: https://nso.gov.mt/inbound-tourism-december-2023/ [Accessed 16 May 2024]*

[4] *National Statistics Office, Inbound Tourism: April 2024, available from: https://nso.gov.mt/inbound-tourism-april-2024/ [Accessed 6 June 2024]*

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

	Actual FY2021 *€'000*	Actual FY2022 *€'000*	Actual FY2023 *€'000*	Forecast FY2024 *€'000*
Finance Income	2,375	2,420	2,884	2,001
Finance Costs	(2,235)	(2,249)	(2,605)	(1,799)
Net Interest Income	**140**	**171**	**279**	**202**
Administrative expenses	(128)	(144)	(149)	(150)
Profit before tax	**11**	**27**	**130**	**52**
Tax expense	(4)	(9)	(41)	(18)
Profit for the financial year	**7**	**18**	**89**	**34**

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 ("**T-Bills**") that allowed for the better utilisation of excess liquidity. This continued also in FY2023.

Administrative expenses incurred by the Issuer in FY2023 amounted to €0.15 million and related to listing, compliance costs and directors' remuneration.

The FY2024 forecasts of the Company, as prepared by management, is reflective of the fact that during the said financial year, the Company will be redeeming its 2024 bond, and as such, there will not be any receivable interest related thereto from SDC, as the borrower of those funds, from August until the end of the year. Furthermore, as a result of the repayment of principal of the said bond, the Company will utilise the liquidity currently invested in government paper as part payment thereof.

6.2 STATEMENT OF CASH FLOWS

	Actual FY2021 €'000	Actual FY2022 €'000	Actual FY2023 €'000	Forecast FY2024 €'000
Net cash generated from operating activities	42	222	252	(17,556)
Net cash generated from / (used in) investing activities	-	(11,340)	(5,873)	17,155
Net cash generated from / (used in) financing activities	-	14,600	3,042	-
	42	**3,482**	**(2,578)**	**(401)**
Cash and cash equivalents at beginning of year	396	438	3,920	1,341
Cash and cash equivalents at end of year	**438**	**3,920**	**1,341**	**940**

During FY2023, as was done a year earlier, the Company utilised excess liquidity to purchase T-Bills 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).

In FY2024, as already announced by the Company, the 2024 bond will be redeemed. The Company will utilise the funds currently invested in T-Bills (originally received from SDC as mentioned above) to settle part of the bonds and the balance will be received from SDC in settlement of the loan contract currently existing in relation to the said bond (please refer to section 4.1 above).

The cash position at the end of FY2024 is expected to be just over €0.9 million.

6.3 STATEMENT OF FINANCIAL POSITION

	Actual FY2021 €'000	Actual FY2022 €'000	Actual FY2023 €'000	Forecast FY2024 €'000
Assets				
Non-Current Assets				
Loans and Receivables	50,000	50,000	25,000	25,000
Total Non-Current Assets	**50,000**	**50,000**	**25,000**	**25,000**
Current Assets				
Loans and Receivables	-	-	25,000	-
Trade and Other Receivables	1,156	1,041	1,186	1,186
Other Financial Assets at Amortised Cost	-	11,340	17,213	-
Current Tax Assets	1	-	-	-
Cash and Cash Equivalents	438	3,920	1,341	1,078
Total Current Assets	**1,594**	**16,301**	**44,739**	**2,264**
Total Assets	**51,594**	**66,301**	**69,739**	**27,264**
Equity and Liabilities				
Capital and Reserves				
Share Capital	250	250	250	250
Retained Earnings	404	422	511	636
Total Equity	**654**	**672**	**761**	**886**
Non-Current Liabilities				
Borrowings	49,783	49,833	24,904	24,945
Total Non-Current Liabilities	**49,783**	**49,833**	**24,904**	**24,945**
Current Liabilities				
Borrowings	-	-	24,982	-
Trade and Other Payables	1,158	15,792	19,057	1,433
Current Tax Liability	-	4	37	-
Total Current Liabilities	**1,158**	**15,796**	**44,075**	**1,433**
Total Liabilities	**50,940**	**65,629**	**68,979**	**26,378**
Total Equity and Liabilities	**51,594**	**66,301**	**69,740**	**27,264**

The Issuer's asset base at the end of FY2023 was reflective of the outstanding borrowings from the capital markets, which were on-lent to the Guarantor, as well as the funds invested by the Company in T-bills. As the 2024 bond became due in less than 12 months from the end of FY2023, the principal amount related thereto was moved to current assets (in terms of the receivable from SDC) and current liabilities (as the obligation to the bondholders). The amount of funds invested in T-Bills (the investment shown as current asset, while the obligation to SDC as the on-forwarder of the funds as a current liability) at the end of the financial year amounted to €17.2 million (FY2022: €11.3 million). Included also in the payables under current liabilities was the accrued interest due on the bonds.

At the end of FY2024, the Company's financial position is expected to be leaner, as it will principally include the only remaining outstanding bond (that maturing in 2027) of €25 million.

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 FY2023 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 FY2024, even though this is expected to continue only until the middle of the year – until before the redemption of the 2024 outstanding bonds.

	FY2021 (A)	*FY2022 (A)*	*FY2023 (A)*	*FY2024 (F)*
Net Income Margin *(Net interest income / finance income)*	5.88%	7.08%	9.67%	10.09%
Interest Cover *(Finance income / finance costs)*	1.06x	1.08x	1.11x	1.11x

7. Guarantor's Financial Review & Forecasts

FY2023

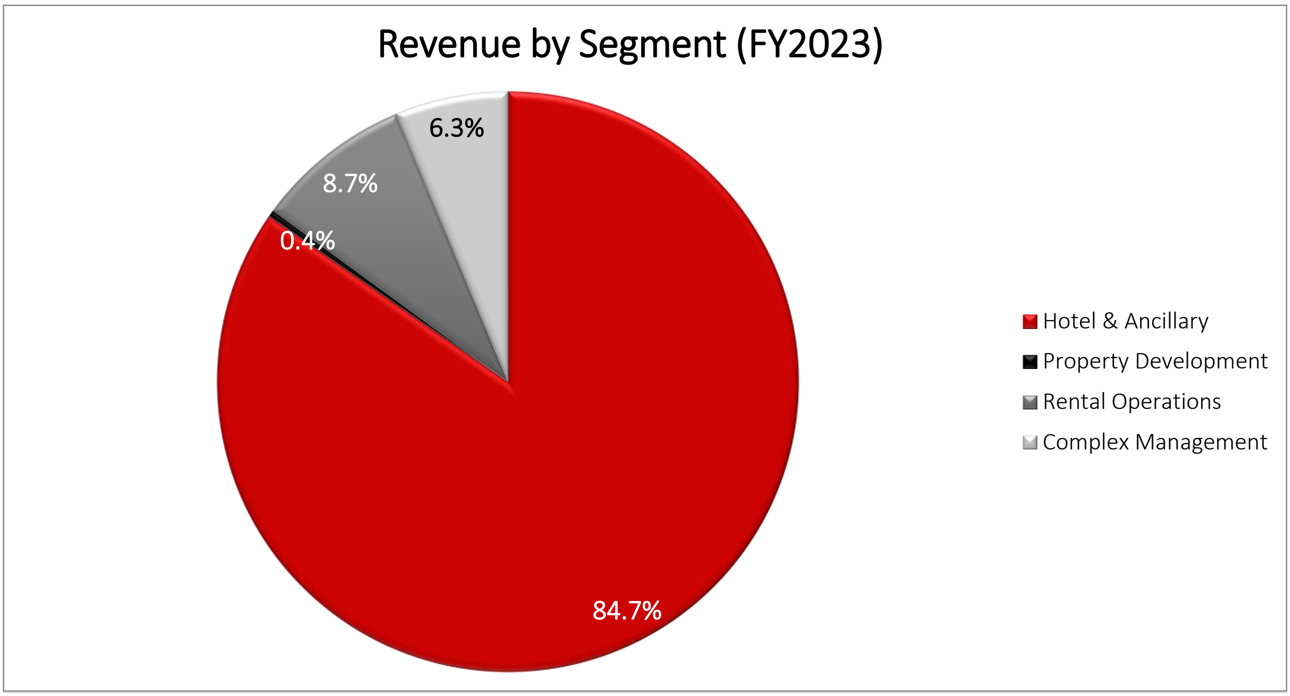
Total revenue generated in FY2023 reached €52.4 million. While the aggregate revenues are lower than pre-COVID levels, the Group registered record revenues from the Hotel and Ancillary segment, which, year-on-year, grew 27% notably through the combination of improved occupancy levels and room rates at the hotel and increased revenues from the F&B outlets, as explained in greater detail below.

The performance of FY2023 was further characterised by the inflationary pressures on the cost base of the Group's operations.

Despite the challenges that the Group as well as the economy in general encountered over the historic financial period covered in the Update FAS, where the world was still recovering from the impact of COVID-19, the Russia-Ukraine war that is still going on, the unrest in the Gaza that emerged during FY2023, the severe disruption of international supply chains, including the impact of the Red Sea crisis which commenced in October 2023, 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 prevailing situations.

7.1 Segmental Analysis

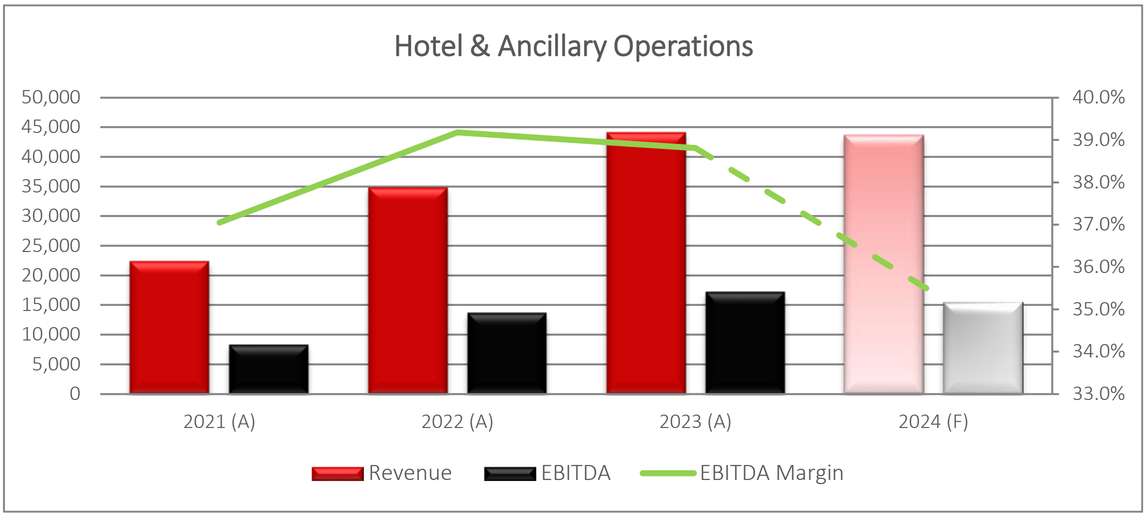
As described in further detail in section 4.2 of this report, the operations of SDC are split into four main segments: hotel and ancillary operations, rental operations, property development and complex management.



A. Hotel and Ancillary Operations (HAO)

The HAO segment was the major contributor towards the Guarantor's revenue streams, representing just under 85% of total revenue. This concentration on the HAO segment was accentuated in FY2023 by the fact that the Group did not have any stock of property for sale during the year.

Average annual occupancy at the hotel in FY2023 was around 16% above the MHRA average[5] representing a material recovery from the COVID years although still below the levels achieved pre-pandemic.



Tourism continued to rebound at an accelerated pace, with new or re-introduced routes confirmed by the various airline operators. The increased footfall at the Hilton hotel (as well as that at the Portomaso Business Tower) and its various eateries affected positively the other operations within this segment, including the Twenty Two Club, the Marina and the car park facilities.

EBITDA margins were under pressure in FY2023 (38.8%), as the HAO cost base increased at a faster pace than the increase in revenues when compared to FY2022 (39.2%).

Variances and Forecasts

Hotel and Ancillary Operations	2023 (A)	2023 (F)	Variances *(% / p.p.)*	2024 (F)	Comparison to 2023 (A) *(% / p.p.)*
Revenue	44,112	38,711	13.9%	43,694	-0.9%
EBITDA	17,118	13,785	24.2%	15,465	-9.7%
EBIDTA Margin	38.8%	35.6%	+3.2p.p.	35.4%	-3.4p.p.

The revenue generated from the HAO segment during FY2023 was significantly better than the forecasts presented in last year's FAS update. EBITDA margins improved as well, from the forecast 35.6% to the achieved 38.8%, as the hotel commanded improved room rates (up by 6% over those in FY2022) and occupancy levels

[5] *The Malta Hotels and Restaurants Association conducts a survey which compares a series of hotel-performance indicators across the various strata od the industry. The average utilized refers to that in the 5-star hotel segment.*

(up by *circa* 18% over FY2022) during the year. While the room rate has exceeded the rates pre-COVID, the average occupancy is still below that achieved during the same period. Management noted how average length of stay has also increased in FY2023 to 3.2 days when compared to 2.9 days in FY2022. The hotel also managed to surpass industry average occupancy by 11 percentage points for the 5-star peer properties.

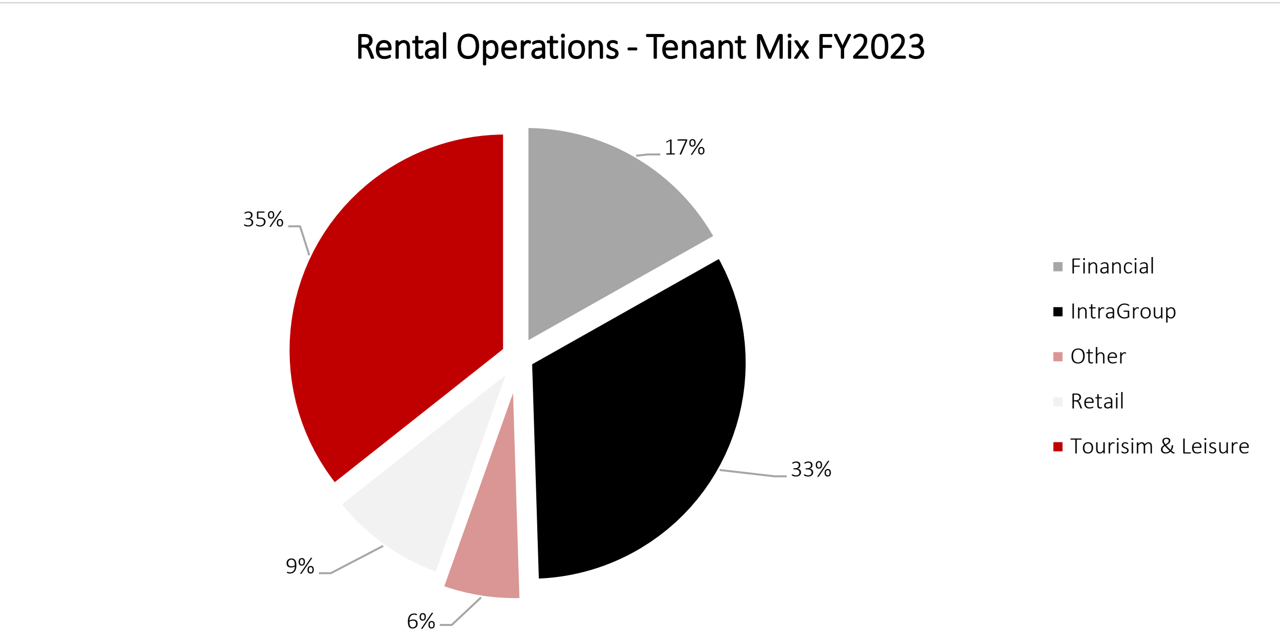
For FY2024, SDC expects the hotel to retain its revenue generation capabilities, albeit at a possible marginal reduction than those achieved in FY2023. Margins are anticipated to be lower as well, as cost pressures intensify.

B. Rental Operations

Rental operations consist of areas within the Business Tower, other office spaces within Portomaso 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.

Revenues for this segment reached €4.5 million in FY2023, an uplift of 7.6%. This increase is the result of two factors – the effect of contracted inflationary increases in the rental rates and new revenues generated through the repurposing of parts of the the commercial areas within the complex into co-working and meeting facilities.

The leasable area tenant mix in this segment shifted during FY2023, albeit remaining varied. The tourism & leisure sector contributed 35% (FY2022: 56%) with most of the variance in tenant mix being shifted towards intra-group use, as the Group repurposed a vacant area into co-working and meeting facilities which the Group has assigned to a fellow company, and which is operated under a management agreement by a third party specialising in the said type of operation. The financial sector contributed 17% and retail another 9%.



VARIANCES AND FORECASTS

The Guarantor achieved better revenue and EBITDA in FY2023, thereby improving margins even further in this segment than originally forecast last year for FY2023. The increase is the result of a number of factors, including the fact 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, as well as the repurposing of some areas within the complex which were rented out as co-workingspaces and meeting facilities. The performance of this sector is also inclusive of a retail section overlooking the marina.

Rental Operations	2023 (A)	2023 (F)	Variances *(% / p.p.)*	2024 (F)	Comparison to 2023 (A) *(% / p.p.)*
Revenue	4,517	4,195	7.6%	4,671	3.4%
EBITDA	4,374	3,933	11.2%	4,461	2.0%
EBIDTA Margin	96.9%	93.7%	+3.2p.p	95.5%	-1.4p.p.

Revenue for this segment is expected to show modest growth in FY2024 compared to the actual revenue of FY2023 reflecting inflationary and contractual increases. Similarly, the EBITDA is forecasted to increase albeit at a slower rate, thus reducing the margin achieved in this segment marginally.

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 and shares in some of the upkeep expenses as a tenant in its own right. 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 as well as office space owners. As from FY2023 these, however, exclude the in-house management fee for the general administration of the Group which is being allocated at HAO segment being currently the largest segment contributing to SDC Group. Certain individual cost items 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 Portomaso in order to retain the complex as a first class location.

VARIANCES AND FORECASTS

Complex Management	2023 (A)	2023 (F)	Variances *(% / p.p.)*	2024 (F)	Comparison to 2023 (A) *(% / p.p.)*
Revenue	3,270	3,427	5.2%	4,367	21.1%
EBITDA	372	(291)	-227.8%	239	-35.8%
EBIDTA Margin	10.3%	-8.5%	n/a	5.5%	-4.8p.p.

The revenue generated for this segment in FY2023 was marginaly lower than that envisaged in last year's FAS update, at €3.3 million (forecast at €3.4 million), as upgrade works to the complex projected were not all concluded during the year. This amount is now expected to increase to €4.4 million in FY2024, as the condonimium cost is higher in order to cover additional works that will need to be carried out across the complex.

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 and commercial units. 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

During FY2023, SDC only generated €0.2 million from the sale of a commercial space within the complex. As at the end of the said financial year, the Guarantor had two remaining apartments in stock.

Variances and Forecasts

Property Development	2023 (A)	2023 (F)	Variances *(% / p.p.)*	2024 (F)	Comparison to 2023 (A) *(% / p.p.)*
Revenue	198	185	6.9%	-	-100.0%
EBITDA	185	(351)	-152.8%	(200)	-207.9%
EBIDTA Margin	93.8%	-189.8%	n/a	n/a	n/a

No sale of property is anticipated during FY2024. As explained in earlier parts of this report, the Guarantor, through its subsidiary, is currently developing the Halland Residences complex which will result in the availability of *circa* 68 new residential units once complete. Delivery (and thus the recognition to revenue) is expected to commence as from FY2025.

7.2 Income Statement - Consolidated Analysis

	FY2021 (A) *€'000*	*FY2022 (A)* *€'000*	*FY2023 (A)* *€'000*	*FY2024 (F)* *€'000*
Revenue	33,823	43,424	52,097	52,732
HAO	*22,395*	*34,802*	*44,112*	*43,694*
Property Development	*4,747*	*1,580*	*198*	*-*
Rental	*3,721*	*4,070*	*4,517*	*4,671*
Complex Mgmt	*2,960*	*2,972*	*3,270*	*4,367*
Direct Costs and Administrative Expenses	(20,589)	(26,093)	(30,751)	(32,767)
EBITDA	**13,234**	**17,330**	**21,346**	**19,965**
Depreciation	(5,790)	(5,655)	(5,419)	(5,948)
EBIT (Operating Profit)	**7,443**	**11,676**	**15,927**	**14,017**
Finance Income	211	106	518	366
Investment Income	-	323	-	-
Finance Costs	(2,727)	(2,834)	(2,840)	(1,969)
Profit before Tax	**4,927**	**9,270**	**13,605**	**12,414**
Tax Expense	(1,015)	(2,598)	(4,161)	(3,069)
Profit for the Year	**3,913**	**6,672**	**9,444**	**9,345**

The strong performance of the HAO segment led to a significant increase in the Guarantor's revenue for FY2023, equivalent to an uplift of 20% to €52.1 million (FY2022: €43.4 million). Each segment's performance has been dealt with in greater detail in earlier parts above.

Total costs were also up, albeit at a marginally slower rate than the increase in revenue, to reach €30.8 million in FY2023. Inflationary pressures played a significant role in this increase, despite the tight controls the SDC Group retained on its cost base. In comparison to FY2022, the said year included the effect that until May 2022, the Group benefitted from the government wage supplement related to COVID, which did not reoccur in FY2023.

This translated in an improved EBITDA for the year of €21.3 million, from €17.3 million a year earlier – an increase of 23% year-on-year. The charges relating to depreciation and finance costs were relatively unchanged in FY2023, when compared to those of FY2022. Finance income came in higher, reflecting the interest income the SDC Group generated from the liquidity positions it held in order to ensure it would have the necessary funds to be able to meet its obligations when the 2024 bond is redeemed later this year.

Profit before tax stood at €13.6 million for FY2023, reflecting a 47% increase when compared to FY2022. Following a tax charge of €4.2 million, SDC's net profit for the year came at €9.4 million (FY2022: €6.7 million).

Forecast - FY2024

The forecasts for FY2024 continue to build on the positive momentum of FY2023, as explained in further detail in the segmental analysis above.

Cost pressures remain a reality that are not always easy to mitigate or avoid, and the management thereof is becoming increasingly challenging amidst other pressures faced by the various industries that the SDC Group operates in, including the scarcity of human resources able and available to work in the industry.

While revenue is expected to be largely in line with the levels achieved in FY2023, total costs are anticipated to increase to €32.8 million (FY2023: €30.8 million). This will translate in a decline in EBITDA to just under €20 million. Depreciation charge is also expected to increase, reflecting the effect of new capital expenditure described earlier, primarily in various parts of the hotel.

Meanwhile, as the Guarantor pays back the outstanding bonds in July 2024, this will have a positive impact on the finance costs incurred during the year, which are expected to decline to just under €2 million, from €2.8 million a year earlier.

As a result of these movements, profit before tax for the year is expected to be in the region of €12.4 million (FY2023: €13.6 million) and after deducting a tax charge of €3.1 million, net profit is anticipated to be at €9.3 million, missing FY2023 levels by just under €0.1 million.

VARIANCES FY2023

A variance analysis of the respective segments has been included in the section above. During the year under review, SDC's beat its profit before tax forecast by €4.5 million. This was the result of the significantly improved performance of the HAO segment, which as seen in earlier sections, was affected by higher room rate and occupancy levels at the hotel and increased footfall in the F&B outlets, which also benefitted the carpark operations.

	FY2023 (F) *€'000*	*FY2023 (A)* *€'000*	*Variance*
Revenue	**46,518**	**52,097**	***12.0%***
HAO	38,711	44,112	*14.0%*
Property Development	*185*	*198*	*6.9%*
Rental	*4,195*	*4,517*	*7.7%*
Complex Mgmt	*3,427*	*3,270*	*-4.6%*
Direct Costs and Administrative Expenses	(29,442)	(30,751)	*4.4%*
EBITDA	**17,076**	**21,346**	*25.0%*
Depreciation	(5,743)	(5,419)	*-5.6%*
EBIT (Operating Profit)	**11,333**	**15,927**	*40.5%*
Finance Income	217	518	*138.8%*
Investment Income	-	-	*n/a*
Finance Costs	(2,432)	(2,840)	*16.8%*
Profit before Tax	**9,118**	**13,605**	*49.2%*
Tax Expense	(3,685)	(4,161)	*12.9%*
Profit for the Year	**5,433**	**9,444**	*73.8%*

Costs were higher in FY2023, reflecting both the increase in revenue but also the realities of high inflation. Finance costs were also higher than anticipated, which is reflective of bank charges pertaining to increased level of hotel reservations (particularly related to credit card fees).

The combined effects of such variances trickled down to the rest of the income statement for FY2023.

7.3 Statement of Financial Position

	FY2021 (A) €'000	FY2022 (A) €'000	FY2023 (A) €'000	FY2024 (F) €'000
Assets				
Non-Current Assets				
Property, Plant & Equipment	153,195	150,705	147,367	153,768
Investment Property	14,426	14,289	14,778	14,275
Trade & Other Receivables	952	5,307	2,550	952
Total Non-Current Assets	**168,572**	**170,301**	**164,696**	**168,995**
Current Assets				
Inventories	22,299	25,649	31,452	44,990
Trade & Other Receivables	21,789	19,223	25,429	3,472
Current Tax Assets	549	-	-	-
Other Financial Assets at Amortised Costs	-	-	11,766	-
Cash & Cash Equivalents	18,900	15,471	7,328	13,565
Total Current Assets	**63,537**	**60,343**	**75,975**	**62,027**
Total Assets	**232,109**	**230,644**	**240,671**	**231,022**
Equity & Liabilities				
Capital & Reserves				
Share Capital	13,653	13,653	13,653	13,653
Revaluation Reserve	87,885	87,060	86,234	86,234
Retained Earnings	37,684	39,967	47,021	45,352
Total Equity	**139,222**	**140,679**	**146,909**	**145,240**
Non-Current Liabilities				
Borrowings	51,857	49,891	24,941	40,845
Deferred Tax Liabilities	26,441	26,438	25,765	23,992
Total Non-Current Liabilities	**78,298**	**76,329**	**50,706**	**64,837**
Current Liabilities				
Borrowings	1,286	-	24,986	7,500
Trade & Other Payables	12,740	11,980	14,129	13,254
Current Taxation	563	1,656	3,942	191
Total Current Liabilities	**14,589**	**13,636**	**43,057**	**20,945**
Total Liabilities	**92,887**	**89,965**	**93,762**	**85,782**
Total Equity & Liabilities	**232,109**	**230,644**	**240,671**	**231,022**

FY2023 Review

SDC's asset base increased by just over €10 million when compared to the position at the end of FY2022, to €240.7 million. The drop in value of property, plant and equipment to the extent of the depreciation charge for the year was offset by the increases in inventory, as the SDC Group progressed with the Halland project during the year, an increase in trade and receivables (primarily in relation to the lending of excess funds to other companies within the wider Tumas Group) and the investment in foreign AAA-rated securities as a means of building up additional funds in order to repay the loan due to TI plc when the bonds are redeemed in July 2024. Cash was lower, as a result of the application of such excess funds as described, when compared to the €15.5 million the SDC Group held at the end of FY2022.

SDC's funding remained largely unchanged, save for the shift from non-current to current liabilities of the amounts due to TI plc in relation to the upcoming bond redemption. Trade payables were higher at the end of FY2023, reflecting the uplift in activity of the SDC Group.

On the equity side, the increase in the retained earnings balances reflected the profit for the year, net of dividends of €3.2 million.

SDC's Funding Analysis

SDC's total borrowing stood at €49.9 million at the end of FY2023, identical to the level of total borrowings the Guarantor had at the end of FY2022. No new bank facilities were drawn down during FY2023.

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. In fact, as was the case during FY2021 up to FY2023, SDC applied excess cash available towards its subsidiary developing the ex-Halland site so as to reduce the finance costs.

In FY2023, 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 €146.9 million by the end of FY2023, reflecting the profit generated in the year net of a dividend of €3.2 million paid out of retained earnings.

	FY2021 (A) *€'000*	*FY2022 (A)* *€'000*	*FY2023 (A)* *€'000*	*FY2024 (F)* *€'000*
Total Borrowings	53,143	49,891	49,927	48,345
Less Cash & Cash Equivalents	(18,900)	(15,471)	(7,328)	(13,565)
Less SDC Group Treasury Funds*	(12,040)	(14,600)	(19,142)	-
Net Borrowings (A)	**22,203**	**19,820**	**23,457**	**34,780**
Reported Equity (B)	139,222	140,679	146,909	145,240
Gearing Ratio (A / A+B)	**13.8%**	**12.3%**	**13.8%**	**19.3%**
FV Adjusted Equity (C)	160,596	164,871	173,368	172,152
Adjusted Gearing Ratio (A / A+C)	**12.1%**	**10.7%**	**11.9%**	**16.8%**

**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.*

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 13.8% at the end of FY2023, 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 11.9% for FY2023.

FORECAST - FY2024

Three main events are expected to change the composition of the statement of financial position for FY2024. The upgrades explained in section 4 above will increase the value of SDC's PPE, offsetting the effect of the depreciation charge for the year. Furthermore, as the Halland Residences near completion, these will continue to increase the value within inventory.

The redemption of the 2024 bond by TI plc means that SDC will partially exit the investment in the financial assets held as at the end of FY2023 in order to generate the cash needed to repay the loan it has with TI plc in relation to the funds lent pursuant to the said bond. Furthermore, SDC will also call on the loans it had extended to one of its associated companies of the Tumas Group (as part of the wider group treasury function) in order to put together the remaining balances necessary to repay the amounts owed to TI plc. The repayment will also reduce the amount of liabilities that the SDC Group will report at the end of FY2024.

As a result of the above, both the asset base is expected to shrink to €231 million, and total liabilities making up €85.8 million (FY2023: €93.8 million), while total equity goes down marginally to €145.2 million, reflecting the profits expected during the year net of dividends anticipated to be paid out, of *circa* €10 million. The latter amount is subject to board and general meeting approval, the satisfactorily performance across the group particularly the HAO sector and progress with respect to anticipated sales at the Halland Residences.

7.4 Statement of Cash Flows

	FY2021 (A) €'000	FY2022 (A) €'000	FY2023 (A) €'000	FY2024 (F) €'000
Net cash generated from / (used in) operating activities	(1,348)	12,012	6,659	(7,730)
Net cash generated from / (used in) investing activities	(1,228)	(6,940)	(11,588)	6,539
Free Cash Flow	**(2,576)**	**5,072**	**(4,929)**	**(1,191)**
Net cash generated from / (used in) financing activities	(3,500)	(8,500)	(3,215)	7,428
Net movements in cash and cash equivalents	**(6,076)**	**(3,428)**	**(8,143)**	**6,237**
Cash and cash equivalents at beginning of year	24,975	18,899	15,471	7,328
Cash and cash equivalents at end of year	**18,899**	**15,471**	**7,328**	**13,565**

FY2023 Review

The positive operational performance achieved in FY2023 is reflected also in the cash flows from operating activities, which during the year under review amounted to €6.7 million when adjusted for non-cash charges, as well as tax and interest paid.

The cash flows related to investment activities include the purchase of T-Bills, as explained earlier.

The cash flows related to financing activities include the dividend payment made during the year.

At the end of FY2023, cash and cash equivalent balances amounted to €7.3 million.

Forecast - FY2024

The cash flows for FY2024 are reflective of the operational performance of the Group, as described in further detail above, as well as the continued development of the Halland Residences, which is being financed through available cash balances at Group level and bank borrowings. Furthermore, the financing activities for FY2024 include the repayment of the bond (recognised as a loan from TI in SDC's books) which is being financed through available cash balances and new additional 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 FY2023, 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 companies within the Group and outside, as explained above, whereby any excess funds available at SDC were on-lent to said companies, thereby reducing the finance costs for the overall Tumas Group accordingly. €17.6 million of such funds have been on-lent to TI plc, which is the financing arm of the group, and placed in money market financial instruments (while a further €11.8 million was invested directly by SDC in AAA-rated foreign securities for the purposes of building up additional funds to be able to repay the loan to TI plc in relation to the bond that is being redeemed in July 2024).

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:

	FY2021 (A)	*FY2022 (A)*	*FY2023 (A)*	*FY2024 (F)*
Net Profit Margin *(Net Profit / Revenue)*	11.6%	15.4%	18.1%	17.7%
EBITDA Margin *(EBITDA / Revenue)*	39.1%	39.9%	41.0%	37.9%
Return on Assets *(Profit before Tax / Average Assets)*	2.1%	4.0%	5.8%	5.3%
Return on Equity *(Profit for the Period / Average Equity)*	2.8%	4.8%	6.6%	6.4%
Return on Capital Employed *(Profit for the Period / Average Capital Employed)*	2.0%	3.5%	4.9%	4.8%
Net Debt* / EBITDA	1.7x	1.1x	1.1x	1.7x
Gearing Ratio *(Total Borrowings / Equity + Borrowings)*	27.7%	26.3%	25.8%	24.9%
Gearing Ratio (2) *(Net Borrowings* / Equity + Net Borrowings)*	0.14x	0.12x	0.14x	0.19x
Gearing Ratio (3) *(Net Borrowings* / Average FV adjusted Equity + Net Borrowings)*	12.1%	10.7%	11.9%	16.8%
Current Ratio *(Current Assets / Current Liabilities)*	4.4x	4.4x	1.8x	3.0x
Cash Ratio *(Cash & Equivalents / Current Liabilities)*	1.3x	1.1x	0.2x	0.6x
Interest Cover Ratio *(EBITDA / Net Finance Cost)*	5.3x	6.4x	9.2x	12.5x

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

*** This ratio excludes SDC Group Treasury Funds*

The Group's profitability ratios improved further in FY2023, in line with the superior performance achieved in said financial year, as has been aptly described in prior sections of this report.

While at first glance gearing ratios indicate a weakening situation for the SDC Group, one needs to also note that the Group had €11.8 million invested in AAA-rated liquid foreign securities which may also be considered as *quasi* cash, which, had they been accounted for as such, would have improved gearing for the Group, reflecting the strong financial position of the Group.

From a solvency perspective, the Group's current ratio was strong compared to industry peers, albeit weaker than that in FY2022 (and earlier) in view of the reclassification of the amount due to TI plc in relation to the bond that is due to be redeemed in July 2024. From a cash ratio perspective, the above reclassification, amplified by the funds being invested in liquid financial assets (thereby depleting the cash position) as well as funds on-lent to TI plc to place in T-Bills, resulted in a weak cash ratio, which does no justice to the fact that the rationale behind the investment of such funds was purposely for the build-up of sufficient cash reserves to meet current liability obligations.

The ratios of FY2024 are expected to be characterised by the expected levelling off in profit margins as explained in earlier performance-related narrative in this report. The reduction in borrowings is expected to lead to improved gearing ratios, while the lower level of cash and a higher level of inventory is anticipated to impact the Group's solvency ratios which however are robust. Nevertheless, the Group anticipates this to be a temporary matter, as such position will improve once the promise of sale agreements (and eventually, the final deeds) are signed on the Halland Residences and the build-up in inventory would shift to a strong liquidity position.

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

This bond is being redeemed by TI plc on maturity, in July 2024.

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.

The below table does not include a comparison in relation to the 5% TI plc bonds since these will be repaid during the course of this financial year.

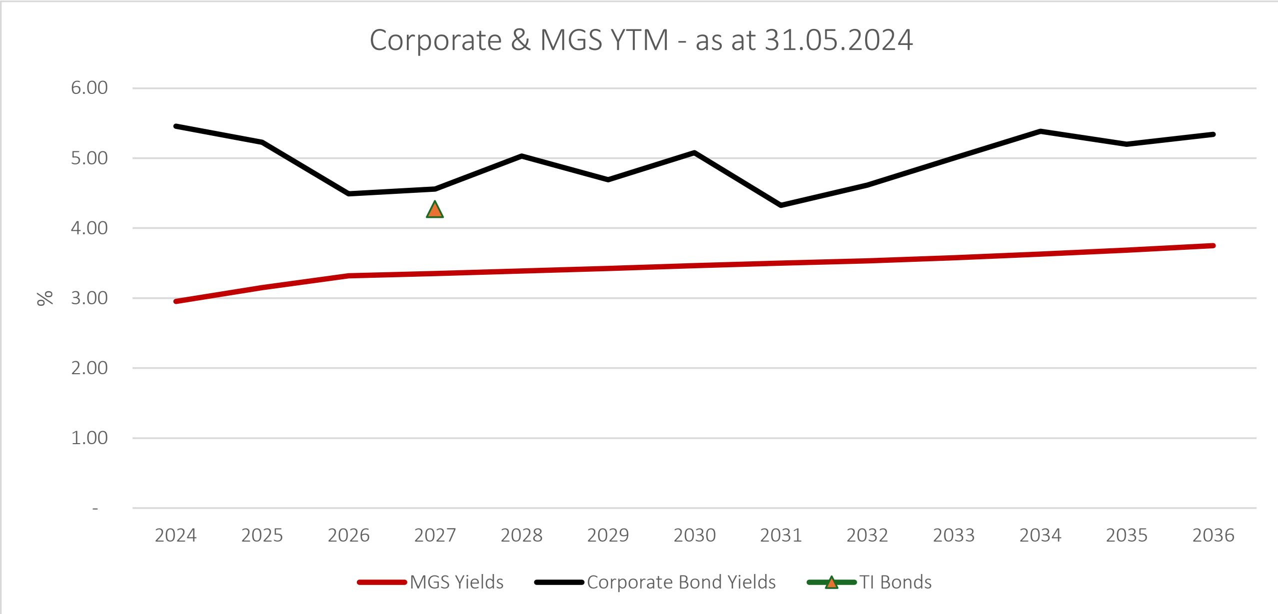
	Outstanding Amounts *(€)*	Gearing Ratio *(%)^*	Net Debt to EBIDTA *(times)*	Interest Cover *(times)*	YTM (as at 31.05.2024) *%*
3.75% Tumas Investments plc 2027	**25,000,000**	**17.3%^^**	**1.4x^^**	**9.2x**	**4.27%**
3.50% Simonds Farsons Cisk plc 2027	20,000,000	8.8%	0.6x	19.7x	3.17%
4.00% Eden Finance plc 2027	40,000,000	25.3%	5.9x	3.8x	4.38%
3.75% Virtu Finance plc 2027	25,000,000	43.3%	4.3x	5.0x	4.37%

Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 31 May 2024. Ratio workings and financial information quoted have been based on the issuers' and their guarantors where applicable, from published financial data for the financial year 2023.

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

^^ Excludes SDC Group Treasury Funds. If SDC Group Treasury Funds are included the Gearing Ratio would be 8.2% and Net Debt to EBITDA would amount to 0.6 times.

The chart below shows the average yield to maturity of the TI 2027 bonds compared to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as of 31 May 2024.



The Company’s 2027 bond is currently yielding 4.27% representing a 29-basis points discount to the equivalent average corporate bonds’ yield to maturity for 2027 maturities and at a 92-basis points premium over the average MGS yield to maturity for 2027 maturities.

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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