TUMAS INVESTMENTS p.l.c.

Annual Report and Financial Statements
31 December 2013

Company Registration Number: C27296

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2013.

Principal activities

The company's principal activity is to carry on the business of an investment company, by raising funds to finance the operations and capital projects of Spinola Development Company Limited, a company forming part of the Tumas Group.

Review of the business

During the year under review interest receivable and ancillary income from Spinola Development Company Limited amounted to €3.77 million (2012: €3.77 million). Interest payable amounted to €3.62 million (2012: €3.63 million), of which amortisation of bond expenses, bank interest and interest on loan from fellow subsidiaries amounted to €503,991 (2012: €513,078).

The profit for the year net of administrative costs amounted to €27,252 (2012: €8,038). The tax charge for the period under review was €9,538 (2012: €5,351).

Earnings per share, which is based on the profit after taxation divided by the weighted average numbers of ordinary shares in issue during the year amounted to 17c7 (2012: 2c7).

Guarantor's performance for 2013 and outlook for 2014

The performance of Spinola Development Company Limited, the guarantor of the bonds in issue during the year under review, was in line to what was forecasted. The hotel and ancillary operations continued to excel returning a better performance than last year. On the other hand, property sales decreased mainly due to a lower number of apartments available for sale. The guarantor's turnover for the year reached €38.3 million, down by €6.1 million or 13.7% over that of the previous year. Operational improvements were registered across all segments within the company leading to a sustainable flow of income, which supported by the guarantor's consistent investment in facilities which will enable the company to secure further profitability in future years. Group operating profit reached €6.35 million (2012: €8.45 million) while the profit for the year before taxation amounted to €2.17 million (2012: €4.23 million).

The outlook for 2014 is a positive one as the hotel and ancillary operations should perform well on marginally superior lines to last year. The first quarter of 2014 has already shown a level of resilience and has proved to be better than the previous year. Property sales will, however, at best perform at the same level as 2013 for reasons noted above. Overall turnover and profitability should be on the same lines as last year highlighting the emphasis on ongoing operations as opposed to the traditional one time property sales. This is in line with expectations and the long term business plan for Portomaso. It is worth noting that the guarantor has just embarked on a new real estate development within Portomaso and this should once again open a limited window of opportunity for real estate sales. The long term future however lies in the ongoing hotel and ancillary operations, rentals and condominium management.

Results and dividends

The statement of comprehensive income is set out on page 12. The directors do not recommend the payment of a dividend.

Retained profits carried forward at the reporting date amounted to €256,730 (2012: €239,016).

Directors' report - continued

Directors

The directors of the company who held office during the year were:

George Fenech - Chairman
Lino Spiteri
Raymond Fenech
Raymond Sladden
Michael Grech

The company's Articles of Association do not require any director to retire.

Statement of directors' responsibilities for the financial statements

The directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Tumas Investments p.l.c. for the year ended 31 December 2013 are included in the Annual Report 2013, which is made available on the Tumas Group's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

The directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the company as at 31 December 2013, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and

- the Annual Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that the company and the guarantor face.

Directors' report - continued

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

Going concern statement pursuant to Listing rule 5.62

After making enquiries, the directors, at the time of approving the financial statements, have determined that it is reasonable to assume that the company has adequate resources to continue operating for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

On behalf of the board

George Fenech
Chairman

Lino Spiteri
Director

Registered office:
Tumas Group Corporate Office
Level 3
Portomaso Business Tower
Portomaso
St. Julians
Malta

Telephone (+356) 2137 2347

Ray Sladden
Company secretary

30 April 2014

Corporate governance - Statement of compliance

Introduction

Pursuant to the requirements of the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority, Tumas Investments p.l.c. (a fully owned subsidiary of Tumas Group Company Limited -"the group") hereby reports on the extent to which the company has adopted the "Code of Principles of Good Corporate Governance" (the "Code") appended to Chapter 5 of the Listing Rules as well as the measures adopted to ensure compliance with these same Principles.

Since its incorporation, the Company's principal activity was to raising funds mainly from the capital market to finance the operations and capital projects of Spinola Development Company Limited ("SDC"), a company forming part of the Tumas Group.

In deciding on the most appropriate manner in which to implement the Principles, the Board of Tumas Investments p.l.c. (the "Board") has taken cognisance of its size, which inevitably impacts on the structures required to implement the Principles without diluting the effectiveness thereof. The company does not have any employees.

Roles and responsibilities

The Board acknowledges its statutory mandate to conduct the administration and management of the company. The Board, in fulfilling this mandate and discharging its duty of stewardship of the company, assumes responsibility for:

- the company's strategy and decisions with respect to the issue, servicing and redemption of its bonds;
- monitoring that its operations are in conformity with its commitments towards bondholders, shareholders, other external financiers and all relevant laws and regulations.

The Board is also responsible for ensuring that the company installs and operates effective internal control and management information systems and that it communicates effectively with the market.

Board of Directors

The company has five directors who are appointed by its ultimate principal shareholder, Tumas Group Company Limited.

Three of the directors, Mr. George Fenech, Mr. Raymond Fenech and Mr. Raymond Sladden, occupy senior executive positions within the Tumas Group of Companies. The two other directors, Mr. Lino Spiteri and Dr. Michael Grech, serve on the Board of the Company, in a non-executive capacity. Mr. Lino Spiteri is considered as an independent director since he is free of any business, family or other relationship with the Issuer, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgement. In assessing Mr. Spiteri's independence, due notice has been taken to Section 5.117 of the Listing Rules.

The exercise of the role of the Board

The activities of the Board are exercised in a manner designed to ensure that it can effectively supervise the operations of the company and protect the interests of bondholders, external borrowers and the shareholders.

Meetings of the Board, chaired by Mr. George Fenech, are held as frequently as considered necessary. Individual directors, apart from attendance at formal Board meetings, participate in other informal meetings during the year as may be required, either to assure good corporate governance, or to contribute more effectively to the decision making process.

Corporate governance - Statement of compliance - continued

The exercise of the role of the Board - continued

The Board members are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting documents as necessary which were then discussed during the board meetings held during 2013.

Apart from setting the strategy and direction of the Company, the Board retains direct responsibility for approving and monitoring:

- direct supervision, supported by expert professional advice as appropriate, on the issue and listing of bonds;
- that the proceeds of the bonds are applied for the purposes for which they were sanctioned as specified in the offering memoranda dated July 2009 and July 2010;
- proper utilisation of the resources of the Company;
- approval of the annual report and financial statements and of relevant public announcements and for the Company's compliance with its continuing listing obligations.

The Board does not consider necessary to institute separate committees such as the remuneration and the nomination committees, as would be appropriate in an operating Company.

Risk Management and Internal Control

The Board recognises that the Company must manage a range of risks in the course of its activities and the failure to adequately manage these risks could adversely impact the business. Whilst no system can provide absolute guarantees and protection against material loss, the risk management systems are designed to give the Directors reasonable assurance that problems can be identified promptly and remedial action can be taken as appropriate.

The Board maintains sound risk management and internal control systems. It is responsible for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. The Board establishes formal and transparent arrangements to apply risk management and internal control principles, as well as maintaining an appropriate relationship with the Company's auditors.

An essential element of good internal control is the continual process of monitoring the investments made by the Company, and in its capacity it has adjourned itself periodically on the financial affairs and operational development of Spinola Development Company Limited and its subsidiaries, the guarantor of the bonds and of the bank borrowings with particular reference to the progress of the Portomaso Development Project and related operational and commercial concerns.

Audit Committee

During the year 2013, the Audit Committee held 4 meetings. Audit Committee meetings are held mainly to discuss formal reports remitted by the Group Internal Auditor on audits conducted on the operations of SDC, with the consent of the Board of Directors of SDC, and also to consider the six monthly financial results and the annual financial statements.

The Audit Committee is composed of two non-executive directors and one executive director. This committee is chaired by Mr Lino Spiteri, with Dr. Michael Grech and Mr. Raymond Fenech as committee members. Mr. Lino Spiteri, an economist by profession, is deemed to be an independent director competent in accounting and auditing matters. In his capacity as the Chairman of the audit committee, Mr. Spiteri has held meetings to review the accounts and operations with the executive directors.

Corporate governance - Statement of compliance - continued

Audit Committee - continued

As required by the Maltese Companies Act, 1995 and the Malta Financial Services Authority Listing Rules, the financial statements of Tumas Investments p.l.c. are subject to annual audit by its external auditors. Moreover, the non-executive directors have direct access to the external auditors of the Company, who attend at Board meetings at which the Company's financial statements are approved. Moreover, in ensuring compliance with other statutory requirements and with continuing listing obligations, the Board is advised directly, as appropriate, by its appointed broker, legal advisor and the external auditors. Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Company's expense.

The Company has formal mechanisms to monitor dealings by directors and senior officials in the bonds of the Company and has also put in place the appropriate mechanisms for the advance notification of such dealings.

Remuneration Statement

There have been no changes in the Company's remuneration policy, as compared to the previous financial year and the Company does not intend to effect any changes in its remuneration policy for the following financial year.

Pursuant to the Company's Memorandum and Articles of Association, the maximum annual aggregate emoluments that may be paid to the directors is approved by the shareholders in General Meeting.

None of the directors has service contracts with the Company. Furthermore, the remuneration of directors is a fixed amount per annum and does not include any variable component relating to profit sharing, share options or pension benefits.

During the period under review, each director received an annual remuneration of €3,494 (2012: €3,494), as approved at the last Annual General Meeting of the Company.

Relations with bondholders and the market

Pursuant to the Company's statutory obligations in terms of the Maltese Companies Act, 1995 and the Malta Financial Services Authority Listing Rules, the Annual Report and Financial Statements, the election of directors and approval of directors' fees, the appointment of the auditors and the authorisation of the directors to set the auditors' fees, and other special business, are proposed and approved at the Company's Annual General Meeting.

The Company communicates with its bondholders by publishing its results on a six monthly basis during the year and by way of the Annual Report. The Board feels that it is providing the market with adequate information about its activities through these channels.

Corporate governance - Statement of compliance - continued

Relations with note and bondholders and the market - continued

The Board considers that the Company has been in compliance with the Principles throughout the year as befits a company of this size and nature.

Approved by the Board on 30 April 2014 and signed on its behalf by:

George Fenech Chairman	Lino Spiteri Director

Independent auditor's report

To the Shareholders of Tumas Investments p.l.c.

Report on the Financial Statements for the year ended 31 December 2013

We have audited the financial statements of Tumas Investments p.l.c. on pages 10 to 30 which comprise the statement of financial position as at 31 December 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 2, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion the financial statements:

- give a true and fair view of the financial position of the company as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Report on Other Legal and Regulatory Requirements

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those principles.

Independent auditor's report - continued

Report on Other Legal and Regulatory Requirements - continued

The Listing Rules also require the auditor to include a report on the Statement of compliance prepared by the directors.

We read the Statement of compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of compliance cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of compliance set out on pages 4 to 7 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- Under the Listing Rules to review the statement made by the directors, set out on pages 1 to 3, that the business is a going concern together with supporting assumptions or qualifications as necessary.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

Stefan Bonello
Partner

30 April 2014

Statement of financial position

	Notes	As at 31 December 2013 €	2012 €
ASSETS			
Non-current assets			
Loans and receivables	4	**54,503,878**	58,379,595
Held-to-maturity financial assets	5	**923,851**	928,573
Total non-current assets		**55,427,729**	59,308,168
Current assets			
Loans and receivables	4	**2,911,717**	-
Trade and other receivables	6	**1,738,337**	1,819,167
Current tax assets		**-**	10,174
Cash and cash equivalents	7	**3,610,679**	736,921
Total current assets		**8,260,733**	2,566,262
Total assets		**63,688,462**	61,874,430

Statement of financial position – continued

	Notes	As at 31 December 2013 €	2012 €
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	8	**232,937**	232,937
Retained earnings		**256,730**	239,016
Total equity		**489,667**	471,953
Non-current liabilities			
Borrowings	9	**54,886,277**	58,641,724
Trade and other payables	10	**3,808,891**	1,156,026
Total non-current liabilities		**58,695,168**	59,797,750
Current liabilities			
Borrowings	9	**2,911,717**	-
Trade and other payables	10	**1,591,391**	1,604,727
Current tax liabilities		**519**	-
Total current liabilities		**4,503,627**	1,604,727
Total liabilities		**63,198,795**	61,402,477
Total equity and liabilities		**63,688,462**	61,874,430

The notes on pages 15 to 30 are an integral part of these financial statements.

The financial statements on pages 10 to 30 were authorised for issue by the board of directors on 30 April 2014 and were signed on its behalf by:

George Fenech
Chairman

Lino Spiteri
Director

Statement of comprehensive income

	Notes	Year ended 31 December	
		2013	2012
		€	€
Finance income	11	**3,772,171**	3,765,406
Finance costs	12	**(3,616,491)**	(3,625,578)
Net interest income		**155,680**	139,828
Administrative expenses	13	**(128,428)**	(131,790)
Profit before tax		**27,252**	8,038
Tax expense	14	**(9,538)**	(5,351)
Profit for the year - total comprehensive income		**17,714**	2,687
Earnings per share (cents)	16	**17c7**	2c7

The notes on pages 15 to 30 are an integral part of these financial statements.

Statement of changes in equity

	Share capital €	Retained earnings €	Total €
Balance at 1 January 2012	232,937	236,329	469,266
Comprehensive income			
Profit for the year - total comprehensive income	-	2,687	2,687
Balance at 31 December 2012	**232,937**	**239,016**	**471,953**
Balance at 1 January 2013	232,937	239,016	471,953
Comprehensive income			
Profit for the year - total comprehensive income	-	17,714	17,714
Balance at 31 December 2013	**232,937**	**256,730**	**489,667**

The notes on pages 15 to 30 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2013 €	2012 €
Cash flows from operating activities			
Cash generated from operations	17	**219,738**	18,462
Income tax refund/(paid)		**1,155**	(8,672)
Net cash generated from operating activities		**220,893**	9,790
Cash flows from investing activities			
Repayments of loans and receivables	4	**964,000**	-
Acquisition of Held-to-maturity financial assets	5,7	**-**	(832,744)
Contribution to bond redemption fund	5,7	**(3,100,000)**	(600,000)
Net cash generated from/(used in) investing activities		**(2,136,000)**	(1,432,744)
Cash flows from financing activities			
Proceeds from advances from fellow subsidiary		**2,652,865**	1,156,026
Repayment of bank borrowings		**(964,000)**	-
Net cash generated from financing activities		**1,688,865**	1,156,026
Net movement in cash and cash equivalents		**(226,242)**	(266,928)
Cash and cash equivalents at beginning of year		**236,921**	503,849
Cash and cash equivalents at end of year	7	**10,679**	236,921

The notes on pages 15 to 30 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Companies Act, 1995. They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the company's accounting policies (see Note 3 - Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2013

In 2013, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2013. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1 January 2013. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that, there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

All foreign exchange gains and losses are presented in the statement of comprehensive income within 'Administrative expenses'.

1. Summary of significant accounting policies - continued

1.3 Financial assets

1.3.1 Classification

The company classifies its financial assets in the following categories: loans and receivables and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise loans receivable, trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.4 and 1.5).

(b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. If the company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than twelve months from the end of the reporting period, which are classified as current assets.

1.3.2 Recognition and measurement

The company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the company commits to purchase or sell the asset

Financial assets are initially recognised at fair value plus transaction costs. They are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

1. Summary of significant accounting policies - continued

1.3.3 Impairment

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The company first assesses whether objective evidence of impairment exists. The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The asset’s carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

1.4 Trade and other receivables

Trade receivables comprise amounts due from related parties for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 1.3.3). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.5 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts, are shown within borrowings in current liabilities in the statement of financial position.

1.6 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

1. Summary of significant accounting policies - continued

1.7 Financial liabilities

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.8 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Issue costs incurred in connection with the issue of the bonds include professional fees, publicity, printing, listing, registration, underwriting, management fees, selling costs and other miscellaneous costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

1.9 Trade and other payables

Trade payables comprise obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1. Summary of significant accounting policies - continued

1.11 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.12 Finance income and costs

Finance income and costs are recognised in profit or loss for all interest-bearing instruments on a time-proportion basis using the effective interest method. Finance costs include the effect of amortising any difference between net proceeds and redemption value in respect of the company's borrowings. Finance income and costs are recognised as they accrue, unless collectibility is in doubt.

1.13 Earnings per share

The company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

2. Financial risk management

2.1 Financial risk factors

The company constitutes a financing special purpose vehicle whose bonds and bank liabilities are matched by equivalent amounts due from, and guaranteed by, Spinola Development Company Limited (a fellow subsidiary). The company's principal risk exposures relate to credit risk and liquidity risk. The company is not exposed to currency risk and the directors deem interest rate risk exposure to be minimal due to matching of its interest costs on borrowings with finance income from its loans and receivables referred to above.

(a) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, loans receivable from Spinola Development Company Limited and the Held-to-maturity financial assets. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2013	2012
	€	€
Loans receivable (Note 4)	**57,415,595**	58,379,595
Held-to-maturity financial assets (Note 5)	**923,851**	928,573
Trade and other receivables (Note 6)	**1,738,337**	1,819,167
Cash and cash equivalents (Note 7)	**3,610,679**	736,921
	63,688,462	61,864,256

The company banks and invests only with local financial institutions or entities with high quality standing or rating. The company's investments and receivables consist mainly of loans and receivables from fellow subsidiaries and accordingly credit risk in this respect is limited.

The company does not hold collateral as security on its loans receivable. As disclosed in Note 9 Spinola Development Company Limited has issued corporate guarantees with respect to the company's bonds and a security on the Portomaso Business Tower block situated at Portomaso, Malta, with respect to the company's bank borrowings. These borrowings have been loaned to Spinola Development Company Limited through the issue of the Company's loans and receivables and accordingly credit risk in this respect is limited.

The audited financial statements of Spinola Development Company Limited at 31 December 2013 disclose a borrowing ratio of 45% (2012: 45%). This ratio expresses the guarantor's borrowings as a percentage of the aggregate net assets funded also by shareholders' equity. Borrowings are stated net of any funds made available for the redemption of such liabilities. Account is taken of the carrying amounts of assets and liabilities as reflected in the financial statements of Spinola Development Company Limited, adjusted to reflect the current market value of certain property, less deferred tax thereon.

Held to Maturity financial assets relate to listed debt securities issued by the Government of Malta. The credit quality of these financial assets that are neither past due nor impaired was assessed by reference to external credit ratings about counterparty default rates which as at year end was rated A3 (Moody's Investors Service).

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Liquidity risk

The company is exposed to liquidity risk arising primarily from its ability to satisfy liability commitments depending on cash inflows receivable in turn from Spinola Development Company Limited.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period to ensure that no additional financing facilities are expected to be required over the coming year. This process is performed through a rigorous assessment of detailed cash flow projections of the fellow subsidiary where matching of cash inflows and outflows arising from expected maturities of financial instruments are assessed on an annual basis.

The carrying amounts of the company's assets and liabilities are analysed into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date in the respective notes to the financial statements.

The following table analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Carrying amount €	Contractual cash flows €	Within one year €	One to five years €	Over five years €
31 December 2013					
Bank borrowings	8,036,338	8,625,887	3,228,805	5,397,082	-
Unsecured bonds	49,761,994	66,953,836	3,112,500	33,545,857	30,295,479
Trade and other payables	5,400,281	5,417,177	1,608,285	3,808,892	-
	63,198,613	**80,996,900**	**7,949,590**	**42,751,831**	**30,295,479**
31 December 2012					
Bank borrowings	9,000,000	9,861,990	2,112,767	7,749,223	-
Unsecured bonds	49,641,724	70,066,335	3,112,500	35,108,356	31,845,479
Trade and other payables	2,760,753	2,803,763	1,647,618	1,156,145	-
	61,402,477	82,732,088	6,872,885	44,013,724	31,845,479

2. Financial risk management - continued

2.2 Capital risk management

The company's bonds are guaranteed by Spinola Development Company Limited (a fellow subsidiary) and its bank loan is secured by this fellow subsidiary. Related finance costs are also guaranteed by this fellow subsidiary. The capital management of the company therefore consists of a process of regularly monitoring the financial position of the guarantor (refer also to Note 2.1).

2.3 Fair values

At 31 December 2013 and 2012 the carrying amounts of receivables (net of impairment provisions if any) and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

As at the end of the reporting period, the fair values of financial assets and liabilities, approximate the carrying amounts shown in the statement of financial position.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments. The fair value of the company's non-current floating interest rate borrowings and non-current trade and other payables at the end of the reporting period is not significantly different from the carrying amounts.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the company directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Loans and receivables

	2013	2012
	€	€
Loans to fellow subsidiary		
At beginning of year	**58,379,595**	58,379,595
Repayments	**(964,000)**	-
At end of year	**57,415,595**	58,379,595
At 31 December		
Cost and net book amount	**57,415,595**	58,379,595

Loans receivable reflect the transfer of funds to Spinola Development Company Limited (a fellow subsidiary), generated by the company from its bond and bank borrowings.

4. **Loans and receivables** - continued

Weighted average effective interest rate as at 31 December 2013:

	2013	2012
Loans to fellow subsidiary	**5.7%**	5.7%

The company's exposure to credit and interest rate risks related to investments is disclosed in Note 2. As at 31 December 2013, these financial assets were fully performing and hence do not contain impaired assets.

Maturity of loans and receivables:

	2013	2012
	€	€
Within 1 year	**2,911,717**	-
Within 2 and 5 years	**54,503,878**	58,379,595
	57,415,595	58,379,595

5. **Held-to-maturity financial assets**

	2013	2012
	€	€
Opening amortised cost	**928,573**	-
Acquisition of Malta Government Stocks	**-**	932,744
Amortisation of premium	**(4,722)**	(4,171)
Amortised cost at 31 December	**923,851**	928,573

Cost	**932,744**	932,744
Accumulated amortised premium	**(8,893)**	(4,171)
Amortised cost at 31 December	**923,851**	928,573

As at 31 December 2013 and 2012, Held-to-maturity financial assets include an amount of €100,000, which is pledged in favour of the custodian of the Bond Redemption Fund pursuant to the terms and conditions stated in the Offering Memorandum of the unsecured bonds. These funds have been allocated to the Bond Redemption Fund for the purpose of the Cash flows statement.

During financial year 2014, the company disposed of a substantial part of these investments. This transaction tainted the investment portfolio classified as held to maturity and the company will be classifying this investment portfolio as available for sale as from the second quarter of 2014. The proceeds from this transaction have been re-invested within the investment portfolio.

6. Trade and other receivables

	2013 €	2012 €
Current		
Amounts owed by fellow subsidiaries	**199,739**	274,809
Prepayments and accrued income	**1,538,598**	1,544,358
	1,738,337	1,819,167

Amounts owed by fellow subsidiaries are unsecured, interest free and repayable on demand. This balance together with accrued income includes interest due and accrued as at the end of the reporting period on the loans advanced by the company.

The company's exposure to credit and liquidity risk related to trade and other receivables is disclosed in Note 2.

7. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2013 €	2012 €
Cash and cash equivalents as per Statement of financial position	**3,610,679**	736,921
Less bond redemption fund	**(3,600,000)**	(500,000)
Cash and cash equivalents	**10,679**	236,921

As disclosed above cash and cash equivalents exclude the contribution to the bond redemption fund held in bank accounts and at the custodian, which use is restricted pursuit to the terms and conditions stated in the Offering Memorandum of the unsecured bonds.

8. Share capital

	2013 €	2012 €
Authorised, issued and fully paid up		
100,000 ordinary shares of €2.329373 each	**232,937**	232,937

9. Borrowings

	2013	2012
	€	€
Non-current		
250,000 6.25% bonds 2014 - 2016	**24,981,823**	24,915,857
250,000 6.20% bonds 2017 - 2020	**24,780,171**	24,725,867
Bank loan	**5,124,283**	9,000,000
	54,886,277	58,641,724
Current		
Bank loan	**2,911,717**	-
	57,797,994	58,641,724

The bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of such bonds, using the effective yield method as follows:

	2013	2012
	€	€
Face value		
250,000 6.25% bonds 2014 - 2016	**25,000,000**	25,000,000
250,000 6.20% bonds 2017 - 2020	**25,000,000**	25,000,000
	50,000,000	50,000,000
Issue costs	**(679,084)**	(679,084)
Accumulated amortisation	**441,078**	320,808
Closing net book amount	**(238,006)**	(358,276)
Amortised cost at 31 December	**49,761,994**	49,641,724

The company's banking facilities as at 31 December 2013 amounted to €8,036,000 (2012: €9,000,000).

9. **Borrowings** - continued

The interest rate exposure of the borrowings of the company was as follows:

	2013	2012
	€	€
Total borrowings:		
At floating rates	**8,036,000**	9,000,000
At fixed rates	**49,761,994**	49,641,724
	57,797,994	58,641,724

The weighted average effective interest rates as at the end of the reporting period were as follows:

	2013	2012
Bonds 2014 - 2016	**6.52%**	6.52%
Bonds 2017 - 2020	**6.49%**	6.49%
Bank loan	**4.05%**	4.20%

This note provides information about the contractual terms of the company's borrowings. For more information about the company's exposure to interest rate and liquidity risk, see Note 2.

By virtue of an offering memorandum dated 10 July 2009, the company issued 25,000,000 bonds with a face value of €100 each. The bond's interest is payable semi-annually in arrears on 31 January and 31 July. The bonds are redeemable at par and are due for redemption on 31 July 2016 but are redeemable in whole or in part, at the option of the company between 31 July 2014 and 31 July 2016 (the optional redemption periods). The bonds are guaranteed by Spinola Development Company Limited, which has bound itself jointly and severally liable for the payment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. The bonds have been admitted on the Official List of the Malta Stock Exchange on 27 July 2009. The quoted market price as at 31 December 2013 for the bonds was €103.5 (2012: €104.5). In the opinion of the directors these market prices fairly represent the fair value of these financial liabilities.

By virtue of an offering memorandum dated 9 June 2010, the company issued 25,000,000 bonds with a face value of €100 each. The bond's interest is payable semi-annually in arrears on 9 January and 9 July. The bonds are redeemable at par and are due for redemption on 9 July 2020 but are redeemable in whole or in part, at the option of the company between 9 July 2017 and 9 July 2020 (the optional redemption periods). The bonds are guaranteed by Spinola Development Company Limited, which has bound itself jointly and severally liable for the payment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. The bonds have been admitted on the Official List of the Malta Stock Exchange on 15 July 2010. The quoted market price as at 31 December 2013 for the bonds was €105.3 (2012: €104.5). In the opinion of the directors these market prices fairly represent the fair value of these financial liabilities.

10. Trade and other payables

	2013	2012
	€	€
Non-current		
Amounts owed to fellow subsidiary	**3,808,891**	1,156,026
Current		
Interest payable	**1,483,785**	1,493,599
Amounts owed to parent	**-**	1,535
Other payables	**88,039**	82,854
Accruals and deferred income	**19,567**	26,739
	1,591,391	1,604,727
Trade and other payables	**5,400,282**	2,760,753

Amounts owed to parent and fellow subsidiaries are unsecured, interest free and repayable on demand, except for an amount of €1,183,891, which bears an average interest rate of 3%, and an amount of €3,808,891 which has no fixed date of repayment but is not expected to be repaid within the next twelve months. The company's exposure to liquidity risk related to trade and other payables is disclosed in Note 2.

11. Finance income

	2013	2012
	€	€
Interest on loans to fellow subsidiary	**3,505,856**	3,535,187
Facility fee receivable	**220,233**	200,493
Interest on Held-to-maturity financial assets	**33,535**	17,017
Other bank interest	**12,547**	12,709
	3,772,171	3,765,406

12. Finance cost

	2013	2012
	€	€
Coupon interest payable on bonds	**3,232,770**	3,225,180
Interest on bank loan	**349,610**	378,946
Interest on loans from fellow subsidiary	**34,111**	21,452
	3,616,491	3,625,578

13. Expenses by nature

Administrative expenses are classified by their nature as follows:

	2013	2012
	€	€
Listing and related compliance costs	**66,477**	67,125
Directors' fees (Note 15)	**18,868**	17,470
Trustee fees	**8,500**	10,210
Other expenses	**34,583**	36,985
	128,428	131,790

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2013 and 2012 relate to the following:

	2013	2012
	€	€
Annual statutory audit	**3,540**	3,540
Tax advisory and compliance services	**750**	750
	4,290	4,290

14. Tax expense

	2013	2012
	€	€
Current tax expense:		
on taxable profit subject to tax at 15% and 35%	**9,538**	1,831
Under provision relating to prior year	**-**	3,520
	9,538	5,351

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2013	2012
	€	€
Profit before tax	**27,252**	8,038
Tax on profit at 35%	**9,538**	2,813
Tax effect of:		
Under provision relating to prior year	**-**	3,520
Income subject to tax at different rate	**-**	(1,016)
Expenses not deductible for tax purposes	**-**	34
Tax charge in the accounts	**9,538**	5,351

15. Directors' emoluments

	2013	2012
	€	€
Directors' fees	**18,868**	17,470

16. Earnings per share

Earnings per share is based on the profit after taxation attributable to the ordinary shareholders of the company divided by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Net profit attributable to owners of the company	**€17,714**	€2,687
Weighted average number of ordinary shares in issue (Note 8)	**100,000**	100,000
Earnings per share (cents)	**17c7**	2c7

17. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2013	2012
	€	€
Profit before tax	**27,252**	8,038
Adjustment for:		
Amortisation of bond issue costs	**120,270**	112,680
Amortisation of Malta Government stock premium	**4,722**	4,171
Changes in working capital:		
Trade and other receivables	**5,760**	(4,295)
Trade and other payables	**(13,336)**	(7,644)
Amounts owed by fellow subsidiaries	**75,070**	(94,488)
Cash generated from operations	**219,738**	18,462

18. Related party transactions

The company forms part of the Tumas Group of Companies. All companies forming part of the Tumas Group are related parties since these companies are all ultimately owned by Tumas Group Company Limited which is considered by the directors to be the ultimate controlling party. Trading transactions between these companies include items which are normally encountered in a group context. The group is ultimately fully owned by members of the Fenech family, who are therefore considered to be related parties. The main related party with whom transactions are entered into is Spinola Development Company Limited, the guarantor of the borrowings (Note 9).

The following are the principal transactions that were carried out with related parties:

	2013	2012
	€	€
Income from goods and services		
Finance income from fellow subsidiary (Note 11)	**3,505,856**	3,535,187
Facility charges from fellow subsidiary (Note 11)	**220,233**	200,493
Expenditure for goods and services		
Interest on advances from fellow subsidiary (Note 12)	**34,111**	21,452

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 15 to the financial statements.

Year end balances arising from related party transactions are disclosed in Notes 4, 6 and 10 to the financial statements.

19. Statutory information

Tumas Investments p.l.c. is a limited liability company and is incorporated in Malta.

The ultimate and immediate parent company of Tumas Investments p.l.c. is Tumas Group Company Limited, a company registered in Malta, with its registered address at Tumas Corporate Office, Level 3, Portomaso Business Tower, Portomaso, St. Julians, Malta.

The ultimate controlling parties of Tumas Group Company Limited are the spouse and descendents of the group's deceased founder, Mr. Thomas Fenech.