

TUMAS INVESTMENTS p.l.c.

Annual Report and Financial Statements  
31 December 2019

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## Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2019.

### 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 business

Finance income on loans and ancillary revenue during 2019 amounted to €2.37million (€2.37million in 2018). While interest payable on the bonds totalled €2.23million (€2.23million in 2018). This resulted in a net income of €139,000 up by 1.2% from 2018.

Administrative expenses at €125,964 were marginally above last year. These expenses account for listing, compliance, professional and directors' fees. Profit before tax stood at €13,003 slightly above its counterpart figure the previous year. The company's financial position accounts for the two bonds in issue, each of €25million, and the corresponding loans to Spinola Development Co Ltd for a similar amount. This company which has developed Portomaso is the guarantor of these bonds. Amounts owed by fellow subsidiaries and interest accrued make up trade and other receivables, while trade and other payables is made up of the provision for interest on the inter-company loans, and other payables. The equity of the company as at the end of the year under review stood at €638,210, up by €8,454, in line with the performance.

### Guarantor's performance for the financial year ended 31 December 2019

The Guarantor's performance for the year under review was highly positive although below the previous year which was exceptional due to the one-time deliver of most of the Laguna apartments and the recognition of revenue on a portion of the office block next to the Portomaso Business Tower as the latter was partially delivered during the year under review. The Guarantor's total turnover reached €59.71million, leading to a profit before tax of €16.30million. Comparing the overall performance to 2017, which was not impacted by any major property sales demonstrates a very similar performance. In actual fact revenue was €4.66million and profit before tax was €1.58million above 2017 figures.

Revenue from hospitality was back up to 69.7% of the total, contributing €41.59million towards the total, while the property segment contributed 19.6% of total revenue. During 2019, the hotel's room occupancy was marginally above that of the previous year while average room rates plateaued at the 2018 level. The overall GOP margin, compared to the hotel's five-star peers was once again at the top.

Property sales totalled €11.73million and reflect in the main the partial delivery of the office block already referred to above. During the course of the year further works were carried out on the cluster of apartments being developed and financed by the guarantor. It is envisaged that during the course of 2020 internal finishings will be carried out with the objective to complete in line with sales prospects.

Rental operations and complex management accounted for the rest of turnover making up 10.7% of total revenue. The guarantor's equity position stood at €131.55million, a drop of €22.94million following an extraordinary dividend pay-out in November 2019 which offset the profits of the year under review. Cumulative retained earnings at €28million underline the group's robust financial position.

## **Directors' report** - continued

### **Outlook for 2020 and Events after the financial reporting date**

The outlook for 2020 is highly uncertain as what started off as an exceptional performance during the first two months of the year suddenly evaporated due to the COVID-19 pandemic.

For financial reporting purposes, events relating to the COVID-19 pandemic are deemed to be non-adjusting subsequent events, and accordingly the financial results and financial position of the company and group reported within these financial statements for the year ended 31 December 2019 have not been impacted by these events.

Following direction from the health authorities the hotel operation was brought to a practical standstill. As of the third week of March when the hotel's operations plunged to a few rooms and minimal F&B revenue. As of the time of finalising this report it is still too early to make predictions as to when the hotel operations will recommence to a degree of normality. As for property development the apartments referred to above are due to be completed by end 2020, however, no sales are envisaged this year. It is worth noting, that the fully owned subsidiary of the guarantor Halland Developments Co Ltd commenced demolishing and excavation works at the former Halland Aparthotel site, here again works are still preliminary and should continue during the course of the year. Rental operations, although up to now not materially affected may in fact be jeopardised should this partial lock out extend further.

The company's loans are to the bond's guarantor Spinola Development Co Ltd which company is adequately capitalised and enjoys what is deemed to be an appropriate level of liquidity. As at 31 December 2019, the guarantor cash reserves amounted to €28.61million and reported an equity position of €131.55million. In addition, the company can avail itself of backstop facilities from related Tumas Group entities in case of cashflow shortage. This will enable Spinola Development Co Ltd to ensure that it does meet its commitments both financial and otherwise and hence our obligations to bondholders should be met in full. We are advised that Spinola Development Co Ltd has carried out various sensitivity analysis which factor in quite some drastic implications which may result from the pandemic. As the situation is still quite fluid further assessments are ongoing so as to address and anticipate possible consequences and their rectification. It is too early to reliably estimate the financial impact this will have on the guarantor's standing, both operationally and the impact on the value of its assets with particular reference to its non-current assets, yet these assessments indicate that there should be no significant adverse impact on asset values.

Moreover, on an ongoing basis management is taking measures to mitigate the pandemic's impact, cost cutting strategies are being executed while committed investments are being re-evaluated so that these are either pursued with a higher degree of caution or put on hold for the time being. The state of affairs is being watched continuously in order to safeguard all our stakeholders' interests. To this effect, the board of the guarantor confirmed that Spinola Development Company Limited is adequately funded to operate as a going concern and hence honour its obligations as and when these fall due including its obligations as the guarantor of the company's bonds. Having considered all the above, the board of the company also confirms that Tumas Investments plc can operate as a going concern and is adequately funded to honour its obligations for the forth coming twelve months.

### **Financial risk management**

The company's activities expose it to a variety of financial risks, including credit risk and liquidity risk. Refer to Note 2 to these financial statements.

## **Directors' report** - continued

### **Conduct review**

The Board of Tumas Investments p.l.c. has made enquiries, with the directors of Spinola Development Company Limited, the Guarantor, regarding the allegations made in respect of Mr Yorgen Fenech. Further detail in this regard is included in the Conduct Review paragraph in the Corporate Governance, Statement of compliance on page 7.

### **Results and dividends**

The statement of comprehensive income is set out on page 18. The directors do not recommend the payment of a dividend.

Retained profits carried forward at the reporting date amounted to €388,208 (2018: €379,754).

### **Directors**

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

Raymond Fenech  
Raymond Sladden  
Michael Grech  
Yorgen Fenech - resigned on 12 November 2019  
Kevin Catania  
John Zarb

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 2019 are included in the Annual Report 2019, 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.

## Directors' report - continued

### Statement of directors' responsibilities for the financial statements - continued

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 2019, 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.

### 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.

### 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.

On behalf of the board



Raymond Fenech  
Director



Kevin Catania  
Director

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Ray Sladden  
Company secretary

19 June 2020

## **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 raise 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 presently has five directors who are appointed by its ultimate principal shareholder, Tumas Group Company Limited.

For the financial year ended 31 December 2019, three of the directors, Mr. Raymond Fenech, Mr. Yorgen Fenech (resigned on 12 November 2019) and Mr. Raymond Sladden, occupied senior executive positions within the Tumas Group of Companies. Mr. Kevin Catania, Dr. Michael Grech and Mr. John Zarb, served on the Board of the Company, in a non-executive capacity. Mr. John Zarb and Mr. Kevin Catania are considered by the board as independent directors since they are free of any significant business relationship, family or other relationships with the Issuer, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair their judgement. In assessing Mr. Zarb’s and Mr. Catania’s independence, due notice has been taken to Section 5.117 of the Listing Rules.

## **Corporate governance - Statement of compliance** - continued

### **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 lenders and the shareholders.

Meetings of the Board were 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.

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 2019.

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 of the bonds in issue;
- 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 with particular reference to the progress of the operations and commercial activity and related operational and commercial concerns.



## **Corporate governance - Statement of compliance** - continued

### **Conduct review**

Reference is made to the company announcement dated 2<sup>nd</sup> December 2019 relating to the serious allegations made with respect to a former director, Mr Yorgen Fenech.

The resignation of Mr Fenech has not impacted management continuity at the Company or within the Guarantor. The post of Executive Chairman and Chief Executive Officer is held by Mr Raymond Fenech, who has occupied these roles since 2014.

Since reports first surfaced in 2018 linking Mr Yorgen Fenech to irregularities, Mr Yorgen Fenech had strenuously denied all allegations in his regard both publicly and within the Tumas Group. The events unfolding in late 2019 caused concern and dismay to the Board of Tumas Investments p.l.c., which supported the Tumas Group's statement disassociating itself from the alleged actions attributed to Mr Yorgen Fenech.

The Board of Tumas Investments p.l.c. made enquiries during the course of 2019, with the directors of the Guarantor, on the reputational risk arising from the press allegations made at the time in respect of Mr Yorgen Fenech. The Board also sought and received assurances from the Tumas Group that the said group had not funded or benefited from any illicit activities being attributed to Mr Yorgen Fenech. An external review has since been completed, entailing the examination of the records of the group over an extended period, which has provided the Board with additional comfort on this point. It is the intention of the Tumas Group in agreement with the board of directors of Tumas Investments p.l.c. to continue to monitor developments that come to its attention and to take appropriate action as it deems necessary.

### **Audit Committee**

During the year 2019, 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 Spinola Development Company Limited, and also to consider the six monthly financial results and the annual financial statements.

The Audit Committee is entirely composed of non-executive directors and the Board is of the opinion that given the committee members, professional background and vast experience in legal, accounting and auditing matters, as a whole have competence relevant to the sector in which the Issuer is operating.

The chairman of the Audit Committee is Mr. John Zarb, who is an accountant by profession and is deemed by the Board to be an independent director competent in accounting and auditing matters. He held regular meetings to review the accounts and operations with the executive directors.

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 the 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.

## **Corporate governance - Statement of compliance** - continued

### **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 year under review, each director received an annual remuneration of €3,494 (2018: €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.

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 19 June 2020 and signed on its behalf by:



Raymond Fenech  
Director



Kevin Catania  
Director



## *Independent auditor's report*

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

### *Report on the audit of the financial statements*

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#### *Our opinion*

In our opinion:

- Tumas Investments p.l.c.'s financial statements give a true and fair view of the company's financial position as at 31 December 2019, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

#### **What we have audited**

Tumas Investments p.l.c.'s financial statements set out on pages 16 to 36, comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

#### **Independence**

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281). The non-audit services that we have provided to the company, in the period from 1 January to 31 December 2019 are disclosed in Note 12 to the financial statements.

## *Independent auditor's report - continued*

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

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### *Our audit approach*

#### **Overview**

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*Overall materiality: €515,000 which represents 1% of total assets.*

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*Recoverability of loans issued to the Guarantor of the bonds*

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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

#### **Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.



## *Independent auditor's report - continued*

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

<b>Overall materiality</b>	€515,000
<b>How we determined it</b>	1% of total assets
<b>Rationale for the materiality benchmark applied</b>	<p>We chose total assets as the benchmark, because, in our view it is an appropriate measure for this type of entity. We considered that this provides us with a consistent year-on-year basis for determining materiality.</p> <p>We chose 1%, which is within the range of quantitative materiality thresholds that we consider acceptable.</p>

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €51,500 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matter</b>	<b>How our audit addressed the Key audit matter</b>
<p><i>Recoverability of loans issued to the Guarantor of the bonds</i></p> <p>Loans and receivables include funds advanced to a fellow subsidiary, Spinola Development Company Limited, who is the guarantor of the bonds issued by the Company. Loan balances with this related party as at 31 December 2019 amounted to €50 million.</p> <p>As explained in accounting policy note 1.3 and note 4, the recoverability of the loans are assessed at the end of each financial year.</p> <p>The loans are the principal asset of the company, which is why we have given additional attention to this area.</p>	<p>We have agreed the terms of these loans to supporting loan agreements.</p> <p>We have assessed the financial soundness of the fellow subsidiary, Spinola Development Company Limited, which is also the guarantor of the company's bonds. In doing this, we made reference to the latest audited financial statements, management accounts, cash flow projections, forecasts and other relevant information made available to us.</p> <p>Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of these loans.</p> <p>We also understood the impact of post balance sheet COVID-19 pandemic on the financial performance and cash flows of the guarantor and reviewed related disclosures in these financial statements.</p>



## *Independent auditor's report - continued*

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

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### *Other information*

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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### *Responsibilities of the directors and those charged with governance for the financial statements*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.



## *Independent auditor's report - continued*

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

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that Covid-19 will have on the company's business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



## *Independent auditor's report - continued*

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### *Report on other legal and regulatory requirements*

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#### *Report on the statement of compliance with the Principles of Good Corporate Governance*

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.

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 5 to 8 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.





## *Independent auditor's report - continued*

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

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### *Other matters on which we are required to report by exception*

We also have responsibilities:

- under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
  - 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.
- under the Listing Rules to review the statement made by the directors 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.

---

### *Appointment*

We were first appointed as auditors of the Company for the period ended 31 December 2000. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 20 years. The company became listed on a regulated market on 2 August 2002.

#### **PricewaterhouseCoopers**

78, Mill Street  
Qormi  
Malta

A handwritten signature in blue ink, appearing to read 'S. Mamo', is written over a faint, circular blue stamp or watermark.

Stephen Mamo  
Partner

19 June 2020

## Statement of financial position

	Notes	As at 31 December	
		2019 €	2018 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Loans receivable from fellow subsidiary	4	<b>50,000,000</b>	50,000,000
Total non-current assets		<b>50,000,000</b>	50,000,000
<b>Current assets</b>			
Trade and other receivables	5	<b>1,367,428</b>	1,250,909
Cash and cash equivalents	6	<b>186,858</b>	262,966
Total current assets		<b>1,554,286</b>	1,513,875
<b>Total assets</b>		<b>51,554,286</b>	51,513,875

**Statement of financial position** - continued

		<b>As at 31 December</b>	
	Notes	2019 €	2018 €
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	7	250,002	250,002
Retained earnings		388,208	379,754
<b>Total equity</b>		<b>638,210</b>	629,756
<b>Non-current liabilities</b>			
Borrowings	8	49,689,221	49,645,462
Total non-current liabilities		<b>49,689,221</b>	49,645,462
<b>Current liabilities</b>			
Trade and other payables	9	1,226,799	1,235,994
Current tax liability		56	2,663
Total current liabilities		<b>1,226,855</b>	1,238,657
<b>Total liabilities</b>		<b>50,916,076</b>	50,884,119
<b>Total equity and liabilities</b>		<b>51,554,286</b>	51,513,875

The notes on pages 21 to 36 are an integral part of these financial statements.

The financial statements on pages 16 to 36 were authorised for issue by the board of directors on 19 June 2020 and were signed on its behalf by:



Raymond Fenech  
Director



Kevin Catania  
Director

## Statement of comprehensive income

	Notes	Year ended 31 December	
		2019 €	2018 €
Finance income	10	<b>2,370,227</b>	2,366,787
Finance costs	11	<b>(2,231,260)</b>	(2,229,486)
<b>Net interest income</b>		<b>138,967</b>	137,301
Administrative expenses	12	<b>(125,964)</b>	(124,359)
<b>Profit before tax</b>		<b>13,003</b>	12,942
Tax expense	13	<b>(4,549)</b>	(4,531)
<b>Profit for the year - total comprehensive income</b>		<b>8,454</b>	8,411

The notes on pages 21 to 36 are an integral part of these financial statements.

## Statement of changes in equity

	Share capital €	Retained earnings €	Total €
Balance at 1 January 2018	250,002	371,343	621,345
<b>Comprehensive income</b>			
Profit for the year - total comprehensive income	-	8,411	8,411
<b>Balance at 31 December 2018</b>	<b>250,002</b>	<b>379,754</b>	<b>629,756</b>
Balance at 1 January 2019	250,002	379,754	629,756
<b>Comprehensive income</b>			
Profit for the year - total comprehensive income		8,454	8,454
<b>Balance at 31 December 2019</b>	<b>250,002</b>	<b>388,208</b>	<b>638,210</b>

The notes on pages 21 to 36 are an integral part of these financial statements.

## Statement of cash flows

	Notes	Year ended 31 December	
		2019 €	2018 €
<b>Cash flows used in operating activities</b>			
Cash used in operations	15	(207,919)	(264,151)
Income tax paid		(7,156)	(5,137)
Tax refund received			-
Interest received		2,370,227	2,366,787
Interest paid		(2,231,260)	(2,229,486)
Net cash used in operating activities		<b>(76,108)</b>	(131,987)
<b>Net movement in cash and cash equivalents</b>		<b>(76,108)</b>	(131,987)
<b>Cash and cash equivalents at beginning of year</b>		<b>262,966</b>	394,953
<b>Cash and cash equivalents at end of year</b>	6	<b>186,858</b>	262,966

The notes on pages 21 to 36 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 (Note 3 - Critical accounting estimates and judgements).

For financial reporting purposes, events relating to the COVID-19 pandemic are deemed to be non-adjusting subsequent events, and accordingly the financial results and financial position of the company reported within these financial statements for the year ended 31 December 2019 have not been impacted by these events. As disclosed further in Note 17, the board of directors has assessed that the company is expected to have sufficient funds to meet its own financial obligations as they fall due, including the payment of interest on the unsecured bonds and the board of directors have concluded that the company's business to be a going concern and able to finance its operations in the coming year.

#### *Standards, interpretations and amendments to published standards effective in 2019*

In 2019, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2019. The adoption of these revisions to the requirements of IFRS as adopted by the EU did not result in substantial changes to the company's accounting policies impacting the company's financial performance and position.

#### 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'. No exchange differences were recognised during 31 December 2019 and 2018.

## 1. Summary of significant accounting policies - continued

### 1.3 Financial assets

#### Classification

The company classifies its financial assets as financial assets measured at amortised costs. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The company classifies its financial assets as at amortised cost only if both the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

#### *Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

#### Recognition and measurement

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 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 the risks and rewards of ownership.

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Interest income on debt instruments measured at amortised cost from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition of these instruments is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of profit or loss.



## 1. Summary of significant accounting policies - continued

### 1.3 Financial assets - continued

#### Impairment

The company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The company's financial assets are subject to the expected credit loss model.

#### *Expected credit loss model*

The company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, and it considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the borrower or issuer, or a breach of contract such as a default or being more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

## **1. Summary of significant accounting policies - continued**

### **1.4 Trade and other receivables**

Trade receivables comprise amounts due from fellow subsidiary 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. Details about the company's impairment policies and the calculation of loan allowance are provided in Note 1.3.

### **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.

### **1.7 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'). 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 carried at amortised cost; any difference between the 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. Summary of significant accounting policies - continued**

**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.

**1.11 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 Provisions**

Provisions for legal claims are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

**1. Summary of significant accounting policies - continued**

**1.13 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.

**2. Financial risk management**

**2.1 Financial risk factors**

The company constitutes a financing special purpose vehicle whose bonds 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*

The company measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward-looking information in determining any expected credit loss.

The company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below. The company's exposures to credit risk as at the end of the reporting period are analysed as follows:

	2019	2018
	€	€
<b>Financial assets at amortised cost</b>		
Loans receivable from fellow subsidiary (Note 4)	<b>50,000,000</b>	50,000,000
Trade and other receivables (Note 5)	<b>1,367,428</b>	1,250,909
Cash and cash equivalents (Note 6)	<b>186,858</b>	262,966
	<b>51,554,286</b>	51,513,875

The company does not hold collateral as security on the loans from fellow subsidiary. Yet as disclosed in Note 8, Spinola Development Company Limited has issued corporate guarantees with respect to the company's bond.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### *(a) Credit risk - continued*

In 2019, the company had to assess on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. These instruments are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' for instruments, which have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. In case of the loans issued to the guarantor, the assessment takes into consideration the financial position, performance and other factors of the guarantor of the bonds. Management monitors intra-group credit exposures on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The company take cognisance of the related party relationship with this entity and management does not expect any losses from non-performance or default. The expected credit risk model of IFRS 9, did not result in the recognition of any loss allowance on the loans receivable from fellow subsidiary as any such impairment would be wholly insignificant to the company.

The company banks only with local financial institutions with high quality standing or rating. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses, as any such impairment would be wholly insignificant to the company.

#### *(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.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (b) Liquidity risk - continued

	Carrying amount €	Contractual cash flows €	Within one year €	One to five years €	Over five years €
<b>31 December 2019</b>					
Unsecured bonds	49,689,221	62,659,246	2,193,493	33,125,856	27,339,897
Trade and other payables	1,226,799	1,226,799	1,226,799	-	-
	<b>50,916,020</b>	<b>63,886,045</b>	<b>3,420,292</b>	<b>33,125,856</b>	<b>27,339,897</b>
<b>31 December 2018</b>					
Unsecured bonds	49,645,462	64,846,746	2,187,500	8,755,993	53,903,253
Trade and other payables	1,235,994	1,235,994	1,235,994	-	-
	<b>50,881,456</b>	<b>66,082,740</b>	<b>3,423,494</b>	<b>8,755,993</b>	<b>53,903,253</b>

### 2.2 Capital risk management

The company's bonds are guaranteed by Spinola Development Company Limited (a 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 (Note 2.1).

### 2.3 Fair values of financial instruments

At 31 December 2019, 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 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 receivable from fellow subsidiary**

	2019 €	2018 €
<b>Loans receivable from fellow subsidiary</b>		
At beginning and end of year	<b>50,000,000</b>	50,000,000
<hr/>		
<b>At 31 December</b>		
Cost and net book amount	<b>50,000,000</b>	50,000,000
<hr/>		

Loans receivable from fellow subsidiary reflect the transfer of funds to Spinola Development Company Limited generated by the company from its bonds. During 2019, the directors assessed the expected loss and it was not considered material to be adjusted for in these financial statements.

Weighted average effective interest rate as at 31 December 2019 and 2018:

	2019	2018
Loans to fellow subsidiary	<b>4.5%</b>	4.5%
<hr/>		

The company's exposure to credit and interest rate risks related to investments is disclosed in Note 2.

Maturity of loans and receivables:

	2019 €	2018 €
Over 5 years	<b>50,000,000</b>	50,000,000
<hr/>		

**5. Trade and other receivables**

	2019 €	2018 €
<b>Current</b>		
Amounts owed by fellow subsidiary	<b>349,051</b>	230,982
Prepayments and accrued income	<b>1,018,377</b>	1,019,927
<hr/>		
	<b>1,367,428</b>	1,250,909
<hr/>		

Amounts owed by fellow subsidiary 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.

**6. Cash and cash equivalents**

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

	2019 €	2018 €
Cash and cash equivalents	<b>186,858</b>	262,966

**7. Share capital**

	2019 €	2018 €
<b>Authorised, issued and fully paid up</b> 250,002 ordinary shares of €1 each	<b>250,002</b>	250,002

**8. Borrowings**

	2019 €	2018 €
<b>Non-current</b>		
250,000 5% bonds 2024	<b>24,869,054</b>	24,844,305
250,000 3.75% bonds 2027	<b>24,820,167</b>	24,801,157
	<b>49,689,221</b>	49,645,462

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:

	2019 €	2018 €
<b>Face value</b>		
250,000 5% bonds 2024	<b>25,000,000</b>	25,000,000
250,000 3.75% bonds 2027	<b>25,000,000</b>	25,000,000
	<b>50,000,000</b>	50,000,000
Issue costs	<b>(486,028)</b>	(486,028)
Accumulated amortisation	<b>175,249</b>	131,490
Closing net book amount	<b>(310,779)</b>	(354,538)
<b>Amortised cost at 31 December</b>	<b>49,689,221</b>	49,645,462



## 8. Borrowings - continued

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

	<b>2019</b>	2018
	€	€
Total borrowings:		
At fixed rates	<b>49,689,221</b>	49,645,462

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

	<b>2019</b>	2018
Bonds 2024	<b>5.00%</b>	5.00%
Bonds 2027	<b>3.75%</b>	3.75%

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, refer to Note 2.

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. On 10 July 2017, the directors exercised the early redemption of the bond and redeemed €25,000,000 6.2% bonds.

By virtue of an offering memorandum dated 7 July 2014, 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 2024. 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 31 July 2014. The quoted market price as at 31 December 2019 for the bonds was €102.00 (2018: €108.50). 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 29 May 2017, the company issued €25,000,000 bonds with a face value of €100 each. The bond's interest is payable annually in arrears on 10 July. The bonds are redeemable at par and are due for redemption on 10 July 2027. 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 7 July 2017. The quoted market price as at 31 December 2019 for the bonds was €100.50 (2018: €104.00). In the opinion of the directors these market prices fairly represent the fair value of these financial liabilities.

## 9. Trade and other payables

	<b>2019</b>	2018
	€	€
<b>Current</b>		
Interest payable	<b>976,883</b>	976,883
Other payables	<b>219,072</b>	253,619
Accruals and deferred income	<b>30,844</b>	5,492
Trade and other payables	<b>1,226,799</b>	1,235,994

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

**10. Finance income**

	2019 €	2018 €
Interest on loans to fellow subsidiary	<b>2,237,500</b>	2,237,499
Facility fee receivable	<b>132,727</b>	129,288
	<b>2,370,227</b>	2,366,787

**11. Finance cost**

	2019 €	2018 €
Coupon interest payable on bonds	<b>2,231,260</b>	2,229,486

**12. Expenses by nature**

Administrative expenses are classified by their nature as follows:

	2019 €	2018 €
Listing and related compliance costs	<b>56,399</b>	61,388
Directors' fees (Note 14)	<b>20,382</b>	20,964
Other expenses	<b>49,183</b>	42,007
	<b>125,964</b>	124,359

*Auditor's fees*

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2019 and 2018 relate to the following:

	2019 €	2018 €
Annual statutory audit	<b>6,200</b>	6,490
Tax advisory and compliance services	<b>750</b>	750
	<b>6,950</b>	7,240

**13. Tax expense**

	2019 €	2018 €
Current tax expense: on taxable profit subject to tax at 35%	<b>4,549</b>	4,531

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

	2019 €	2018 €
Profit before tax	<b>13,003</b>	12,942
Tax on profit at 35%	<b>4,549</b>	4,531

**14. Directors' emoluments**

	2019 €	2018 €
Directors' fees	<b>20,382</b>	20,964

**15. Cash used in operations**

Reconciliation of profit before tax to cash used in operations:

	2019 €	2018 €
Profit before tax	<b>13,003</b>	12,942
Adjustment for:		
Amortisation of bond issue costs	<b>43,759</b>	41,986
Finance income	<b>(2,370,227)</b>	(2,366,787)
Finance costs	<b>2,231,260</b>	2,229,486
Changes in working capital:		
Trade and other receivables	<b>(116,519)</b>	(134,948)
Trade and other payables	<b>(9,195)</b>	(46,830)
Cash used in operations	<b>(207,919)</b>	(264,151)

*Net debt reconciliation*

All the movements in the company's net debt related only to cash flow movements and disclosed as part of the financing activities in the statement of cash flows on page 20.

## 16. 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 8).

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

	2019	2018
	€	€
<b>Income from goods and services</b>		
Finance income from fellow subsidiary (Note 10)	<b>2,237,500</b>	2,237,499
Facility fee from fellow subsidiary (Note 10)	<b>132,727</b>	129,288
	<hr/>	<hr/>

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 14 to the financial statements.

Year end balances arising from related party transactions are disclosed in Notes 4, 5 and 9 to the financial statements.

## 17. Events after the financial reporting date

In view of the current situation brought about by the COVID-19 pandemic, the company recognises that the key risk and uncertainty of its operations is that of the potential non-fulfilment by the borrower, Spinola Development Company Limited, its fellow Tumas Group subsidiary – of its obligations under the relative loan agreement.

For financial reporting purposes, events relating to the COVID-19 pandemic are deemed to be non-adjusting subsequent events, and accordingly the financial results and financial position of the company reported within these financial statements for the year ended 31 December 2019 have not been impacted by these events.

Following the outbreak of the COVID 19 pandemic and the health authorities' directions, operations at the hotel and its amenities were lowered to minimal levels as from the third week of March. The board of the guarantor envisages that the marina will operate on the same basis as budgeted, however, it recognises that the use of the car park will decrease and the tower bar had been closed off indefinitely, until such time that this is allowed to reopen and even then, business would need to factor in social distancing with the ensuing implications both financial and otherwise. The property development and rentals segments, have been impacted to a lesser extent, at least at this stage. Property development physical deliveries within Portomaso itself should actually prove to be on budget as management still aims to deliver the rest of the areas relating to the office block next to Portomaso Business Tower. As for rental income, despite no major casualties however, conscious of the state of affairs brought forth by the pandemic, the consequent social distancing plus the partial lockdown of a number of commercial units the probability is that this segment will also be negatively impacted.

## 17. Events after the financial reporting date - continued

The guarantor's management has carried out various assessments, including stress case scenarios, on the immediate and potential impact of the COVID-19 pandemic on its operations and financial performance. These scenarios show that the guarantor will be in a position to meet its financial liabilities when they fall due. These assessments, which are an on-going process, consider the risks and uncertainties the guarantor currently and potentially faces as the situation evolves and identifies measures that may be taken by management as appropriate from time to time to curb any negative impact on the guarantor's operations and its liquidity and hence its financial position and equity.

The guarantor is also taking action in order to mitigate the financial implications this pandemic's fallout will have on its financial standing. Fixed costs are reassessed and where appropriate measures taken to safeguard cash resources and reduce operational leverage. In so doing, only essential capital expenditure is undertaken, while projects outside the hospitality unit, namely those relating to property within Portomaso are being completed and finished as planned. Works commenced late last year on the Halland project are being pursued at an appropriate and prudent pace in line with a revised business strategy. The guarantor also applied for the government wage supplement assistance through the Malta Enterprise scheme with respect to payroll costs which by far is definitely the largest single portion of annual expenditure. The board of the guarantor is also in discussions with bankers to make use of the moratorium recently announced by the Central Bank of Malta in order to shift this year's loan repayments into the future.

The board of the guarantor notes that the group reported a strong cash reserve position of €28.61million and a solid equity position resulting in a gearing ratio of 14% as at end of 2019. The guarantor can avail itself of backstop facilities from related Tumas Group entities in case of cashflow shortage. This will enable Spinola Development Co Ltd to ensure that it does meet its commitments both financial and otherwise and hence the company's obligations to bondholders should be met in full.

It is too early to reliably estimate with a high degree of certainty the financial impact this pandemic will have on the guarantor's standing, both operationally and the impact on the value of its assets with particular reference to its non-current assets which as at year end amounted to €176.40million yet the assessments performed by the guarantor's management indicate that there should be no significant adverse impact on asset values. The guarantor's board notes that the group has entered this stage of the pandemic from a position of strength as disclosed in the December 2019 group statement of financial position its group equity exceeding €131.55million a low gearing level and current assets including cash and cash equivalents amounting to €67.74million exceeds current liabilities by €37.10million. The group will therefore continue to monitor ongoing developments particularly as these effect tourism and the leasing of real estate. These unprecedented times call for the highest degree of attention for steps to be taken in a timely manner to manage the situation.

To this effect the company is informed that the guarantor's directors have determined that it is well-positioned to honour its financial obligations as they fall due this year.

Accordingly, the company is expected to have sufficient funds to meet its own financial obligations as they fall due, including the payment of interest on the unsecured bonds which falls due on 10 July 2020 and 31 July 2020 and the board of directors have concluded that the company's business to be a going concern and able to finance its operations in the coming year. The board of directors have concluded that at the time of approving these financial statements no material uncertainty exists that may cast doubt on the company's ability to continue as a going concern.

**18. 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 descendants of the group's deceased founder, Mr. Thomas Fenech.