The Directors
Shoreline Mall p.l.c.
Suite 407, Level 4
Block SMC 01,
Smart City, Ricasoli
Malta

Re: Financial Analysis Summary – 2022 28 October 2022

Dear Sirs,

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

The purpose of the financial analysis is that of summarising key financial data pertaining to Shoreline Mall p.l.c. (the "**Issuer**") as explained in part 1 of the Analysis. The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the three years ended 30 April 2020, 2021 and 2022 has been extracted from the audited financial statements of the Issuer for the three years in question.

(b) The forecast data for the financial years ending 30 April 2023, 2024 and 2025 has been provided by management.

(c) Our commentary on the Issuer's results and financial position is based on explanations provided by management.

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

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

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of the Issuer. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek independent professional financial advice before investing in the Issuer's securities.

Yours sincerely,

Patrick Mangion
Head of Capital Markets

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FINANCIAL ANALYSIS SUMMARY 2022

THE SHORELINE

Shoreline Mall p.l.c.

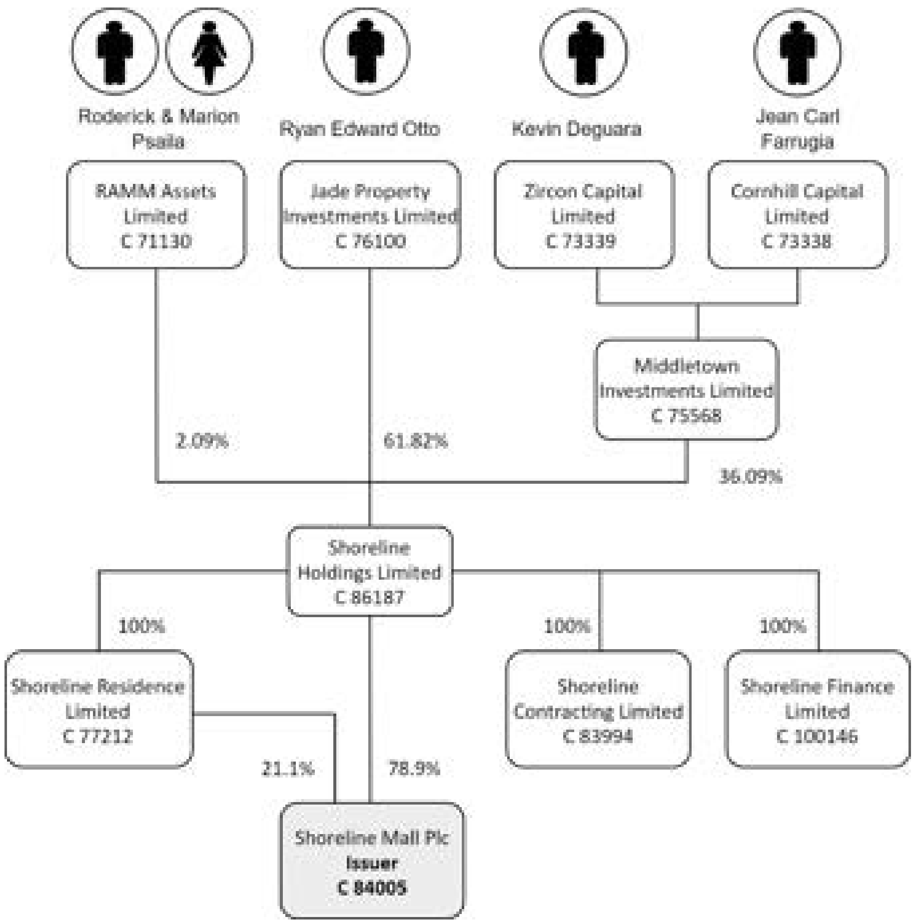
28 October 2022

Prepared by Calamatta Cuschieri Investment Services Ltd

Part 1 Information about the Group

1.1 Issuer's Key Activities and Structure

The Group structure is as follows:



The principal activity of the Shoreline Mall p.l.c. (the "**Issuer**" or "**SMP**") is the development and subsequent operation of a shopping mall, a number of luxury residential units for resale, and the operation of a car park complex in Smart City, Kalkara (the "**Shoreline Mall Project**"). The Issuer forms part of the wider group of companies consisting of Shoreline Residence Limited ("**SRL**"), Shoreline Contracting Ltd ("**SRL**"), and Shoreline Finance Limited and their holding company, Shoreline Holdings Limited ("**SHL**"),

The Issuer was incorporated on 15 December 2017, with registration number C 84005 and was converted into a public liability company on 18 October 2019. The Issuer has an authorised share capital of €21,000,000 divided into 20,999,999 Ordinary A Shares and 1 Ordinary B Share, all having a nominal value of €1 each. The issued share capital of the Issuer is €21,000,000 divided into 16,575,997 Ordinary A Shares of €1 each 100% paid up in name of Shoreline Holdings Limited, 4,424,002 Ordinary A Shares of €1 each 33.9% paid up in name of Shoreline Residence Limited, and 1 Ordinary B Share of €1 fully paid up in name of Shoreline Residence Limited.

Shoreline Holdings Limited, company registration number C 86187, was set up on 8 May 2018 and acts as the holding company of the Shoreline Group. SHL has an authorised share capital of €15,000,000 divided into 15,000,000 ordinary shares all having a nominal value of €1 each. The issued share capital is of €11,497,700, made up of 11,497,700 ordinary shares, which are divided into 5,108,183 Ordinary A Shares 100% paid up, 2,000,000 Ordinary A Shares 25% paid up, 239,926 Ordinary B Shares 100% paid up, 2,149,591 Ordinary C Shares 100% paid up, and 2,000,000 Ordinary C Shares 25% paid up. The shareholders of SHL are Jade Property Investments Limited (61.82%), Middletown Investments Limited (36.09%), and RAMM Assets Ltd (2.09%).

Shoreline Residence Limited, company registration number C 77212, and Shoreline Contracting Ltd, company number C 83994, were incorporated on 12 September 2016 and 15

December 2017, respectively. SRL owns the airspace above podium level which will encompass the residential apartment's development. SCL engages third-party contractors and recharges these services to both SRL and SMP in order to execute the development programme.

Shoreline Finance Limited, company registration number C 100146, was set up on 9 September 2021 and will act as a finance company for SRL. The company's principal object is to arrange and provide finance for the construction of residential apartments being undertaken by SRL, which fall outside the scope of the Shoreline Mall Project.

1.2 Directors and Key Employees

Board of Directors - Issuer

As at the date of this Analysis, the board of directors of the Issuer is constituted by the following persons:

Name	Office Designation
Mr Benjamin Muscat	Independent Non-executive Director, Chairman
Mr Robert Ancilleri	Independent Non-executive Director
Mr Charles Scerri	Independent Non-executive Director
Mr Ryan Edward Otto	Executive Director
Dr Jean Carl Farrugia	Non-executive Director
Dr Kevin Deguara	Non-executive Director
Mr Roderick Psalia	Non-executive Director

The board is composed of seven directors who are entrusted with the overall direction and management of the Issuer. The executive director is entrusted with the decision making and the day-to-day management of the Issuer, whereas the non-executive directors, three of whom are independent of the Issuer, monitor the executive activity of the Issuer and contribute to the development of its corporate strategy, by providing objective and impartial scrutiny. Other than the independent non-executive directors, company secretary and site assistant, all other employees are employed by SCL.

1.3 Major Assets owned by the Group

SRL acquired the area on which the Shoreline Mall Project is being developed (the "**Shoreline Mall Site**") from Smartcity (Malta) Limited (C 41194), in virtue of a deed in the records of Notary Joseph Smith La Rosa of the 17 April 2019 by the title of sub-emphyteusis. On 24 October 2019, the Issuer acquired the Shoreline Mall Site from SRL for consideration of €13 million.

This site is located in Smart City, Kalkara, and is bounded on the South by third-party property, West by the Northern Urban Ring Road, North East by the promenade area, and South East in part by the Laguna area and in part by the divided portion of land which forms part of the Emphyteutical Land (as defined in the prospectus issued by the Issuer dated 18 June 2020).

It is to note that as per discussion with senior management of the Group, no new major assets other than what was expected in the ordinary course of business, being the development of the Shoreline Mall Project, have been added since the previous Financial Analysis Summary dated 26 October 2021.

1.4 Operational Developments

As discussed in section 1.1 above, the principal activity of the Issuer is concerned with the development of the Shoreline Mall Project, being a shopping mall, a number of luxury residential units, and a car park complex in Smart City, Kalkara. During the financial year ended 30 April 2021, SMP issued a bond issue of €40 million split into two tranches:

- Tranche A amounting to €14 million (4%) maturing in 2026
- Tranche B amounting to €26 million (4.5%) and maturing in 2032

The net proceeds of the bond issue, *circa* €39.3 million, are being used by the Issuer for the construction of the Shoreline Project. The bond is secured by a special hypothec over the value of the Shoreline Project, which was valued by an independent architect.

The proposed development comprises a commercial component consisting of a shopping mall with a total gross area of 25,000 sqm spread over two floors, of which 14,000 sqm consist of various rental retail spaces. Management confirmed that the mall structure was completed in October 2022 and will be ready for tenant fit-out to commence from November 2022. Commercial operations are expected to commence in FY2024 once the said tenants have completed their fit-outs.

The Shoreline Mall Project will also comprise the development of a number of foreshore luxury residential units which shall be retained for sale purposes. Management expects these residential units to be completed by end of FY2023, with contracts expected to be signed by FY2025.

Since the issuance of the previous Financial Analysis Summary dated 26 October 2021 the project has been delayed. As per discussions with management, the reasons are the following:

- The third party with which SCL was originally intended to sub-contract the design and build stage of the Shoreline Mall Project , was faced with difficulties shortly after being identified. In this respect, SCL elected to re-tender the design and build phase, with this ultimately partly resulting in the aforementioned delays;

- The COVID-19 pandemic also created delays as general restrictions were imposed, creating complications around processing work permits as well as the inbound transportation of the workforce; and
- Since the the Issuer intends on bringing higher quality, local and international brands to the public, the said brands have requested additional time to fit out their stores to achieve their brand's high quality and specialised standards.

In terms of the development of the car park within the Shoreline Mall Project, SMP intends to develop 1,036 car parking spaces split between 720 parking spaces complementing the shopping mall which shall be retained and operated by the Issuer, and 316 parking spaces complementing the residential component for sale purposes. The former will be made available for use by customers, initially at reduced rates to attract footfall, and the latter has been committed by the Issuer to SRL for resale upon completion.

This reflects 188 more car parking spaces in comparison with previous plans. This increase is predominantly a result of design changes to make more efficient use of the existing area. Thus, the mall is expected to generate more parking revenue due to increased footfall and consequently an increase in commercial revenue for the mall itself.

Development costs of the mall and mall car park are estimated at €49.3 million, including allocation costs and overheads projected throughout the development of the Shoreline Mall Project. Upon completion, the combined value of the mall and mall car park is estimated at €77 million, with the combined value of the residential units and the residential car park estimated at €24.0 million. Management noted that there were a number of design changes to achieve a more efficient floor layout both in terms of the car space layout and the common areas, as well as the facility rooms. Some additional costs were incurred, however, the improved design also resulted in savings, and therefore the difference in costs was immaterial.

The mall components, being the in-scope components for the bond issue in line with the Prospectus, which will be referred to throughout this Analysis include (i) the mall (the commercial component), (ii) the residential units, (iii) the mall car park, and (iv) the residential car park.

1.5 COVID-19 and the Conflict in Ukraine

The Issuer's project has been impacted by COVID-19, global shipping shortages, and economic complications because of the conflict in Ukraine. However, as per management discussions, the Issuer expects the impact on cash flows to be minimal due to the mitigating factors it has taken onboard internally. One such major mitigant being that the main construction contract has been based on a fixed price, design, and build and is milestone-based, therefore the potential for cost overruns is assumed to be low. The sub-contractor is further bound by strict performance obligations backed by a performance bond in favour of the contractor - SCL.

1.6 Listed Debt Securities of the Issuer

Shoreline Mall p.l.c. has the following outstanding debt securities:

	ISIN	€m
4% SHM PLC Secured Bonds 2026 (Series A)	MT0002351204	14
4.5% SHM PLC Secured Bonds 2032 (Series B)	MT0002351212	26

Part 2 Historical Performance and Forecasts

The Issuer was incorporated on 15th December 2017 and has yet to commence operations and, accordingly, has no trading record or history of operations.

As per the requirements of the Companies Act (Chapter 386 of the Laws of Malta), Art 174 (3), following the admission of the bond issue to the Malta Stock Exchange ('MSE'), financial statements have to be prepared for the Issuer of the bond. Given that the whole operation of the Shoreline Project will be undertaken by the Issuer, the financial projections relate to the Issuer, SMP.

For the purpose of this document, the focus is on a review of the performance of the Issuer. The historical financial information pertaining to FY20-FY22 of the Issuer are set out from section 2.1 to section 2.3 of this Analysis. Forecasts pertaining the Issuer for the period ending 30 April 2023 to 30 April 2025 are based on management projections and are set out in section 2.5 of this Analysis.

2.1 Issuer's Statement of Comprehensive Income

Income Statement	FY 2020	FY 2021	FY 2022
	€'000s	€'000s	€'000s
Revenue	10	-	-
Administrative expenses	(34)	(280)	(392)
Loss before tax	**(24)**	**(280)**	**(392)**
Income tax	-	-	-
Loss after tax	**(24)**	**(280)**	**(392)**

Apart from €10k in other income generated from intercompany recharges during FY20, the Issuer did not recognise any material revenue since incorporation as the project is still at a development stage. "Administration expenses" incurred by the Issuer increased to €392k in FY22 (FY21: €280k). These relate to expenses stemming from the development of the mall components which were not capitalised. No income was registered in FY22. As noted above, the Issuer has not yet started trading and, as a result, registered a loss of €392k during FY22.

2.2 Issuer's Statement of Financial Position

Statement of Financial Position	FY 2020	FY 2021	FY 2022
	€'000s	€'000s	€'000s
Assets			
Non-current assets			
Investment property under construction	11,386	15,818	34,359
Other assets	62	-	-
Total non-current assets	**11,448**	**15,818**	**34,359**
Current assets			
Inventory under construction	7,545	7,216	9,122
Other receivables	88	182	121
Amounts due from related parties	83	15,562	12,968
Cash and cash equivalents	1,132	20,080	1,772
Total current assets	**8,848**	**43,040**	**23,983**
Total assets	**20,296**	**58,858**	**58,342**
Equity			
Share capital	18,076	18,076	18,076
Accumulated losses	(31)	(311)	(704)
Total equity	**18,045**	**17,765**	**17,372**
Liabilities			
Non-current liabilities			
Debt securities in issue	-	39,362	39,430
Lease liabilities	149	148	148
Total non-current liabilities	**149**	**39,510**	**39,578**
Current liabilities			
Other payables	35	1,454	1,392
Amounts due to related parties	2,067	129	-
Total current liabilities	**2,102**	**1,583**	**1,392**
Total liabilities	**2,251**	**41,093**	**40,970**
Total equity and liabilities	**20,296**	**58,858**	**58,342**

The Issuer's "Total assets" as at FY22 remained stable at around €58.3 million compared to the prior year (FY21: €58.9 million). The Issuer's asset base as at FY22 is split 58.9% (FY21: 26.9%) "Non-current assets" and 41.1% (FY21: 73.1%) "Current assets". This increase in "Non-current assets" is mainly attributable to "Advances to a related party for construction costs" in connection with investment property. Due to this advancement, the Issuer's cash position decreased by €18.3m to €1.8m whilst "Investment property under construction" increased by €18.6m to €34.4m.

Another significant component of current assets for the Issuer are "Amounts due from related parties" which amounted to €13.0m in FY22 (FY21: €15.6m). These relate to amounts paid in advance to SCL to be used for the construction of the project and are interest-free, payable on demand and have no fixed date for repayment. "Non-current assets" in FY22 were lower than what was projected in last year's FAS mainly due to the delays experienced in the completion of the project that resulted in a lower value of the construction project in-progress being classified as a "Non-current asset".

In view of the Issuer's FY22 accumulated losses, "Total equity" has reduced slightly to €17.4 million, with this being the main reason for the decline in the Issuer's "Total equity" when compared to previous expectations found in last year's FAS. "Total liabilities" of the Issuer amounted to €41.0m during FY22 (FY21: €41.1m). "Non-current liabilities" were predominantly made up of €39.4m in relation to the "Debt securities in issue". The Issuer also recorded €1.4m worth of "Current liabilities" on its books related to other payables.

2.3 Issuer's Statement of Cash Flows

Cash Flows Statement	FY 2020	FY 2021	FY 2022
	€'000s	€'000s	€'000s
Cash flows from operating activities			
Loss before taxation	(24)	(280)	(392)
Adjustments for:			
Movement in inventory	(1,494)	(1)	(19)
Movement in other receivables	29	(94)	(2,063)
Allowance in other payables	(33)	25	11
Interest paid on lease liabilities	(3)	(6)	(6)
Net cash flows used in operating activities	**(1,525)**	**(356)**	**(2,469)**
Cash flows from investing activities			
Movement in investment property under construction	(2,400)	(2,702)	(139)
Advances to a related party for construction costs	-	(14,420)	(14,374)
Payments made at or before lease commencement	(3)	-	-
Net cash flows used in investing activities	**(2,403)**	**(17,122)**	**(14,513)**
Cash flows from financing activities			
Proceeds from issue of share capital	3,829	-	-
Net proceeds from debt securities issued	-	38,220	-
Payment of bond transaction costs	(62)	(577)	-
Financing to related parties	1,293	(1,297)	-
Interest on debt securities	-	-	(1,825)
Financing from parent and related parties	-	80	499
Net cash flows generated from / (used in) financing activities	**5,060**	**36,426**	**(1,326)**
Movement in cash and cash equivalents	**1,132**	**18,948**	**(18,308)**
Cash and cash equivalents at start of year	(0)	1,132	20,080
Cash and cash equivalents at end of year	**1,132**	**20,080**	**1,772**

After accounting for the "Loss before taxation" incurred by the Issuer and working capital movements, the Issuer registered a negative cash flow balance from operating activities of €2.5m during FY22. The largest movement relating to operating cash flows in FY22 came from the negative movement of €2.1m in other receivables. Management noted that the main difference in "Net cash flows used in operating activities" in comparison to previous expectations relates to development costs, which were all previously presented under operating activities.

These are now being presented separately with development costs of inventory, shown under "Cash flows from operating activities", and development costs relating to investment property and those paid in advance being presented under "Cash flows from investment activities". In this respect, the difference in the exact figure relates to the delays faced by the Issuer as noted in section 1 of this Analysis. The aforementioned reason therefore also explains the cash flow variance under investing activities. Cash outflows from investing activities, similarly to FY21, were made up of mostly "Advances to a related party for construction costs" which amounted to €14.4m. "Movement in investment property under construction" were minimal and amounted to outflows of €0.1m (FY21: outflows of €2.7m). In line with previous expectations, the Issuer's financing activities during FY22 mainly reflect the outstanding bond interest payments of €1.8m.

2.4 Variance Analysis

Income Statement - Consolidated	FY 2022A	FY 2022P	Variance
	€'000s	€'000s	€'000s
Revenue - retail space	-	-	-
Revenue - carpark	-	-	-
Revenue - luxury residences	-	-	-
Total Revenue	**-**	-	-
Cost of Sales	-	-	-
Gross Profit	-	-	-
Administrative expenses	(392)	(296)	(96)
EBITDA	**(392)**	**(296)**	**(96)**
Depreciation	-	-	-
EBIT	**(392)**	**(296)**	**(96)**
Amortisation of bond issue costs	-	(77)	77
Finance Costs	-	(1,730)	1,730
Capitalised interest and bond issue cost	-	1,807	(1,807)
Profit before tax	**(392)**	**(296)**	**(96)**
Tax	-	-	
Profit/ (loss) for the year	**(392)**	**(296)**	**(96)**
Net revaluation of Investment property	-	-	-
Comprehensive Income	**(392)**	**(296)**	**(96)**

The Issuer had forecasted to generate a net loss of €296k in FY22 however due to a number of unforeseen events the Issuer incurred a €392k loss in the same year. The Issuer incurred higher administrative expenses when compared to previous expectations. There were 3 main reasons for the higher than expected administration expenses. The first being additional resources in the form of external consultants which were engaged for the purpose of assisting in the allocation, planning and negotiations with both international and local tenants. The second reason was a new reporting legislation "ESEF" which resulted in additional costs being incurred to meet these requirements.

The last factor which increased administration expenditure was a donation made to a local children's charity. In addition, management further reported that amortisation of bond issue costs incurred have been capitalised during FY22 and are therefore not shown on the income statement. Similarly the incurred finance costs of €1.7m during FY22 have also been capitalised and therefore not been disclosed on the face of the audited Income statement. In conclusion, since the Issuer did not generate revenue, the Issuer did not incur tax expenses in FY22 as it had anticipated.

2.5 Issuer's Projected Statement of Comprehensive Income

Income Statement - Consolidated	FY 2023F	FY 2024P	FY 2025P
	€'000s	€'000s	€'000s
Revenue - retail operations	-	3,345	5,786
Revenue - residential carpark	3,792	5,688	-
Revenue - luxury residences	2,450	7,350	4,900
Total Revenue	**6,242**	**16,383**	**10,686**
Cost of Sales	(4,167)	(8,545)	(3,058)
Gross Profit	**2,075**	**7,838**	**7,628**
Administrative expenses	(439)	(426)	(396)
EBITDA	**1,636**	**7,412**	**7,232**
Depreciation	-	(2,385)	(2,385)
EBIT	**1,636**	**5,027**	**4,847**
Amortisation of bond issue costs	(68)	(68)	(68)
Finance Costs	(1,730)	(1,730)	(1,730)
Capitalised interest and bond issue cost	1,798	-	-
Profit before tax	**1,636**	**3,229**	**3,049**
Tax	(318)	(1,457)	(1,505)
Profit/ (loss) for the year	**1,318**	**1,772**	**1,544**
Net revaluation of Investment property	10,006	2,385	2,385
Comprehensive Income	**11,324**	**4,157**	**3,929**

Ratio Analysis	FY 2023F	FY 2024F	FY 2025F
Profitability			
Gross Profit Margin (Gross Profit / Revenue)	33.2%	47.8%	71.4%
EBITDA Margin (EBITDA / Revenue)	26.2%	45.2%	67.7%
Operating (EBIT) Margin (EBIT / Revenue)	26.2%	30.7%	45.4%
Net Margin (Profit for the year / Revenue)	21.1%	10.8%	14.4%
Return on Common Equity (Net Income / Total Equity)	5.7%	5.8%	4.4%
Return on Assets (Net Income / Total Assets)	1.5%	2.2%	1.8%
Interest Coverage (EBITDA / Cash interest paid)	1.0%	4.3	4.2
Growth in Revenue (YoY Revenue Growth)	n/a	162.5%	-34.8%

In view of the delays discussed in section 1.4 of this Analysis, management now expects the commercial and car park (mall) operations to commence in FY24 whilst Inventory sales to commence from FY23. In FY23, the Issuer is expecting to generate €3.8m in revenue from the car park sales and €2.4 in revenue from the luxury residences with "Total revenue" expected to be around €6.2m.

Management confirmed that the Issuer has already received letters of intent (LOIs) pertaining to approximately 90% of the total available retail space and based on these LOI's have subsequently signed head of term agreements for 53% of the available retail space . The LOIs contemplate that the annual rent is to be calculated on the greater of a base rate per sqm (subject to annual increases) or a percentage of outlet turnover. Management expects the retail mall to be 95% occupied from the date of opening.

All luxury residential units are expected to be sold by FY25 with the majority being sold by FY24, at an average price of €2.45 million per unit. All residential car parking spaces are expected to be sold by FY24 at an expected average price of €30k per unit.

The "Cost of sales" figure for FY23 includes the land cost, capital expenditure, commissions (where applicable) and capitalised interest relating to the development of the respective residential units and car parking spaces. These are expected to amount to €4.2m in FY22 and €8.6m in FY24 in line with the higher expected revenue.

"Administrative expenses" consist primarily of general company operating costs together with mall operating costs and ground rent. Agency fees will not be charged on the sale of car spaces as these assets will be sold directly to SRL. Mall operating costs represent general overheads that are not expected to be recharged to tenants and are assumed to be incurred once the mall commences operations in FY24 Management expects "Administrative expenses" to amount to €0.4m in FY23 and decrease slightly in FY24 and FY25.

The "Depreciation" charge reflected in FY24 relates to depreciation incurred on the mall and mall car park. No "Depreciation" charges will be incurred on assets under development.
"Finance costs" are projected to reach €1.7 million in FY23 and remain constant thereafter. The expected "Finance costs" are composed of interest costs of 4.0% charged on the €14m 6-year bond and 4.5% charged on the €26m 12-year bond. Finance costs and capitalised interest (when permissible) are presented separately throughout the forecasted period.

"Tax" is projected at the lower of 35% on rental income net of 20% maintenance allowance and interest expenses, or 15% of rental income. Tax incurred on the sale of the residential units is projected at 8% payable on the total sales value, net of agency fees.

The Issuer is also forecasting a significant revaluation of its "Investment property" in FY23 of €10.0m, which will result in "Comprehensive income" of €11.3m. The revaluation uplift adjustments for FY24 and FY25 are expected to amount to €2.4m in both years.

2.6 Issuer's Projected Statement of Financial Position

Statement of Financial Position	FY 2023F	FY 2024P	FY 2025P
	€'000s	€'000s	€'000s
Assets			
Non-current assets			
Investment Property	77,000	77,000	77,000
Current assets			
Inventory	10,990	2,813	-
Other receivables	99	11	3
Cash and cash equivalents	1,708	1,760	7,375
Total current assets	**12,797**	**4,584**	**7,378**
Total assets	**89,797**	**81,584**	**84,378**
Equity and liabilities			
Capital and reserves			
Share capital	18,076	18,076	18,076
Retained earnings	10,620	14,778	18,708
Total equity	**28,696**	**32,854**	**36,784**
Liabilities			
Non-current liabilities			
Debt securities in issue	39,497	39,565	39,633
Lease Liability	147	146	-
Deferred tax liability	6,160	6,160	6,160
Total non-current liabilities	**45,804**	**45,871**	**45,793**
Current liabilities			
Other Payables	1,353	1,660	1,655
Amount due to group companies	13,943	1,198	-
Lease Liability	1	1	146
Total current liabilities	**15,297**	**2,859**	**1,801**
Total liabilities	**61,101**	**48,730**	**47,594**
Total equity and liabilities	**89,797**	**81,584**	**84,378**

Ratio Analysis	Apr-2023F	Apr-2024P	Apr-2025P
Financial Strength			
Gearing 1 (Net Debt / Net Debt and Total Equity)	56.9%	53.5%	46.7%
Gearing 2 (Total Liabilities / Total Assets)	68.0%	59.7%	56.4%
Gearing 3 (Net Debt / Total Equity)	132.2%	115.1%	87.7%
Net Debt / EBITDA	23.2%	5.1%	4.5%
Current Ratio (Current Assets / Current Liabilities)	0.8x	1.6x	4.1x
Interest Coverage level 1 (EBITDA / Cash interest paid)	0.9x	4.3x	4.2x
Interest Coverage level 2 (EBITDA / finance costs)	0.9x	4.3x	4.2x

"Total assets" in FY23 mainly comprise "Investment property" and "Inventory". "Investment property" reflects the land cost attributable to the mall and mall car park, capital expenditure on these properties, and capitalised interest. Inventory reflects the land cost attributed to the residential units and the residential car spaces, any capital expenditure on these properties, and capitalised interest. "Cash and cash equivalents" are anticipated to amount to

€1.7m during FY23 and are expected to increase to €7.4m in FY25 due to the generation of cash from the sale of its inventories, revenues from the commercial operations of the Mall assets as well as decreased financing to group entities in line with the respective stage of completion of the Shoreline Project.

"Total equity" is anticipated to amount to €28.7m in FY23 and is expected to continue increasing in FY24 and FY25 due to higher "Retained earnings" year over year. "Non-current liabilities" are expected to stand at 75.0% of SMP's "Total liabilities" during FY23, mainly reflecting the undertaking of the bond issue. Also listed under "Non-current liabilities" for the forecasted years is a "Deferred tax liability" of €6.1m arising on property valuation, concerning the mall and mall car park property value.

"Current liabilities" are mainly composed of "Other payables" and "Amounts due to group companies". "Other payables" are mainly accrued interest payables for the development of the project. Management expects these balances to be settled in full each year. The accrued interest payables reported in the 2021 financial statements were settled in August 2021. "Amounts due to group companies" are unsecured, interest-free, and they are expected to settle 12 months from the date of the statement of financial position. They may be offset with other amounts due from the same party.

2.7 Issuer's Projected Statement of Cash Flows

Cash Flows Statement	FY 2023F	FY 2024P	FY 2025P
	€'000s	**€'000s**	**€'000s**
Deposits and receipts on property held for sale	6,242	13,038	4,900
Deposits and Rental income from commercial operations	-	3,667	5,786
Total cash inflows from operations	**6,242**	**16,705**	**10,686**
Development costs	(17,353)	-	-
Overheads	(468)	(353)	(393)
Agency Fees	(123)	(368)	(245)
Taxation paid	(318)	(1,457)	(1,505)
Net cash flows used in operating activities	**(18,262)**	**(2,178)**	**(2,143)**
Cash flows from / (used in) investing activities	-	-	-
Cash flows from financing activities			
Finance from group entities	13,688	(12,745)	(1,198)
Repayment of bond interest	(1,730)	(1,730)	(1,730)
Net cash flows generated from / (used in) financing activities	**11,958**	**(14,475)**	**(2,928)**
Movement in cash and cash equivalents	**(62)**	**52**	**5,615**
Cash and cash equivalents at start of year	1,770	1,708	1,760
Cash and cash equivalents at end of year	**1,708**	**1,760**	**7,375**

Ratio Analysis	Apr-2023F	Apr-2024F	Apr-2025F
Cash Flow			
Free Cash Flow (Net cash from operations + Interest - Capex)	(16,532)	(448)	(413)

Deposits and receipts on property held for sale in FY23, FY24 and FY25 reflect deposits received on the residential car parking spaces and residential units. Management expects the majority of the contracts concerning the luxury residences and respective car parking spaces to be signed by FY24.

During FY20, the Issuer has acquired the property including the airspace over which the mall components will be developed from the Shoreline Group for €13 million. Development costs also included under cash outflows from operating activities reflect the total projected cash outlay on the development of the project, including allocated costs, overheads and VAT on the residential components. No VAT is expected to be incurred on development costs related to the mall as this is expected to be recovered. The residential units will incur VAT, however, these amounts will be capitalised together with their development costs.

Total inflows from operations are expected to be the highest in FY24 with most of the property held for sale being sold in this year. Development costs are expected to be the highest in FY23 and to be minimal thereafter with the finalisation of the project. As a result of the above, the closing cash and cash equivalents balance over FY23 to FY25 are anticipated to amount to €1.7 million and €7.4m during FY23 and FY25 respectively mainly due to the lower operating and financing outflows and increased operating income being generated in the latter years.

Part 3 Key Market and Competitor Data

3.1 General Market Conditions

The Issuer is subject to general market and economic risks that may have a significant impact on its current and future property developments and their timely completion within budget. These include factors such as the health of the local property market, inflation and fluctuations in interest rates, exchange rates, property prices, and rental rates. In the event that general economic conditions and property market conditions experience a downturn, which is not contemplated in the Issuer's planning during development, this shall have an adverse impact on the financial condition of the Issuer and may therefore affect the ability of the Issuer to meet its obligations under the Bonds.

3.2 Malta Economic Update[1]

The Bank's Business Conditions Index (BCI) indicates that annual growth in business activity has returned to its long-term average estimated since January 2000. The European Commission survey shows that in September, economic sentiment in Malta edged down from a month earlier, falling further below its long-term average, which is estimated since November 2002.

When compared with August, sentiment deteriorated strongly in the services sector, and to a lesser extent, in the construction sector. By contrast, it improved in the retail sector, in industry and to a lesser degree among consumers. Additional survey information shows that price expectations increased significantly in industry, but fell in all the other sectors compared to August. In September, the European Commission's Economic Uncertainty Indicator (EUI) for Malta decreased when compared with August.

Uncertainty fell most in the services sector, with a smaller decrease recorded among consumers. In August, industrial production increased at a faster pace in annual terms, following a smaller increase in the previous month. The volume of retail trade rose at a slower rate in year-on-year terms compared with July. The unemployment rate stood at 2.9% in August, unchanged from a month earlier, and the lowest rate on record. Commercial permits increased in August relative to their year-ago level, as did residential permits. In September, both the number of promise-of-sale agreements and final deeds of sale declined on a year-on-year basis.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 7.4% in September, up from 7.0% in the previous month. Inflation based on the Retail Price Index (RPI) also rose, reaching 7.5% in September from 7.0% a month earlier. Maltese residents' deposits expanded at an annual rate of 7.2% in August, following an increase of 7.8% in the previous month, while annual growth in credit to Maltese residents stood at 8.2%, above the rate of 7.2% recorded a month earlier. In August 2022, the surplus on the Consolidated Fund widened slightly when compared with a year earlier reflecting a decline in government expenditure.

3.3 Economic projections[2]

The Central Bank of Malta expects Malta's gross domestic product (GDP) to grow by 5.2% in 2022, 4.5% in 2023 and 3.7% in 2024. Compared to the previous projections, the Bank's latest forecast represents downward revisions of 0.2% in 2022, 0.4% in 2023, and of 0.1% in 2024. The downward revisions reflect the strong pick-up in inflationary pressures as well as a further deterioration in the international economic environment due to the recent cuts in gas supplies to European countries.

Net exports are expected to be the main driver of growth in 2022, reflecting the correction in import-intensive investment outlays from the exceptionally high levels reached in 2021. The contribution of domestic demand is expected to be positive but significantly lower compared to that of 2021, as growth in activity normalises following the strong rebound last year. In the following years, domestic demand is expected to lead the expansion in economic activity, especially from private consumption. The contribution of net exports is projected to ease over the projection horizon, reflecting the gradual normalisation of tourism exports and decelerating growth in foreign demand more generally.

Employment growth in 2022 is expected to reach 3.5% from 2.8% in 2021. It is set to moderate to just above 2% by 2024. The unemployment rate is projected to decline to 3.1% this year, from 3.5% last year and it is expected to hover within this range over the outlook period. In view of the expected increase in inflation this year, wage growth is projected to be relatively strong. Nevertheless, nominal wage growth is projected to remain below that of inflation due to some lag in the transmission from prices to wages. In the following years, wage pressures are expected to moderate as the labour market becomes less tight.

[1] Central Bank of Malta – Economic Update 10/2022

[2] Central bank of Malta – August 2022 projections

Annual inflation based on the Harmonised Index of Consumer Prices is projected to pick-up sharply in 2022 and remain high in 2023. Indeed, it is envisaged to accelerate to 5.9% in 2022, from 0.7% in 2021. The sharp pick-up in inflation reflects a broad-based increase across all sub-components of HICP except for energy inflation. Import price pressures are expected to moderate somewhat by the beginning of next year, although these are envisaged to remain high by historical standards. Hence, HICP inflation is expected to moderate to 3.8% by 2023, driven by lower contributions from all subcomponents except for energy inflation. Inflation is set to ease further in 2024 to 2.1%.

The general government deficit is projected to recede to 5.6% of GDP in 2022, from 7.9% in 2021. It is expected to narrow further to 4.0% in 2023 and to 3.2% in 2024. This profile is driven by the unwinding of COVID-19 support measures in 2022, which offset outlays on price mitigation measures. The latter are set to remain in place but assumed to diminish over the projection horizon. The general government debt-to-GDP ratio is projected to stand at 58.8% of GDP in 2024.

On balance, risks to economic activity are tilted to the downside, especially for 2023 though uncertainty even during 2022 remains high. The main downside risks relate to the evolution of energy supply from Russia to Europe. This could lead to severe shortages of energy supplies going into the winter, which could in turn adversely affect production abroad and amplify supply bottlenecks. Foreign demand could also be weaker than expected if monetary policy in advanced economies continues to tighten more forcibly than assumed in this projection round. These downside risks are mitigated somewhat by domestic fiscal policy, which is cushioning partly the impact of imported inflation. In addition, the savings ratio could fall faster than is being assumed in this projection, while upward surprises in tourism could further boost net exports and GDP growth.

Risks to inflation are on the upside during the entire projection horizon. Indeed, further escalation in cuts in gas supplies could trigger a stronger than envisaged rise in commodity prices, which would put further upward pressures on the prices of imported goods and freight costs. In addition, the EU policy to sharply reduce dependence on Russian fossil fuels could also lead to stronger than expected increases in import costs, particularly in the short-run. The risk of second-round effects from wages and mark-ups grows if high inflation persists for longer.

On the fiscal side, risks mainly relate to a larger deficit in 2022 and 2023. These mostly reflect the likelihood of additional Government support to mitigate rising commodity prices and the likelihood of state aid to the national airline.

3.4 The retail sector

Following the implementation of confinement measures by both local and international governments, retail stores had to close their doors in mid-March 2020. As the first wave of COVID-19 cases started to be controlled, retail stores were allowed to reopen in early May 2020. This enabled retailers to start crystallising some of their lost sales as consumer demand started to pick up. The recovery for certain retailers was short-lived after governments reintroduced restrictions on mass events such as prohibiting weddings, concerts, parties, and other large events.

Restrictions continued to be tightened and as from 11 March 2021, Malta re-entered in a quasi-lockdown state, which amongst other restrictions, resulted in the closure of non-essential shops, with these being allowed to re-open their respective doors in June-July 2021.

To alleviate liquidity challenges, the government of Malta launched the Malta Development Bank (MDB) COVID-19 Guarantee Scheme (CGS) for guaranteeing new loans granted by commercial banks for working capital purposes to businesses facing liquidity shortfalls as a result of the pandemic. In terms of the number of facilities, the sector comprising wholesale and retail activities applied for the largest number of facilities and had the largest value of sanctioned loans.

Moving into 2022, confidence within the local retail sector more than doubled in February 2022. Specifically, it edged up to 22.1 from 9.0 in January 2022. According to recent data issued by the Central Bank of Malta, business activity over the past couple of months, improved considerably in February 2022. In this respect, confidence expectations concerning the local retail industry over the next couple of months also improved. More recently in August, the volume of retail trade – which is a short-term indicator of final domestic demand – increased by 1.8% in year-on-year terms, after rising by 9.5% in July

3.5 Luxury Property Sector

The strong economic growth sustained by the Maltese economy in recent years has contributed to a rise in the employment rate and the influx of foreign workers within the Maltese workforce. Nevertheless, it is evident that Malta has over recent years greatly evolved and has attracted numerous amount of foreign companies related to sectors within the financial services, gaming, and IT-related fields. The country's ability to continue attracting these types of businesses to Malta has significantly contributed towards the sustainability of the luxurious residential and rental sector. Enterprises within these types of areas have thrived in recent years, making Malta an attractive investment alternative. In fact, the gaming industry accounts for over 8% of GDP directly and employs close to 10,000 people which is around 4% of total employment[3]. An indication of the high-end market being healthy is that the buyers in these developments are made up of a mix of locals and foreigners.

Of note, there are several traditional high-end residential areas in Malta. For instance, localities such as Gharghur, Tal-Virtu in Rabat, and Madliena all boast magnificent sea or country views. One may also find several luxury villas within the central area of Malta such as Lija, Attard, Balzan, Naxxar, Sliema, and Saint Julian's. Another area in Malta that is popular for its high density of villas is Santa Marija Estate in Mellieha, overlooking Mellieha Bay. In furtherance, there are also top-quality high-end residential and rental developments within the proximity of Marsascala, Marsaxlokk, and in other parts of the south of Malta including Smart City in Ricasoli which also boasts impressive and spectacular sea views.

Re/Max, a Maltese real estate agency said that as a consequence of the pandemic, the luxury market has slowed down and prices have stabilized, yet they expect that the slowdown is only temporary and the high-end market will strengthen once again in the following period.

[3] Malta Today - Gaming: one of Malta's few industries that built a local ecosystem – May 2022

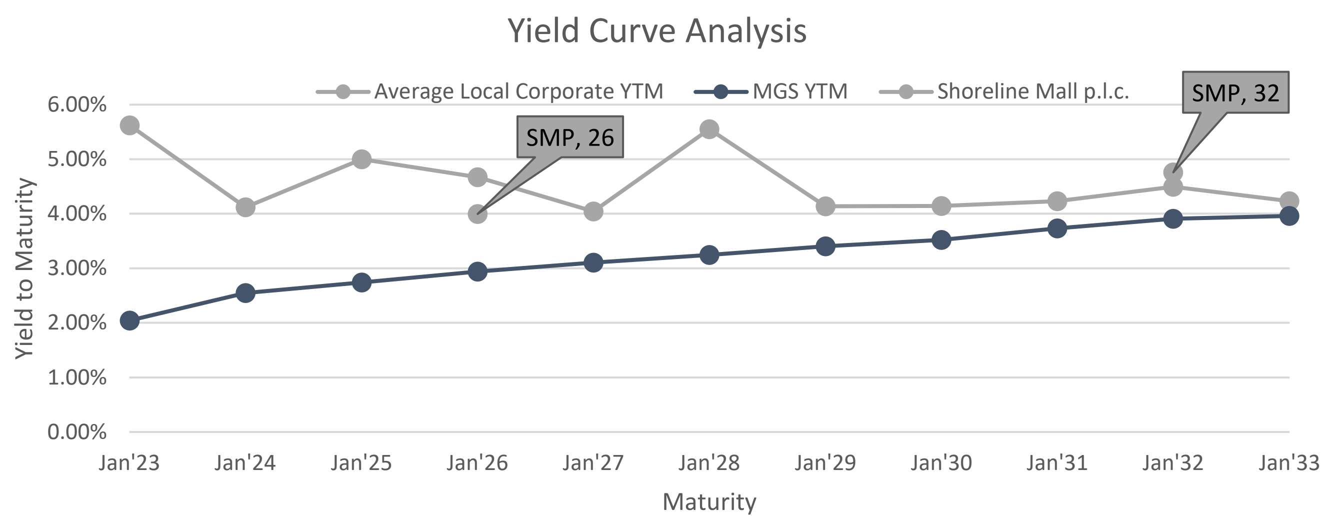
3.6 Comparative Analysis

The purpose of the table below compares the debt issuance of the Group to other debt instruments. Additionally, we believe that there is no direct comparable company related to the Issuer and as such, we included a variety of Issuers with different maturities. More importantly, we have included different issuers with similar maturity to the Issuer. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore different.

Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt and Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)
4.25% GAP Group plc Secured € 2023	8,350	4.24%	7.8x	112.2	21.6	80.8%	66.3%	3.5x	6.2x	48.3%	17.7%	110.7%
5.3% United Finance Plc Unsecured € 2023	8,500	4.54%	5.5x	18,484.8	7,801.6	57.8%	54.0%	3.5x	3.4x	30.1%	271.0%	5.0%
5% Tumas Investments plc Unsecured € 2024	25,000	3.82%	4.9x	232.1	139.2	40.0%	19.7%	2.6x	4.4x	2.8%	11.6%	-1.4%
4.25% Best Deal Properties Holding plc Secured € 2024	9,103	3.02%	25.4x	24.6	6.9	71.9%	68.4%	3.9x	6.6x	50.2%	13.8%	83.2%
4.5% Hili Properties plc Unsecured € 2025	37,000	4.50%	1.5x	208.7	110.9	46.9%	32.3%	10.6x	4.7x	3.7%	38.5%	6.5%
5.25% Central Business Centres plc Unsecured € 2025 S2T1	2,985	5.08%	2.0x	58.2	23.6	59.4%	54.7%	21.3x	1.2x	15.5%	227.7%	19.1%
4% MIDI plc Secured € 2026	50,000	4.00%	0.9x	225.7	102.4	54.6%	38.6%	30.5x	2.8x	0.5%	5.9%	234.4%
4.0% Shoreline Mall Plc Secured € 2026 **	14,000	4.00%	1.0x	89.8	32.9	68.0%	56.9%	23.2x	0.8x	5.7%	21.1%	0.0%
3.75% Mercury Projects Finance plc Secured € 2027	11,500	5.03%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%
4.4% Central Business Centres plc Unsecured € 2027 S1/17 T1	6,000	4.59%	2.0x	58.2	23.6	59.4%	54.7%	21.3x	1.2x	15.5%	227.7%	19.1%
3.75% Tumas Investments plc Unsecured € 2027	25,000	3.75%	4.9x	232.1	139.2	40.0%	19.7%	2.6x	4.4x	2.8%	11.6%	-1.4%
4% Hili Finance Company plc Unsecured € 2027	50,000	4.08%	4.6x	727.7	154.6	78.7%	71.8%	4.7x	1.1x	25.9%	5.7%	22.0%
3.85% Hili Finance Company plc Unsecured € 2028	40,000	4.76%	4.6x	727.7	154.6	78.7%	71.8%	4.7x	1.1x	25.9%	5.7%	22.0%
3.75% TUM Finance plc Secured € 2029	20,000	4.82%	3.6x	67.9	37.4	44.9%	34.4%	7.3x	0.6x	4.0%	41.0%	10.1%
3.8% Hili Finance Company plc Unsecured € 2029	80,000	4.14%	4.6x	727.7	154.6	78.7%	71.8%	4.7x	1.1x	25.9%	5.7%	22.0%
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.23%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%
4.25% Central Business Centres plc Unsecured € 2033	21,000	4.48%	2.0x	58.2	23.6	59.4%	54.7%	21.3x	1.2x	15.5%	227.7%	19.1%
4.3% Mercury Project Finance plc Secured € 2032	50,000	4.23%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%
4.5% Shoreline Mall Plc Secured € 2032 **	26,000	4.50%	4.7x	19.3	18.1	60.1%	87.5%	3.4x	4.7x	24.5%	36.5%	0.0%
	Average	4.31%										

Source: Latest available audited financial statements

* Last closing price as at 19/10/2022
**The financial analysis of Shoreline Mall Plc reflects the projected financial position of the Issuer for the year ended 30th April 2023.
***Average figures do not capture the financial analysis of the Issuer



Source: Malta Stock Exchange, Central Bank of Malta and Calamatta Cuschieri Estimates

The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted. The graph illustrates on a stand-alone basis, the Issuer's existing yields of its outstanding bonds.

As at 19 October 2022, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 3-5 years (2025-2027) was 145 basis points. The 4% SHM PLC Secured Bonds 2026 is currently trading at a YTM of 400 basis points, meaning a spread of 105 basis points over the equivalent MGS. This means that this bond is trading at a discount of 40 basis points in comparison to the market.

As at 19 October 2022, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 7-11 years (2029-2033) was 70 basis points. The 4.5% SHM PLC Secured Bonds 2032 is currently trading at a YTM of 476 basis points, meaning a spread of 85 basis points over the equivalent MGS. This means that this bond is trading at a premium of 15 basis points in comparison to the market.

Part 4 Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
Operating Profit (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Company during the financial year net of any income taxes incurred.

Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by average total assets (average assets of two years financial performance).
Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.

Balance Sheet	
Total Assets	What the Group/Company owns which can de further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can de further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.

Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
Gearing Ratio Level 1	Is calculated by dividing Net Debt by Net Debt and Total Equity.
Gearing Ratio Level 2	Is calculated by dividing Total Liabilities by Total Assets.
Gearing Ratio Level 3	Is calculated by dividing Net Debt by Total Equity.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.

Other Definitions	
Yield to Maturity (YTM)	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.

Calamatta Cuschieri

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