

# SECURITIES NOTE

dated 27 March 2017

This document is a Securities Note issued in accordance with the provisions of Chapter 4 of the Listing Rules published by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013, Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015. This Securities Note is issued pursuant to the requirements of Listing Rule 4.14 of the Listing Rules and contains information about the Bonds being issued by SD Finance p.l.c. Application has been made for the admission to listing and trading of the Bonds on the Official List of the Malta Stock Exchange. This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about the Issuer.

## In respect of an Issue of up to €65,000,000 4.35% Unsecured Bonds 2027 of a nominal value of €100 per Bond issued at par

by

**SD FINANCE plc**

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA  
WITH COMPANY REGISTRATION NUMBER C 79193

with the joint and several Guarantee\*

of

**SD HOLDINGS LIMITED**

A PRIVATE LIMITED LIABILITY COMPANY REGISTERED UNDER THE LAWS OF MALTA  
WITH COMPANY REGISTRATION NUMBER C 40318

\*Prospective investors are to refer to the Guarantee contained in Annex III of the Securities Note for a description of the scope, nature and term of the Guarantee. Reference should also be made to the sections entitled "Risk Factors" contained in the Registration Document and this Securities Note for a discussion of certain risk factors which should be considered by prospective investors in connection with the Bonds and the Guarantee provided by SD Holdings Limited.

ISIN: MT0001431205

Sponsor

**CHARTS**  
WEALTH MANAGEMENT • CORPORATE BROKING

Manager & Registrar

**BOV**  
Bank of Valletta

Legal Counsel

**CAMILLERI PREZIOSI**  
ADVOCATES

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THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS, INCLUDING ANY LOSSES INCURRED BY INVESTING IN THESE SECURITIES.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR.

APPROVED BY THE DIRECTORS



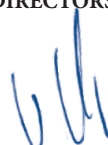
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## IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY SD FINANCE P.L.C. (THE “ISSUER”) OF A MAXIMUM OF €65,000,000 UNSECURED BONDS 2027 OF A NOMINAL VALUE OF €100, ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 4.35% PER ANNUM, PAYABLE ANNUALLY ON 25 APRIL OF EACH YEAR. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON 25 APRIL 2027. THE ISSUER SHALL REDEEM THE BONDS ON SUCH DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION.

THIS SECURITIES NOTE CONTAINS INFORMATION ABOUT THE ISSUER, THE GUARANTOR AND THE BONDS IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE ACT AND THE REGULATION, AND SHOULD BE READ IN CONJUNCTION WITH THE REGISTRATION DOCUMENT ISSUED BY THE ISSUER.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF BONDS OF THE ISSUER OTHER THAN THOSE CONTAINED IN THE PROSPECTUS AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS OR ADVISORS.

**THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.**

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR THE PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION.

IT IS THE RESPONSIBILITY OF ANY PERSONS IN POSSESSION OF THIS DOCUMENT AND ANY PERSONS WISHING TO APPLY FOR ANY BONDS ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE APPLICANTS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH BONDS AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRY OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

SAVE FOR THE ISSUE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 4 NOVEMBER 2003 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING OR WHICH, PENDING SUCH IMPLEMENTATION, APPLIES ARTICLE 3.2 OF SAID DIRECTIVE, THE BONDS CAN ONLY BE OFFERED TO “QUALIFIED INVESTORS” (AS DEFINED IN SAID DIRECTIVE) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF SAID DIRECTIVE.

THE BONDS HAVE NOT BEEN NOR WILL THEY BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT, 1933 AS AMENDED, OR UNDER ANY FEDERAL OR STATE SECURITIES LAW AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR ANY AREA SUBJECT TO ITS JURISDICTION (THE “U.S.”) OR TO OR FOR THE BENEFIT OF, DIRECTLY OR INDIRECTLY, ANY U.S. PERSON (AS DEFINED IN REGULATION “S” OF THE SAID ACT). FURTHERMORE THE ISSUER WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT, 1940 AS AMENDED AND INVESTORS WILL NOT BE ENTITLED TO THE BENEFITS SET OUT THEREIN.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES, THE MALTA STOCK EXCHANGE, IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS, AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES IN ACCORDANCE WITH THE ACT.

STATEMENTS MADE IN THE PROSPECTUS ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

THE CONTENTS OF THE ISSUER'S OR THE GUARANTOR'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S OR THE GUARANTOR'S WEBSITE DO NOT FORM PART OF THE PROSPECTUS. ACCORDINGLY NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE BONDS.

ALL THE ADVISORS TO THE ISSUER AND THE GUARANTOR NAMED IN THE PROSPECTUS UNDER THE SUB-HEADING “**ADVISORS TO THE ISSUER AND THE GUARANTOR**” UNDER SECTION 3 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER AND THE GUARANTOR IN RELATION TO THIS ISSUE AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS.

## 1 DEFINITIONS

Words and expressions and capitalised terms used in this Securities Note shall, except where the context otherwise requires and except where otherwise defined herein, bear the same meaning as the meaning given to such words, expressed and capitalised terms as indicated in the Registration Document forming part of the Prospectus. Additionally, the following words and expressions as used in this Securities Note shall bear the following meanings whenever such words and expressions are used in their capitalised form, except where the context otherwise requires:

<b>Act</b>	the Companies Act (Cap. 386 of the Laws of Malta);
<b>Applicant/s</b>	an Authorised Financial Intermediary or a Preference Shareholder executing a placement agreement as described in section 7.4 of this Securities Note; a Group Employee lodging an Application Form; and / or any person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
<b>Application/s</b>	the application to subscribe for Bonds made by an Applicant/s by completing an Application Form and delivering same to any of the Authorised Financial Intermediaries;
<b>Application Form/s</b>	the forms of application of subscription for Bonds, specimens of which are contained in Annex II of this Securities Note, that is: Application Form 'A' to be submitted by Authorised Financial Intermediaries either in their own names or in the names of underlying clients and/or Group company Seabank Hotel and Catering Limited (C 40319) (either in its own name or in the name of the Preference Shareholders); and Application Form 'B' to be submitted by Group Employees;
<b>Authorised Financial Intermediaries</b>	the licensed stockbrokers and financial intermediaries listed in Annex I of this Securities Note;
<b>Bond(s)</b>	a maximum of €65,000,000 unsecured bonds of a face value of €100 per bond bearing interest at the rate of 4.35% per annum and redeemable on the Redemption Date at their nominal value;
<b>Bondholder</b>	a holder of Bonds;
<b>Bond Issue</b>	the issue of the Bonds;
<b>Bond Issue Price</b>	the price of €100 per Bond;
<b>Business Day</b>	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
<b>CSD</b>	the Central Securities Depository of the Malta Stock Exchange, having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063, Malta;
<b>db Group (or Group)</b>	the Parent and its direct or indirect Subsidiaries;
<b>Euro (or €)</b>	the lawful currency of the Republic of Malta;
<b>Exchange, Malta Stock Exchange (or MSE)</b>	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, and bearing company registration number C 42525;
<b>Group Employees</b>	any persons employed by the Parent or any of the Subsidiaries as at 27 March 2017;
<b>Guarantee</b>	the joint and several suretyship of the Guarantor undertaking to guarantee the due and punctual performance of all the obligations undertaken by the Issuer under the Bonds, and, without prejudice to the generality of the foregoing, to pay all amounts of principal and interest which have become due and payable to any Bondholder within 60 days from the date such amount falls due and remains unpaid by the Issuer. A copy of the Guarantee and a description of the nature, scope and terms of the Guarantee are appended to this Securities Note as Annex III hereof;
<b>Guarantor or Parent</b>	SD Holdings Limited, a private limited liability company registered in Malta with company number C 40318, having its registered office at Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, Malta;
<b>Interest Payment Date</b>	25 April of each year between and including each of the years 2018 and the year 2027, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
<b>Issue Date</b>	expected on 4 May 2017;
<b>Issuer (or Company)</b>	SD Finance p.l.c., a company registered under the laws of Malta with company registration number C 79193 and having its registered office at Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, Malta;
<b>Listing Authority</b>	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta) by virtue of Legal Notice 1 of 2003;

<b>Listing Rules</b>	the listing rules of the Listing Authority;
<b>Manager and Registrar</b>	Bank of Valletta p.l.c.;
<b>Official List</b>	the list prepared and published by the MSE as its official list in accordance with the MSE Bye-Laws;
<b>Preference Shareholders</b>	the holders of redeemable preference shares in Group company Seabank Hotel and Catering Limited (C 40319) as at the date of the Prospectus, save for the Parent;
<b>Prospectus</b>	collectively the Registration Document, Summary Note and this Securities Note (each as defined in this Securities Note);
<b>Redemption Date</b>	25 April 2027;
<b>Redemption Value</b>	the nominal value of each Bond (€100 per Bond);
<b>Registration Document</b>	the registration document issued by the Issuer dated 27 March 2017, forming part of the Prospectus;
<b>Regulation</b>	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by: Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 amending Regulation (EC) No. 809/2004 as regards regulatory technical standards for publication of supplements to the prospectus; and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015 amending Regulation (EC) No. 809/2004 as regards regulatory technical standards for publication of the prospectus and dissemination of advertisements;
<b>Securities Note</b>	this document in its entirety;
<b>Sponsor</b>	Charts Investment Management Service Limited, an authorised financial intermediary licensed by the MFSA and a member of the MSE;
<b>Subsidiary</b>	means an entity over which the Parent has control. In terms of the International Report Standards adopted by the European Union, a group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The term ‘ <b>Subsidiaries</b> ’ shall collectively refer to the said entities;
<b>Summary Note</b>	the summary note issued by the Issuer dated 27 March 2017, forming part of the Prospectus;
<b>Terms and Conditions</b>	the terms and conditions of the Bond Issue, including the terms contained in this Securities Note.

All references in the Prospectus to “Malta” are to the “Republic of Malta”.

Unless it appears otherwise from the context:

- a) words importing the singular shall include the plural and vice-versa;
- b) words importing the masculine gender shall include the feminine gender and vice-versa;
- c) the word “may” shall be construed as permissive and the word “shall” shall be construed as imperative.

## 2 RISK FACTORS

### 2.1 GENERAL

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY ON THE REDEMPTION DATE UNLESS THE BONDS ARE PREVIOUSLY RE-PURCHASED AND CANCELLED.

AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS INCLUDING THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES.

NEITHER THIS SECURITIES NOTE, NOR ANY OTHER PARTS OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE BONDS: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION OR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR THE SPONSOR OR AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS SECURITIES NOTE OR ANY OTHER PART OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS OR ANY BONDS, SHOULD PURCHASE ANY BONDS.

ACCORDINGLY PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.

### 2.2 FORWARD LOOKING STATEMENTS

This Securities Note contains “forward looking statements” which include, among others, statements concerning matters that are not historical facts and which may involve projections of future circumstances. These forward looking statements are subject to a number of risks, uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer’s Directors. No assurance is given that the future results or expectations will be achieved.

### 2.3 SUITABILITY OF INVESTMENT

An investment in the Bonds may not be suitable for all recipients of the Prospectus, and Authorised Financial Intermediaries are to determine the suitability or otherwise of prospective investors’ investment in the Bonds before making an investment decision. In particular, Authorised Financial Intermediaries should determine whether each prospective investor:

- a) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in the Prospectus or any applicable supplement;
- b) has sufficient financial resources and liquidity to bear all the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the prospective investor’s currency;
- c) understands thoroughly the terms of the Bonds and is familiar with the behaviour of any relevant indices and financial markets; and
- d) is able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

### 2.4 RISKS RELATING TO THE BONDS

An investment in the Bonds involves certain risks including, but not limited to, those described below:

- Prior to the Bond Issue, there has been no public market nor trading record for the Bonds within or outside Malta. Due to the absence of any prior market for the Bonds, there can be no assurance that the Bond Issue price will correspond to the price at which the Bonds will trade in the market subsequent to the Bond Issue.
- The existence of an orderly and liquid market for the Bonds depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Issuer’s Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell or otherwise trade in the Bonds at or above the Bond Issue Price or at all.

- An investment in the Issuer may not be suitable for all recipients of this Prospectus and investors are urged to consult a licensed stockbroker or investment advisor licensed under the Investment Services Act (Cap. 370 of the laws of Malta) as to the suitability or otherwise of an investment in any of the Bonds before making an investment decision. An informed investment decision can only be made by investors after they have read and fully understood the risk factors associated with an investment in the Bonds and the inherent risks associated with the Issuer's business. In the event that an investor in the Bonds does not seek professional advice and/or does not read and fully understand the provisions of this Prospectus, there is a risk that such investor may acquire an investment which is not suitable for his or her profile.
- The Issuer is entitled to issue Bonds bearing a fixed rate of interest. Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. Investors should also be aware that the price of fixed rate Bonds moves adversely to changes in interest rates. When prevailing market interest rates are rising, the price of fixed rate Bonds decline. Conversely, if market interest rates are declining, the price of fixed rate Bonds rises. This is referred to as market risk since it arises only if a Bondholder decides to sell the Bonds before maturity on the secondary market.
- A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference, if different.
- No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, would have on the market price of the Bonds prevailing from time to time.
- The Issuer may incur further borrowing or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future undertakings, assets, or revenues (including uncalled capital).
- The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed by the Guarantor, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured obligations of each of the Issuer and the Guarantor. The Bonds will, however, rank subordinate to the present and future secured creditors of the Issuer and the Guarantor. Furthermore, subject to the negative pledge clause (section 5.7 of this Securities Note), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer and of the Guarantor, as the case may be, for so long as such security interests remain in effect. In essence, this means that for so long as the Issuer may have secured, privileged or other higher-ranking creditors, in the event of insolvency of the Issuer the Bondholders would rank after such creditors but equally between themselves and with other unsecured creditors (if any) of the Issuer.
- Repayment of interest and capital on the Bonds is being guaranteed by the Guarantor, and therefore Bondholders are entitled to request the Guarantor to pay the full amounts due under the Bonds if the Issuer fails to meet any amount, when due. The strength of this undertaking on the part of the Guarantor and, therefore, the level of recoverability by the Bondholders from the Guarantor of any amounts due under any of the Bonds, is dependent upon and directly linked to, the financial position and solvency of the Guarantor, and in the case of insolvency of the Guarantor, such level of recoverability is further dependent upon the existence or otherwise of any prior ranking claims over the assets of the Guarantor.
- In the event that the Issuer wishes to amend any of the Terms and Conditions of Issue of the Bonds it shall call a meeting of Bondholders in accordance with the provisions of section 5.13 of this Securities Note. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. Furthermore, the Guarantor has the power to veto any changes to the Terms and Conditions of the Bonds which are issued with the benefit of its Guarantee. Were the Guarantor to exercise such right of veto, any proposed amendments to the Terms and Conditions of the Bonds would not be put into effect.
- The Terms and Conditions of this Bond Issue are based on the requirements of the Listing Rules of the Listing Authority, the Companies Act and the Commission Regulation EC No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council in effect as at the date of the Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in law or administrative practice after the date of the Prospectus.
- Even after the Bonds are admitted to trading on the MSE, the Issuer is required to remain in compliance with certain requirements relating to *inter alia* the free transferability, clearance, and settlement of the Bonds in order to remain a listed company in good standing. Moreover, the Listing Authority has the power to suspend trading or listing of the Bonds if, *inter alia*, it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The Listing Authority may discontinue the listing of the Bonds on the MSE. Any such trading suspensions or listing revocations/discontinuations described above could have a material adverse effect on the liquidity and value of the Bonds.
- The Issuer has not sought, nor does it intend to seek, the credit rating of an independent rating agency and there has been no assessment of the Bonds by any independent rating agency.



### 3 PERSONS RESPONSIBLE

This document includes information given in compliance with the Listing Rules for the purpose of providing prospective investors with information with regard to the Issuer. All of the directors of the Issuer, whose names appear under the sub-heading “Directors” under the sub-heading ‘Identity of Directors, Senior Management, Advisors and Auditors of the Issuer and the Guarantor’ in section 3 of the Registration Document, accept responsibility for the information contained in this Securities Note. To the best of the knowledge and belief of the directors of the Issuer, who have taken all reasonable care to ensure that such is the case, the information contained in this Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The directors of the Issuer accept responsibility accordingly.

#### 3.1 CONSENT FOR USE OF PROSPECTUS

##### **Consent required in connection with the use of the Prospectus by the Authorised Financial Intermediaries:**

For the purposes of any subscription for Bonds through any of the Authorised Financial Intermediaries in terms of this Securities Note and any subsequent resale, placement or other offering of Bonds by such Authorised Financial Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Directive, the Issuer consents to the use of this Prospectus (and accepts responsibility for the information contained therein) with respect to any such subsequent resale or placement or other offering of Bonds, provided this is limited only:

- (i) in respect of Bonds subscribed for through Authorised Financial Intermediaries listed in Annex I of this Securities Note: pursuant to the placement agreements as detailed in Section 7.4 of this Securities Note; and during the Group Employees Offer Period, as applicable;
- (ii) to any resale or placement of Bonds subscribed for as aforesaid, taking place in Malta;
- (iii) to any resale or placement of Bonds subscribed for as aforesaid, taking place within the period of 60 days from the date of the Prospectus.

Neither the Issuer nor the Sponsor has any responsibility for any of the actions of any Authorised Financial Intermediary, including their compliance with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to a resale or placement of Bonds.

Other than as set out above, neither the Issuer nor the Sponsor has authorised (nor do they authorise or consent to the use of this Prospectus in connection with) the making of any public offer of the Bonds by any person in any circumstances. Any such unauthorised offers are not made on behalf of the Issuer or the Sponsor and neither the Issuer nor the Sponsor has any responsibility or liability for the actions of any person making such offers.

Investors should enquire whether an intermediary is considered to be an Authorised Financial Intermediary in terms of the Prospectus. If the investor is in doubt as to whether it can rely on the Prospectus and/or who is responsible for its contents, it should obtain legal advice.

No person has been authorised to give any information or to make any representation not contained in or inconsistent with this Prospectus. If given or made, it must not be relied upon as having been authorised by the Issuer or Sponsor. The Issuer does not accept responsibility for any information not contained in this Prospectus.

**In the event of a resale, placement or other offering of Bonds by an Authorised Financial Intermediary, the Authorised Financial Intermediary shall be responsible to provide information to investors on the terms and conditions of the resale, placement or other offering at the time such is made.**

Any resale, placement or other offering of Bonds to an investor by an Authorised Financial Intermediary will be made in accordance with any terms and other arrangements in place between such Authorised Financial Intermediary and such investor including as to price, allocations and settlement arrangements. Where such information is not contained in the Prospectus, it will be the responsibility of the applicable Authorised Financial Intermediary at the time of such resale, placement or other offering to provide the investor with that information and neither the Issuer nor the Sponsor has any responsibility or liability for such information.

**Any Authorised Financial Intermediary using this Prospectus in connection with a resale, placement or other offering of Bonds subsequent to the Bond Issue shall, limitedly for the period of 60 days from the date of the Prospectus, publish on its website a notice to the effect that it is using this Prospectus for such resale, placement or other offering in accordance with the consent of the Issuer and the conditions attached thereto. The consent provided herein shall no longer apply following the lapse of such period.**

Any new information with respect to Authorised Financial Intermediaries unknown at the time of the approval of this Securities Note will be made available through a company announcement which will also be made available on the Issuer’s website: <http://www.dbgroupmalta.com/>.

## 4 ESSENTIAL INFORMATION

### 4.1 REASONS FOR THE ISSUE AND USE OF PROCEEDS

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €64,000,000, will be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

- (i) a maximum amount of *circa* €53,500,000 of the net Bond Issue proceeds will be applied to the reduction of the bank indebtedness of the Group. Such amount will be advanced by the Issuer to: (a) two Group Subsidiaries, Seabank Hotel and Catering Limited and Hotel San Antonio Limited, for the refinancing of the outstanding HSBC Malta loans primarily applied for the purpose of financing capital expenditure related to db Seabank Resort & Spa and db San Antonio Hotel & Spa; and (b) to the Guarantor, for the purpose of repaying outstanding Banif Bank loans. Details of the said loan facilities are provided in section 5.2 (Ranking of the Bonds) below under the heading 'Consolidated Borrowings';
- (ii) a maximum amount of *circa* €9,550,000 in value of Bonds will be advanced to the Group Subsidiary Seabank Hotel and Catering Limited, which, in terms of a placement agreement as described in section 7.4 of this Securities Note, has agreed to subscribe for such amount in value of Bonds required in order to finance the redemption by Seabank Hotel and Catering Limited of a total of 4,101,020 redeemable preference shares of a nominal value of €2.329373 per share held by the Preference Shareholders. The said preference shares shall be redeemed in exchange for 95,500 Bonds to be advanced by the Issuer to the Preference Shareholders (on the instructions of Seabank Hotel and Catering Limited); and
- (iii) the remaining balance of the net Bond Issue proceeds, amounting to almost €1,000,000, will be advanced to the Parent for the general corporate funding purposes of the Group.

### 4.2 EXPENSES

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €1,000,000. There is no particular order of priority with respect to such expenses.

### 4.3 ISSUE STATISTICS

Amount:	€65,000,000;
Form:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at CSD;
Denomination:	Euro (€);
ISIN:	MT0001431205;
Minimum amount per subscription:	Minimum of €2,000 and multiples of €100 thereafter;
Redemption Date:	25 April 2027;
Plan of Distribution:	The Bonds are open for subscription by: <ul style="list-style-type: none"><li>• Authorised Financial Intermediaries, either for their own account or for the account of underlying customers; and</li><li>• as better described in section 7.3 below, the Preference Shareholders and Group Employees;</li></ul>
Preferred Allocations:	Group Employees will be granted preference in their applications for Bonds, up to an aggregate amount of €1,000,000;
Bond Issue Price:	At par (€100 per Bond);
Status of the Bonds:	The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed by the Guarantor, and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves and with other unsecured debt of each of the Issuer and the Guarantor, if any;
Listing:	Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the MSE for the Bonds to be listed and traded on its Official List;
Application Forms available for Group Employees:	30 March 2017;
Placement Agreements:	The Issuer has entered into conditional placement agreements whereby a maximum amount of €54,450,000 in value of Bonds (together with any amount not taken up by Group Employees) has been made available for subscription by Authorised Financial Intermediaries, and a maximum amount of €9,550,000 in value of Bonds has been made available for subscription by Seabank Hotel and Catering Limited (either in its own name or in the name of the Preference Shareholders), details of which placement agreements can be found in section 7.4 of this Securities Note;

Group Employees Offer Period:	30 March 2017 to 12 April 2017, both days included;
Interest:	4.35% per annum;
Interest Payment Date(s):	Annually on 25 April as from 25 April 2018 (the first interest payment date);
Governing Law of Bonds:	The Bonds are governed by and shall be construed in accordance with Maltese law;
Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

#### 4.4 INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for the possible subscription for Bonds by Authorised Financial Intermediaries (which include Bank of Valletta p.l.c., Charts Investment Management Service Limited and the latter's sister company Mediterranean Bank plc), and any fees payable in connection with the Bond Issue to Charts Investment Management Service Limited as Sponsor and to Bank of Valletta p.l.c. as Manager and Registrar, so far as the Issuer is aware no person involved in the Issue has an interest material to the Issue.

## 5 INFORMATION CONCERNING THE SECURITIES TO BE ISSUED AND ADMITTED TO TRADING

### 5.1 GENERAL

5.1.1 Each Bond forms part of a duly authorised issue of 4.35% Unsecured Bonds 2027 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €65,000,000 (except as otherwise provided under clause 5.12 "Further Issues"). The expected Issue Date of the Bonds is 4 May 2017.

5.1.2 The currency of the Bonds is Euro (€).

5.1.3 Subject to admission to listing of the Bonds to the Official List of the MSE, the Bonds are expected to be assigned ISIN MT0001431205;

5.1.4 All outstanding Bonds not previously purchased and cancelled shall be redeemed by the Issuer at par on the Redemption Date.

5.1.5 The issue of the Bonds is made in accordance with the requirements of the Listing Rules, the Act, and the Regulation.

5.1.6 The Group Employee Offer Period of the Bonds is between 30 March 2017 and 12 April 2017, both days included.

5.1.7 The Bond Issue is not underwritten.

### 5.2 RANKING OF THE BONDS

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed by the Guarantor, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt of each of the Issuer and the Guarantor, if any. Furthermore, subject to the negative pledge clause (section 5.7 of this Securities Note), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect. As at the date of this Securities Note, the Issuer does not have any subordinated indebtedness.

The following table sets out a summary of Group indebtedness as at 14 February 2017, and includes details of security given in respect of guarantees, overdraft facilities, bank loans and other borrowings from related companies. The bank borrowings and facilities listed below are secured by privileges and hypothecs, and therefore, to the extent that such borrowings and/or facilities remain outstanding, the indebtedness being created by the Bonds would, specifically in respect of the assets constituting the said security, rank after all these borrowings and/or facilities. In addition, the Bonds would also rank after any future debts which may be secured by a cause of preference such as a privilege and/or a hypothec, in so far as the asset constituting the relevant security is concerned.

The loan facilities issued by HSBC Malta forming part of the Group indebtedness set out in the table below shall be repaid out of part of the net proceeds of the Bond Issue, up to an aggregate amount of €52 million. Save where indicated otherwise, all security granted in favour of HSBC Malta as specified in the table below shall be released.

**SD Holdings Limited**  
**Consolidated Borrowings**  
as at 14 February 2017

Parties and description of facility	Amount Outstanding €'000	Security
Banif Bank Malta - loan and overdraft	1,566	Group company guarantees.
(i) HSBC Malta - loans and overdraft	31,525	(i) First general hypothec for €4,565,000 on overdraft basis and for €40,940,000 on loan basis over all assets present and future given by Seabank Hotel and Catering Limited;
(ii) HSBC Malta - loan facility for financing the purchase of property located in St George's Bay, St Julians	7,491	(ii) First special hypothec for €4,565,000 on overdraft basis and for €40,940,000 on loan basis over the freehold property of Seabank Hotel and Catering Limited;  (iii) Group company guarantees and pledge on Silvio Debono's life policy.
HSBC Malta - loans and overdraft	21,236	(i) First general hypothec for €815,281 on overdraft basis and for €39,908,617 on loan basis over all assets present and future given by Hotel San Antonio Limited;  (ii) First special hypothec for €815,281 on overdraft basis and for €45,268,000 on loan basis over the freehold property of Hotel San Antonio Limited;  (iii) Special privilege for €7,813,995 on loan basis over property of Hotel San Antonio Limited;  (iv) Guarantee by Seabank Hotel and Catering Limited, pledge over business policy and various letters of undertaking given by directors, Seabank Hotel and Catering Limited and shareholders.
Amounts owed to ultimate shareholder	234	unsecured
<b>Total borrowings</b>	<b>62,052</b>	

Note: Other than the HSBC Malta loan amounting to *circa* €7.5 million (which was utilised for the acquisition of the property in St George's Bay, St Julians), all outstanding bank facilities shall be repaid from net proceeds of the Bond Issue. It is expected that upon listing of the Bonds the outstanding balance of the aforesaid facilities will amount to *circa* €53.5 million (vide section 4.1 of the Securities Note).

### 5.3 RIGHTS ATTACHED TO THE BONDS

There are no special rights attached to the Bonds other than the right of the Bondholders to:

- (i) the repayment of capital;
- (ii) the payment of interest;
- (iii) seek recourse from the Guarantor pursuant to the Guarantee, in case of failure by the Issuer to pay any sum payable by it to Bondholders pursuant to the Terms and Conditions of the Bonds detailed in this Securities Note;
- (iv) ranking with respect to other indebtedness of the Issuer in accordance with the provisions of section 5.2 above;
- (v) attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and
- (vi) enjoy all such other rights attached to the Bonds emanating from this Prospectus.

### 5.4 INTEREST

**5.4.1** The Bonds shall bear interest from and including 25 April 2017 at the rate of 4.35% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 25 April 2018 (covering the period 25 April 2017 and 24 April 2018). Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. In terms of article 2156 of the Civil Code (Cap. 16 of the Laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Bonds is barred by the lapse of five (5) years.

5.4.2 When interest is required to be calculated for any period of less than a full year, it shall be calculated on the basis of a three hundred and sixty (360) day year consisting of twelve (12) months of thirty (30) days each, and in the case of an incomplete month, the number of days elapsed.

## 5.5 YIELD

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is 4.35%.

## 5.6 REGISTRATION, FORM, DENOMINATION AND TITLE

5.6.1 Certificates will not be delivered to Bondholders in respect of the Bonds in virtue of the fact that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of bondholders held at the CSD for the purpose of inspecting information held on their respective account.

5.6.2 The CSD will issue, upon a request by a Bondholder, a statement of holdings to such Bondholder evidencing his/her/its entitlement to Bonds held in the register kept by the CSD.

5.6.3 The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of €100 provided that on subscription, the Bonds will be issued for a minimum of €2,000 per individual Bondholder. Authorised Financial Intermediaries subscribing for Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 to each underlying client.

5.6.4 Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under the heading 'Transferability of the Bonds' in section 5.11 of this Securities Note.

5.6.5 Upon submission of an Application Form, Applicants who opt to subscribe for the online e-portfolio by ticking the appropriate box on the Application Form will be registered by the CSD for the online e-portfolio facility and will receive by mail at their registered address a handle code to activate the new e-portfolio login. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio is found on <https://eportfolio.borzamalta.com.mt/Help>.

## 5.7 NEGATIVE PLEDGE

The Issuer and the Guarantor undertake, for as long as any principal or interest under the Bonds or any of the Bonds remains outstanding, not to create or permit to subsist any Security Interest (as defined below), other than a Permitted Security Interest (as defined below), upon the whole or any part of their respective present or future assets or revenues, to secure any Financial Indebtedness (as defined below) of the Issuer and/or the Guarantor. The instrument creating any such Permitted Security Interest shall provide that the Issuer's and Guarantor's indebtedness under the Bonds, shares in and is secured equally and rateably with such Permitted Security Interest.

"**Financial Indebtedness**" means any indebtedness in respect of: (A) monies borrowed; (B) any debenture, bond, note, loan stock or other security; (C) any acceptance credit; (D) the acquisition cost of any asset to the extent payable before or after the time of acquisition or possession by the party liable where the advance or deferred payment is arranged primarily as a method of raising finance for the acquisition of that asset; (E) leases entered into primarily as a method of raising finance for the acquisition of the asset leased; (F) amounts raised under any other transaction having the commercial effect of borrowing or raising of money; (G) any guarantee, indemnity or similar assurance against financial loss of any person;

"**Security Interest**" means any privilege, hypothec, pledge, lien, charge or other encumbrance or real right which grants rights of preference to a creditor over the assets of the Issuer or the Guarantor;

"**Permitted Security Interest**" means:

- (A) any Security Interest arising by operation of law;
- (B) any Security Interest securing temporary bank loans or overdrafts or guarantees (including those issued to the Group's franchisors and suppliers) in the ordinary course of business;
- (C) any Security Interest securing any indebtedness of the Issuer created for the sole purpose of financing or raising finance for the redemption of all the Bonds;
- (D) any other Security Interest (in addition to (A), (B) and (C) above) securing Financial Indebtedness of the Issuer or Guarantor (as the case may be), in an aggregate outstanding amount not exceeding 90% of the difference between the value of the Unencumbered Assets of the Issuer and Guarantor and the aggregate principal amount of Bonds outstanding at the time;

Provided that the aggregate Security Interests referred to in (B), (C) and (D) above do not result in the Unencumbered Assets of the Issuer being less than the aggregate principal amount of the Bonds still outstanding together with one (1) year's interest thereon;

"**Unencumbered Assets**" means assets which are not subject to a Security Interest.

## 5.8 PAYMENTS

**5.8.1** Payment of the principal amount of a Bond will be made in Euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder may designate from time to time. Such payment shall be effected within seven (7) days of the Redemption Date. The Issuer shall not be responsible for any loss or delay in transmission or any charges in connection therewith. Upon payment of the Redemption Value, the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD.

In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment, the Issuer and/or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.

**5.8.2** Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time. Such payment shall be effected within seven (7) days of the Interest Payment Date. The Issuer shall not be responsible for any loss or delay in transmission or any charges in connection therewith.

**5.8.3** All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.

**5.8.4** No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

## 5.9 REDEMPTION AND PURCHASE

**5.9.1** Unless previously purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 25 April 2027.

**5.9.2** Subject to the provisions of this section 5.9, the Issuer may at any time purchase Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.

**5.9.3** All Bonds so purchased will be cancelled forthwith and may not be re-issued or re-sold.

## 5.10 EVENTS OF DEFAULT

The Bonds shall become immediately due and repayable at their principal amount together with any accrued interest, if any of the following events ("**Events of Default**") shall occur:

**5.10.1** the Issuer shall fail to pay any interest on any Bond when due and such failure shall continue for thirty (30) days after written notice thereof shall have been given to the Issuer by any Bondholder; or

**5.10.2** the Issuer shall fail duly to perform or shall otherwise be in breach of any other material obligation contained in the Terms and Conditions of the Bonds and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by any Bondholder; or

**5.10.3** an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer and/or Guarantor; or

**5.10.4** the Issuer stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or ceases or threatens to cease to carry on its business or a substantial part of its business; or

**5.10.5** the Issuer is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent; or

**5.10.6** there shall have been entered against the Issuer and/or the Guarantor a final judgment by a court of competent jurisdiction from which no appeal may be or is made for the payment of money in excess of five million Euro (€5,000,000) or its equivalent and ninety (90) days shall have passed since the date of entry of such judgment without its having been satisfied or stayed; or

**5.10.7** any default occurs and continues for ninety (90) days under any contract or document relating to any Financial Indebtedness (as defined in section 5.7 of this Securities Note) of the Issuer and/or the Guarantor in excess of five million Euro (€5,000,000) or its equivalent at any time.

## 5.11 TRANSFERABILITY OF THE BONDS

**5.11.1** The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time.

- 5.11.2 Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.
- 5.11.3 All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- 5.11.4 The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the transferee.
- 5.11.5 The Issuer will not register the transfer or transmission of Bonds for a period of fifteen (15) days preceding the due date for any payment of interest on the Bonds.

## 5.12 FURTHER ISSUES

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds), and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds), or upon such terms as the Issuer may determine at the time of their issue.

## 5.13 MEETINGS OF BONDHOLDERS

- 5.13.1 The Issuer may from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting and to effect any change to the Terms and Conditions of the Bonds.
- 5.13.2 A meeting of Bondholders shall be called by the Directors by giving all Bondholders listed on the register of Bondholders as at a date being not more than thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (14) days notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section 5.13 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.
- 5.13.3 The amendment or waiver of any of the Terms and Conditions of the Bond Issue contained in this Securities Note may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.
- 5.13.4 A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose at least two (2) Bondholders present, in person or by proxy, representing not less than 51% in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting the number of Bondholders present, in person or by proxy, shall constitute a quorum and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.
- 5.13.5 Any person who in accordance with the Memorandum and Articles of Association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.
- 5.13.6 Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting, the directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote, shall not be taken into account for the purpose of such vote.

5.13.7 The voting process shall be managed by the Company Secretary under the supervision and scrutiny of the auditors of the Issuer.

5.13.8 The proposal placed before a meeting of Bondholders shall only be considered approved if at least 65% in nominal value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.

5.13.9 Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

#### 5.14 AUTHORISATIONS AND APPROVALS

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a board of directors' resolution passed on 20 January 2017.

The Guarantee being given by the Guarantor in respect of the Bonds was authorised by a resolution of the board of directors of the Guarantor dated 20 January 2017.

#### 5.15 NOTICES

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his registered address and posted.

## 6 TAXATION

### 6.1 GENERAL

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Bonds, including their acquisition, holding and disposal as well as any income/gains derived therefrom or made on their disposal. The following is a summary of the anticipated tax treatment applicable to Bondholders in so far as taxation in Malta is concerned. This information does not constitute legal or tax advice and does not purport to be exhaustive.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Issuer at the date of the Prospectus, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject matter referred to in the preceding paragraph, may change from time to time.

This information is being given solely for the general information of investors. The precise implications for investors will depend, among other things, on their particular circumstances and on the classification of the Bonds from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

### 6.2 MALTA TAX ON INTEREST

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is otherwise instructed by a Bondholder or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act, (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of a final withholding tax, currently at the rate of 15% of the gross amount of the interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta). Bondholders who do not fall within the definition of a "recipient" do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder need not declare the interest so received in his Maltese income tax return. No person should be charged to further tax in Malta in respect of such income. Furthermore, such tax should not be available as a credit against the recipient's tax liability or for a refund, as the case may be, for the relevant year of assessment in Malta.

In the case that a valid election is made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his Maltese income tax return and be subject to tax on such interest at the standard rates applicable to that person at that time. Additionally in the case that an election has been made by the Bondholder to receive the interest gross of Maltese income tax, the Issuer will advise the Inland Revenue on an annual basis of the identity of all such recipients unless the beneficiary does not fall within the definition of a "recipient" as described above. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

In terms of article 12(1)(c) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are exempt from Maltese tax on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Issuer in terms of law.



### 6.3 COOPERATION WITH OTHER JURISDICTION ON TAX MATTERS

The Council of the European Union has adopted Directive 2014/107/EU amending Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime that implements the OECD measures known as the “Common Reporting Standard”. Malta has transposed Directive 2014/107/EU into national law by means of Legal Notice 384 of 2015 amending the Cooperation with Other Jurisdictions on Tax Matters Regulations. In terms of this legal notice, the automatic exchange of information obligations extend to jurisdictions that are not EU Member States with which there is a relevant information exchange agreement in place.

Consequently, financial institutions of an EU Member State and of participating jurisdictions, including Maltese financial institutions, are required to report to their respective tax authorities certain financial account information in respect of account holders (and in some cases, beneficial holders), that are residents of another EU Member State or of a participating jurisdiction in order to be exchanged automatically with the tax authorities of the other EU Member States or participating jurisdictions. Financial account information in respect of holders of the Bonds could fall within the scope of the Common Reporting Standard and they may therefore be subject to reporting obligations.

### 6.4 FOREIGN ACCOUNT TAX COMPLIANCE ACT (“FATCA”)

FATCA is contained within the U.S. Hiring Incentives to Restore Employment (HIRE) Act of 2010. FATCA requires foreign financial institutions to provide the Internal Revenue Service with information on Specified US persons holding accounts outside of the US, including certain non-US entities with US Controlling Persons. Non-compliance results in a punitive 30% withholding tax on distributions captured by FATCA. FATCA was transposed into Maltese law by means of Legal Notice 78 of 2014 as amended by Legal Notice 30 of 2015. Consequently all Maltese financial institutions are obliged to identify and report to the Maltese tax authorities financial accounts held by Specified US persons and certain non-US entities with US Controlling Persons. Financial account information in respect of holders of the Bonds could fall within the scope of FATCA and they may therefore be subject to reporting obligations.

### 6.5 MALTESE TAXATION ON CAPITAL GAINS ON TRANSFER OF THE BONDS

On the assumption that the Bonds would not fall within the definition of “securities” in terms of article 5(1)(b) of the Income Tax Act, that is, “shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return”, no tax on capital gains should be chargeable in respect of transfer of the Bonds.

### 6.6 DUTY ON DOCUMENTS AND TRANSFERS

In terms of article 50 of the Financial Markets Act (Cap. 345 of the Laws of Malta) as the Bonds constitute financial instruments of a company quoted on a regulated market Exchange, as is the MSE, redemptions and transfers of the Bonds are exempt from Maltese duty.

**INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND DISPOSAL OF BONDS AS WELL AS INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE BONDS AND TO BONDHOLDERS. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.**

## 7 TERMS AND CONDITIONS OF THE BOND ISSUE

### 7.1 EXPECTED TIMETABLE OF THE BOND ISSUE

1. Group Employees Offer Period	30 March 2017 to 12 April 2017, both days included
2. Placement date	18 April 2017
3. Commencement of interest on the Bonds	25 April 2017
4. Announcement of basis of acceptance	25 April 2017
5. Refunds of unallocated monies (if any)	03 May 2017
6. Expected date of notification of registration	03 May 2017
7. Expected date of admission of the Bonds to listing	04 May 2017
8. Expected date of commencement of trading in the Bonds	05 May 2017

### 7.2 GENERAL TERMS AND CONDITIONS

**7.2.1** The contract created by the acceptance of an Application shall be subject to the terms and conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer. It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying, including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence or domicile.

- 7.2.2 If the Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have bound his principal, or the relative corporation, corporate entity, or association of persons and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such intermediary may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Registrar.
- 7.2.3 In the case of joint Applications, reference to the Applicant in these terms and conditions is a reference to each Applicant, and liability therefor is joint and several. In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed, *vis-à-vis* the Issuer, to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner.
- 7.2.4 The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 7.2.5 No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 7.2.6 It is the responsibility of any person outside Malta wishing to make any Application, to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 7.2.7 The Bonds will be issued in Euro (€). The aggregate principal amount of the Bond Issue is of €65,000,000.
- 7.2.8 Pursuant to the placement agreements described in more detail under sections 7.3 and 7.4 below, Authorised Financial Intermediaries (either in their own names or in the names of underlying clients) and Seabank Hotel and Catering Limited (either in its own name or in the name of the Preference Shareholders) are to submit Application Forms 'A' representing the amount they have been bound to subscribe to by not later than 14:00 hours on 18 April 2017.
- 7.2.9 Group Employees may obtain Application Forms 'B' from the Issuer's offices. Such applications may be lodged with any Authorised Financial Intermediary by not later than 16:00 hours on 12 April 2017.
- 7.2.10 In the case of corporate Applicants or Applicants having separate legal personality, the Application Form must be signed by a person authorised to sign and bind such Applicant. It shall not be incumbent on the Issuer or Registrar to verify whether the person or persons purporting to bind such an Applicant is or are in fact authorised.
- 7.2.11 Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of 18 years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of 18 years. In the case of joint Applications, the joint holders shall nominate one of their number as their representative and his/her name will be entered in the register with such designation. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional Applicants" in the Application Form or joint holders in the register as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.
- 7.2.12 Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down any Application, including multiple or suspected multiple Applications and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.
- 7.2.13 If any Application by a Group Employee is not accepted, or is accepted for fewer Bonds than those applied for, the respective Application monies or the balance of the amount paid on Application will be returned without interest by direct credit into the Bondholder's bank account as indicated by the Bondholder on the Application Form 'B'. The Issuer shall not be responsible for any charges, and any loss or delay in transmission.

- 7.2.14** The Bonds will be issued in multiples of €100. The minimum subscription amount of Bonds that can be subscribed for by Applicants is €2,000.
- 7.2.15** The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List of the MSE. In the event that the Bonds are not admitted to the Official List of the MSE, any Application monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form.
- 7.2.16** All Application Forms must be accompanied by the full price of the Bonds applied for in Euro.
- 7.2.17** Within five (5) Business Days from the placement date, the Issuer shall announce the result of the Issue and shall determine, and issue a company announcement setting out, the basis of acceptance of applications and allocation policy to be adopted.
- 7.2.18** For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations (Subsidiary Legislation 373.01 of the Laws of Malta), as amended from time to time, all appointed Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the "Code of Conduct for Members of the Malta Stock Exchange" appended as Appendix IV to Chapter 3 of the MSE Bye-Laws, irrespective of whether the said appointed Authorised Financial Intermediaries are MSE Members or not. Such information shall be held and controlled by the MSE in terms of the Data Protection Act (Cap. 440 of the Laws of Malta) for the purposes and within the terms of the MSE Data Protection Policy as published from time to time.
- 7.2.19** By completing and delivering an Application Form, the Applicant:
- a agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the Guarantor and the issue of the Bonds contained therein;
  - b warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects and in the case where an MSE account number is indicated in the Application Form, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant;
  - c authorises the Issuer and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta). The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates;
  - d confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer and the Guarantor or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
  - e agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
  - f agrees to provide the Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application;
  - g warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond or his/her Application;
  - h warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
  - i represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
  - j agrees that Charts Investment Management Service Limited will not, in their capacity of Sponsor, treat the Applicant as their customer by virtue of such Applicant making an Application for the Bonds, and that Charts Investment Management Service Limited will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their suitability for the Applicant;
  - k agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form; and
  - l renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds.

### 7.3 PLAN OF DISTRIBUTION AND ALLOTMENT

The Bonds shall be distributed principally through an intermediaries offer. A total amount of €54,450,000 in Bonds is expected to be allocated to Authorised Financial Intermediaries pursuant to placement agreements, details of which placement agreements can be found in section 7.4 hereunder. In terms of these placement agreements, Authorised Financial Intermediaries may subscribe for Bonds for their own account or for the account of underlying customers, and shall in addition be entitled to either distribute to the underlying customers any portion of the Bonds subscribed for upon commencement of trading or submit Application Forms 'A' directly in the name of their underlying customers.

The remaining €10,550,000 in Bonds shall be allocated as follows:

- (a) to Preference Shareholders, pursuant to a placement agreement entered into between the Issuer and Seabank Hotel and Catering Limited for the subscription of a total amount of €9,550,000 in Bonds. Such agreement is subject to the same terms and conditions applicable to placement agreements entered into with Authorised Financial Intermediaries, details of which placement agreements can also be found in section 7.4 hereunder. Seabank Hotel & Catering Limited shall submit an Application Form 'A' (either in its own name or in the name of the Preference Shareholders) and
- (b) to Group Employees, who may apply for up to a maximum of €1,000,000 in Bonds by submitting Application Forms 'B' through any of the Authorised Financial Intermediaries. In the event that this amount reserved for Group Employees is not fully taken up, the unsubscribed portion of this reserved amount shall be subscribed for by Charts Investment Management Service Ltd in terms of the relative placement agreement described in section 7.4 below.

It is expected that an allotment letter will be issued by the Issuer to Applicants within five (5) Business Days of the announcement of the allocation policy. The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta) and regulations made thereunder. Such monies will not bear interest while retained as aforesaid.

Dealings in the Bonds shall not commence prior to admission to trading of the Bonds by the MSE or prior to the said notification.

### 7.4 PLACEMENT AGREEMENTS

The Issuer has entered into placement agreements with a number of Authorised Financial Intermediaries and with Seabank Hotel and Catering Limited, whereby the Issuer bound itself to allocate a maximum aggregate amount of €54,450,000 in Bonds (together with any amount not taken up by Group Employees) to such Authorised Financial Intermediaries, and a maximum aggregate amount of €9,550,000 in Bonds to said Preference Shareholders. The Authorised Financial Intermediaries and Seabank Hotel and Catering Limited in turn bound themselves to subscribe to a specified amount of Bonds subject to, and conditional upon, the Bonds being admitted to the Official List of the Malta Stock Exchange.

In terms of the placement agreements, Authorised Financial Intermediaries may subscribe for Bonds for their own account or for the account of underlying customers, and shall in addition be entitled to either distribute to the underlying customers any portion of the Bonds subscribed for upon commencement of trading, or submit Application Forms 'A' directly in the name of their underlying customers. In either case, subscription amounts made by Applicants through Authorised Financial Intermediaries, including those made under nominee, shall be in multiples of €100 Bonds, subject to a minimum subscription amount of €2,000 in Bonds by each individual Bondholder/underlying customer.

Furthermore, Charts Investment Management Service Ltd bound itself to subscribe to any Bonds reserved for Group Employees which are not taken up by the closing of the Group Employees Offer Period.

Each placement agreement, which is subject to the terms of the Prospectus, will become binding on all parties thereto on the respective placement agreement date, subject to the Issuer having received all subscription proceeds in cleared funds on the placement date.

### 7.5 ALLOCATION POLICY

The Issuer shall allocate the Bonds on the basis of the following policy:

- a. A total amount of €54,450,000 in Bonds shall be allocated to Authorised Financial Intermediaries pursuant to the placement agreements entered into with the Issuer, details of which can be found in section 7.4 above;
- b. A total amount of €9,550,000 in Bonds shall be allocated to the Preference Shareholders pursuant to the placement agreement entered into between Seabank Hotel and Catering Limited and the Issuer, details of which can be found in section 7.4 above;
- c. Up to an aggregate amount of €1,000,000 in Bonds has been reserved for subscription by Group Employees and shall be allocated in accordance with the allocation policy as determined by the Issuer and Registrar; and
- d. In the event that the amount of €1,000,000 in Bonds available to Group Employees referred to in (c) above is not fully taken up, such unsubscribed portion will be subscribed for by Charts Investment Management Service Ltd pursuant to the placement agreement referred to in section 7.4 above.

The Issuer will announce the allocation policy for the allotment of Bonds through a company announcement within five (5) Business Days from the placement date.

## **7.6 PRICING**

The Bonds are being issued at par, that is, at €100 per Bond.

## **7.7 ADMISSION TO TRADING**

**7.7.1** The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 27 March 2017.

**7.7.2** Application has been made to the MSE for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List.

**7.7.3** The Bonds are expected to be admitted to the MSE with effect from 4 May 2017 and trading is expected to commence on 5 May 2017.

## **7.8 ADDITIONAL INFORMATION**

Save for the financial analysis summary set out as Annex IV, the Securities Note does not contain any statement or report attributed to any person as an expert.

The financial analysis summary has been included in the form and context in which it appears with the authorisation of Charts Investment Management Service Limited of Valletta Waterfront, Vault 17, Pinto Wharf, Floriana, FRN 1913, Malta, which has given and has not withdrawn its consent to the inclusion of such report herein.

Charts Investment Management Service Limited does not have any material interest in the Issuer. The Issuer confirms that the financial analysis summary has been accurately reproduced in the Securities Note and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

## ANNEX I – AUTHORISED FINANCIAL INTERMEDIARIES

NAME	ADDRESS	TELEPHONE
Bank of Valletta p.l.c.	BOV Centre, Cannon Road, St Venera SVR 9030	22751732
Calamatta Cuschieri Investment Services Ltd	Europa Business Centre, Triq Dun Karm, Birkirkara BKR 9034	25688130
Charts Investment Management Service Ltd	Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913	21224106
Curmi & Partners Ltd	Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102	21347331
Jesmond Mizzi Financial Advisors Ltd	67/3 South Street, Valletta VLT 1105	23265696
FINCO Treasury Management Ltd	Level 5, The Mall Complex, The Mall, Floriana FRN 1470	21220002
Mediterranean Bank plc	10, St Barbara Bastion, Valletta VLT 1961	25574400
Rizzo, Farrugia & Co (Stockbrokers) Ltd	Airways House, Third Floor, High Street, Sliema SLM 1549	22583000

**ANNEX II – SPECIMEN APPLICATION FORMS**



**SD FINANCE P.L.C.**  
**€65,000,000 4.35% UNSECURED BONDS 2027**  
**APPLICATION FORM 'A'**  
**PRE-PLACEMENT**

Please read the notes overleaf before completing this Application Form. Mark 'X' where applicable.

<b>A APPLICANT</b> <i>(see notes 2 to 7)</i>			
<input type="checkbox"/> Non-Resident	<input type="checkbox"/> Minor (under 18)	<input type="checkbox"/> Body Corporate/ Body of Persons	<input type="checkbox"/> CIS-Prescribed Fund
<b>B</b> TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME / REGISTERED NAME	
ADDRESS			
			POSTCODE
MSE A/C NO. <i>(if applicable)</i>	I.D. CARD / PASSPORT / COMPANY REG. NO.	TEL. NO.	MOBILE NO. <i>(mandatory for e-portfolio registration)</i>
<input type="checkbox"/> PLEASE REGISTER ME FOR E-PORTFOLIO			
<b>C ADDITIONAL (JOINT) APPLICANTS</b> <i>(see note 4)</i> <span style="float: right;"><i>(please use additional Application Forms if space is not sufficient)</i></span>			
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
<b>D MINOR'S PARENTS / LEGAL GUARDIAN/S</b> <i>(see note 5)</i> <span style="float: right;"><i>(to be completed ONLY if the Applicant is a minor)</i></span>			
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
<b>E I/WE APPLY TO PURCHASE AND ACQUIRE</b> <i>(see notes 8 &amp; 9):</i>			
AMOUNT IN FIGURES €		AMOUNT IN WORDS	
SD Finance p.l.c. 4.35% Unsecured Bonds 2027 (the "Bonds") (minimum subscription of €2,000 and in multiples of €100 thereafter) at the Bond Issue Price (at par), as defined in the Prospectus dated 27 March 2017 (the 'Prospectus'), payable in full upon application under the Terms and Conditions of the Bonds as set out in the Prospectus.			
<b>F RESIDENT - WITHHOLDING TAX DECLARATION</b> <i>(see notes 10 &amp; 11a)</i> <span style="float: right;"><i>(to be completed ONLY if the Applicant is a resident of Malta)</i></span>			
<input type="checkbox"/> I/We elect to have final withholding tax deducted from my/our interest.			
<input type="checkbox"/> I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).			
<b>G NON-RESIDENT - DECLARATION FOR TAX PURPOSES</b> <i>(see note 3, 11 &amp; 11a)</i> <span style="float: right;"><i>(to be completed ONLY if the Applicant is a non-resident)</i></span>			
TAX COUNTRY		CITY OF BIRTH	
T.I.N. (Tax Identification Number)		COUNTRY OF BIRTH	
PASSPORT/NATIONAL I.D. CARD NUMBER		COUNTRY OF ISSUE	ISSUE DATE
<input type="checkbox"/> I/We am/are NOT resident in Malta but I/we am/are resident in the European Union			
<input type="checkbox"/> I/We am/are NOT resident in Malta and I/we am/are NOT resident in the European Union			
<b>H INTEREST AND REDEMPTION MANDATE</b> <i>(see note 12)</i> <span style="float: right;"><i>Completion of this panel is MANDATORY</i></span>			
BANK		IBAN	
I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions of the Bonds as contained therein which I/we fully accept.			
Signature/s of Applicant/s <small>(Parent/s or legal guardian/s are/is to sign if Applicant is a minor) (All parties are to sign in the case of a joint Application)</small>			Date
AUTHORISED FINANCIAL INTERMEDIARY'S STAMP	AUTHORISED FINANCIAL INTERMEDIARY'S CODE  	APPLICATION NUMBER	

## ANNEX II – SPECIMEN APPLICATION FORMS

### Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 27 March 2017 regulating the Bond Issue

1. This Application is governed by the general terms and conditions contained in Section 7.2 of the Securities Note dated 27 March 2017 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS.
3. Applicants who are non-residents in Malta for tax purposes, must indicate their passport number in Panel B and complete Panel G. The relative box in Panel A must also be marked appropriately.
4. Applicants are to insert full personal details in Panel B. In the case of an Application by more than one person (including husband and wife) full details of all individuals, including I.D. card numbers, must be given in Panels B and C **but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 7 below).**  
Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility (by marking the relative box in Panel B), will receive by mail at their registered address a handle code to activate the new e-portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.
5. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. The relative box in Panel A must also be marked appropriately. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
6. In the case of a body corporate, the name of the entity exactly as registered and the registration number are to be inserted in Panel B. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
7. **APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MSE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THIS APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE EFFECTED.**
8. Applications must be for a minimum subscription of €2,000 and thereafter in multiples of €100.
9. Applications must be accompanied by the relevant subscription amount in Euro.
10. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will be obliged to declare interest so received in the tax return. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a prescribed fund (having indicated their status in the appropriate box in Panel A) will have final withholding tax (currently 10%), deducted from interest payments.  
In terms of Section 6.2 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of final withholding tax, (currently 15%) of the gross amount of interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta).
11. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU, of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.
- 11a. The contents of Notes 10 and 11 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.
12. Interest and redemption proceeds will be credited to the account indicated in Panel H or as otherwise amended by the Bondholder/s during the term of the Bond.
13. Authorised Financial Intermediaries are to submit completed Application Forms representing the total amount committed in terms of the Placement Agreement as mentioned in Section 7.4 of the Securities Note by latest 14:00 hours on 18 April 2017. The Issuer reserves the right to refuse any Application which appears to be in breach of the General Terms and Conditions as contained in the Prospectus.
14. By completing and delivering an Application Form you (as the Applicant(s)) acknowledge that:
  - a. the Issuer may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);
  - b. the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and
  - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds on offer will be repayable in full upon redemption. An investor should consult an independent financial advisor, licensed under the Investment Services Act (Cap. 370 of the Laws of Malta), for advice.



**ANNEX II – SPECIMEN APPLICATION FORMS**



**SD FINANCE P.L.C.  
€65,000,000 4.35% UNSECURED BONDS 2027  
APPLICATION FORM 'B'  
GROUP EMPLOYEES**

Please read the notes overleaf before completing this Application Form. Mark 'X' where applicable.

**A APPLICANT** (see notes 2 to 6)

<input type="checkbox"/> Non-Resident <input type="checkbox"/> Minor (under 18)			
<b>B</b> TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME	
ADDRESS			
			POSTCODE
MSE A/C NO. (if applicable)	I.D. CARD / PASSPORT	TEL. NO.	MOBILE NO. (mandatory for e-portfolio registration)
<input type="checkbox"/> PLEASE REGISTER ME FOR E-PORTFOLIO			

**C ADDITIONAL (JOINT) APPLICANTS** (see note 4) (please use additional Application Forms if space is not sufficient)

TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.

This Application Form is not transferable and entitles you to subscribe for SD Finance p.l.c. 4.35% Unsecured Bonds 2027 as an employee of SD Holdings Ltd or any of its Subsidiaries as at 27 March 2017 (the "Group Employees").

**D MINOR'S PARENTS / LEGAL GUARDIAN/S** (see note 5) (to be completed ONLY if the Applicant is a minor)

TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.

**E I/WE APPLY TO PURCHASE AND ACQUIRE** (see notes 7 & 8)

AMOUNT IN FIGURES €	AMOUNT IN WORDS

**SD Finance p.l.c. 4.35% Unsecured Bonds 2027 (minimum subscription of €2,000 and in multiples of €100 thereafter)** at the Bond Issue Price (at par), as defined in the Prospectus dated 27 March 2017, (the "Prospectus"), payable in full upon application under the Terms and Conditions of the Bond Issue as set out in the Prospectus.

**F RESIDENT - WITHHOLDING TAX DECLARATION** (See notes 9 & 10a) (to be completed ONLY if the Applicant is a resident of Malta)

I/We elect to have final withholding tax deducted from my/our interest.

I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).

**G NON-RESIDENT - DECLARATION FOR TAX PURPOSES** (See notes 3, 10 & 10a) (to be completed ONLY if the Applicant is a non-resident)

TAX COUNTRY	TOWN OF BIRTH	
T.I.N. (Tax Identification Number)	COUNTRY OF BIRTH	ISSUE DATE
PASSPORT/NATIONAL I.D. CARD NUMBER		
<input type="checkbox"/> I/We am/are NOT resident in Malta but I/we am/are resident in the European Union.		
<input type="checkbox"/> I/We am/are NOT resident in Malta and I/we am/are NOT resident in the European Union.		

**I INTEREST, REFUND & REDEMPTION MANDATE** (See note 11) Completion of this Panel is MANDATORY

BANK	IBAN

I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions of the Bond Issue (as contained therein) which I/we fully accept.

\_\_\_\_\_  
Signature/s of Applicant/s  
(Parent/s or legal guardian/s are/is to sign if Applicant is a minor)  
(All parties are to sign in the case of a joint Application)

\_\_\_\_\_  
Date

AUTHORISED FINANCIAL INTERMEDIARY'S STAMP	AUTHORISED FINANCIAL INTERMEDIARY'S CODE   _ _ _ _ _	APPLICATION NUMBER
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## ANNEX II – SPECIMEN APPLICATION FORMS

### Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 27 March 2017 regulating the Bond Issue.

1. This Application is governed by the general terms and conditions contained in Section 7.2 of the Securities Note dated 27 March 2017 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the same meaning as that ascribed to them in the Prospectus.
2. This Application Form is to be completed in BLOCK LETTERS.
3. Applicants who are non-residents in Malta for tax purposes, must indicate their passport number in Panel B and complete Panel G. The relative box in Panel A must also be marked appropriately.
4. Applicants are to insert full personal details in Panel B. In the case of an Application by more than one person (including husband and wife) full details of all individuals, including I.D. card numbers, must be given in Panels B and C **but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 6 below).**

Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility (by marking the relative box in Panel B), will receive by mail at their registered address a handle code to activate the new e-portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.
5. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. The relative box in Panel A must also be marked appropriately. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
6. **APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MSE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THIS APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE EFFECTED.**
7. Applications must be for a minimum subscription of €2,000 and thereafter in multiples of €100.
8. Applications must be accompanied by the relevant subscription amount in Euro. In the event that the cheque accompanying an Application Form is not honoured on the first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application.
9. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as residents in Malta. In such a case, the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case, such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will then be obliged to declare interest so received in the tax return. Interest received by Non-Resident Applicants is not taxable in Malta and Non-Residents will receive interest gross.

In terms of Section 6.2 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act, interest shall be paid to such person net of final withholding tax (currently 15%) of the gross amount of interest, pursuant to article 33 of the Income Tax Act.
10. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU, of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.
- 10a. The contents of 9 and 10 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.
11. Should any Application not be accepted, or be accepted for fewer Bonds than those applied for, the monies of the balance of the amount paid but not allocated, as the case may be, will be returned by direct credit into the bank account as indicated in Panel G. Interest or redemption proceeds will be credited to the account designated in Panel G or as otherwise amended by the Bondholder/s during the term of the Bond.
12. Completed Application Forms are to be delivered to any of the Authorised Financial Intermediaries listed in Annex I of the Securities Note by not later than 16:00 hours on 12 April 2017. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not being received by the closing date indicated above. The Issuer reserves the right to refuse any application which appears to be in breach of the general Terms and Conditions as contained in the Prospectus. Any Applications received by the Registrar after 16:00 hours on 12 April 2017 will not be accepted.
13. By completing and delivering an Application Form you (as the Applicant/s) acknowledge that:
  - a. the Issuer may process the personal data that you may provide in the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);
  - b. the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and
  - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself, as the Applicant to whom the personal data relates.

**The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds on offer will be repayable in full upon redemption. An investor should consult an independent financial advisor, licensed under the Investments Services Act (Cap. 370 of the Laws of Malta), for advice.**

## ANNEX III – GUARANTEE

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### THE GUARANTEE

To All Bondholders:

Re: GUARANTEE AND INDEMNITY

Reference is made to the issue of up to €65 million Bonds 2027 by SD Finance p.l.c., a company registered in Malta bearing company registration number C 79193 (the “**Issuer**”) pursuant to and subject to the terms and conditions contained in the Securities Note forming part of the Prospectus to be dated 27 March 2017 (the “**Bonds**”).

Now therefore by virtue hereof we, SD Holdings Limited (C 40318), hereby stand surety jointly and severally with the Issuer and irrevocably and unconditionally guarantee the due and punctual performance of all the obligations undertaken by the Issuer under the Bonds and, without prejudice to the generality of the foregoing, undertake to pay all amounts of principal and interest which have become due and payable by the Issuer to Bondholders under the Bonds, within 60 days from the date such amount falls due and remains unpaid by the Issuer.

This guarantee shall be governed by the laws of Malta.

Signed and executed on this the 24<sup>th</sup> day of March 2017.



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Director  
SD Holdings Limited

### INTERPRETATION

In this Guarantee, unless the context otherwise requires:

- (a) terms and expressions defined in or construed for the purposes of the Prospectus shall have the same meanings or be construed in the same manner when used in this Guarantee, unless defined otherwise in this Guarantee;
- (b) “**Indebtedness**” means any and all moneys, obligations and liabilities now or hereafter due, owing or incurred by the Issuer under the Bonds to the Bondholders (whether alone and/or with others) in terms of the Prospectus and in any and all cases whether for principal, interests, capitalised interests, charges, disbursements, or otherwise and whether for actual or contingent liability; and
- (c) “**writing**” or “**in writing**” shall mean any method of visual representation and shall include facsimile transmissions, telexes and other such electronic methods.

### NATURE, SCOPE AND TERMS OF THE GUARANTEE

#### 1. NATURE OF THE GUARANTEE

The offering of Bonds that will be made by the Issuer pursuant to the Prospectus will be made with the benefit of the joint and several corporate Guarantee of the Guarantor, the full terms of which are set out in clause 3 below.

#### 2. INFORMATION ABOUT THE GUARANTOR

The information about the Guarantor required pursuant to the Listing Rules and the Regulation may be found in the Registration Document.

### 3. TERMS OF THE GUARANTEE

#### 3.1 Covenant to Pay

For the purposes of the Guarantee, the Guarantor, as primary obligor, hereby jointly and severally with the Issuer irrevocably and unconditionally guarantees to each Bondholder that if for any reason the Issuer fails to pay any sum payable by it to such Bondholder pursuant to the terms and conditions of the Bonds detailed in the Securities Note as and when the same shall become due under any of the foregoing, the Guarantor will pay to such Bondholder on written demand the amount payable by the Issuer to such Bondholder. All demands shall be sent to the address or facsimile or other numbers as are stated below in clause 3.11 as the same may be changed by company announcement issued by the Issuer from time to time.

Such payment shall be made in the currency in force in Malta at the time the payment falls due.

All payments shall be made to Bondholders without any withholding for taxes (and in so far as this obligation exists under any law the payment shall be grossed up by the amount of withholding) and without set-off for any amounts which may be then owing to the Guarantor by the Issuer.

This Guarantee shall apply to all Bonds issued on or after 4 May 2017 in accordance with the terms of the Securities Note.

#### 3.2 Guarantor as Joint and Several Surety

The Guarantor will be liable under this Guarantee as joint and several surety with the Issuer.

#### 3.3 Maximum Liability

This is a continuing Guarantee for the whole amount due or owing under the Bonds or which may hereafter at any time become due or owing under the Bonds by the Issuer, but the amount due by the Guarantor to the Bondholders under this Guarantee shall be up to and shall not be in excess of €65,000,000 (sixty five million Euros), apart from interests due up to the date of payment and costs and expenses relating to the protection, preservation, collection or enforcement of the Bondholders' rights against the Issuer and/or the Guarantor, which shall be additional to the maximum sum herein stated.

#### 3.4 Continuing and Unconditional Liability

The liability of the Guarantor under this Guarantee shall be continuing until such time as the Indebtedness is fully repaid and shall in no way be prejudiced or affected, nor shall it in any way be discharged or reduced, by reason of:

- a. the bankruptcy, insolvency or winding up of the Issuer; or
- b. the incapacity or disability of the Issuer or any other person liable for any reason whatsoever; or
- c. any change in the name, style, constitution, any amalgamation or reconstruction of either the Issuer or the Guarantor;
- d. a Bondholder conceding any time or indulgence, or compounding with, discharging, releasing or varying the liability of the Issuer or any other person liable or renewing, determining, reducing, varying or increasing any accommodation or transaction or otherwise dealing with the same in any manner whatsoever or concurring in, accepting or in any way varying any compromise, composition, arrangement or settlement or omitting to claim or enforce or extract payment from the Issuer or any other person liable; or
- e. any event, act or omission that might operate to exonerate the Guarantor without settlement in full of the Indebtedness towards the relevant Bondholder.

#### 3.5 Indemnity

As a separate and alternative stipulation, the Guarantor unconditionally and irrevocably agrees that any Indebtedness to be payable by the Issuer but which is for any reason (whether or not now known or becoming known to the Issuer, the Guarantor or any Bondholder) not recoverable from the Guarantor, will nevertheless be recoverable from it as if it were the sole principal debtor and will be paid by it to the Bondholder on demand. This indemnity constitutes a separate and independent obligation from the other obligations in this Guarantee, gives rise to a separate and independent obligation from the other obligations in this Guarantee, and gives rise to a separate and independent cause of action.

#### 3.6 Representations and Warranties

##### 3.6.1 The Guarantor represents and warrants:-

- (i) that it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business;
- (ii) that it has power to grant this Guarantee and that this Guarantee is duly authorised and all corporate action has been taken by the Guarantor in accordance with its deeds of constitution and the laws of its incorporation and regulation;
- (iii) that this Guarantee constitutes and contains valid and legally binding obligations of the Guarantor enforceable in accordance with its terms;
- (iv) that this Guarantee does not and will not constitute default with respect to or run counter to any law, by-law, articles of incorporation, statute, rule, regulation, judgement, decree or permit to which the Guarantor is or may be subject, or any agreement or other instrument to which the Guarantor is a party or is subject or by which it or any of its property is bound;

- (v) that this Guarantee shall not result in or cause the creation or imposition of, or oblige a Guarantor to create, any encumbrance on any of the Guarantor's undertakings, assets, rights or revenues;
- (vi) that it is in no way engaged in any litigation, arbitration or administrative proceeding of a material nature (which for the purposes of this Guarantee shall mean proceedings relative to a claim amounting to at least €10,000,000) and nor is it threatened with any such procedures;
- (vii) that the obligations of the Guarantor under this Guarantee constitute general, direct and unsecured obligations of the Guarantor and rank equally with all its other existing and future unsecured obligations, except for any debts for the time being preferred by law;
- (viii) that it is not in breach of or in default under any agreement relating to indebtedness to which it is a party or by which it may be bound nor has any default occurred in its regard;
- (ix) that all the information, verbal or otherwise tendered in connection with the negotiation and preparation of this Guarantee is accurate and true and there has been no omission of any material facts; and
- (x) that the granting of this Guarantee is in the commercial interest of the Guarantor and that the Guarantor acknowledges that it is deriving commercial benefit therefrom.

**3.6.2** As from the date of this Guarantee, until such time as the Indebtedness is paid in full to the Bondholders, and for as long as this Guarantee shall remain in force, the Guarantor shall hold true, good and valid all the representations and warranties given under this clause.

### **3.7 Deposit and Production of the Guarantee**

The instrument creating this Guarantee shall be deposited with and held by the Issuer at its registered address for the benefit of the Bondholders until all obligations of the Guarantor have been discharged in full, and until such time, the Guarantor acknowledges the right of every Bondholder to obtain a copy of the instrument creating the Guarantee.

### **3.8 Subrogation**

Until all amounts which may be payable under the terms of the Bonds have been irrevocably paid in full, the Guarantor shall not by virtue of this Guarantee be subrogated to any rights of any Bondholder or claim in competition with the Bondholders against the Issuer.

### **3.9 Benefit of the Guarantee and No Assignment**

This Guarantee is to be immediately binding upon the Guarantor for the benefit of the Bondholders. The Guarantor shall not be entitled to assign or transfer any of its obligations under this same Guarantee.

### **3.10 Amendments**

The Guarantor has the power to veto any changes to the terms and conditions of the Bonds which are issued with the benefit of its Guarantee.

### **3.11 Notices**

Any notice required to be given by any party hereto to the other party shall be deemed to have been validly served if delivered by hand or sent by pre-paid registered letter through the post or by facsimile to such other party at his address given herein or such other address as may from time to time be notified to the other party for this purpose and any notice so served shall be deemed to have been served, if delivered by hand, at the time of delivery, or if by post, seven days after posting and if by facsimile, at the time of transmission of the facsimile, provided that in the case of a change in the details of specified below, a company announcement by the Issuer to this effect shall constitute sufficient and proper notice to the Bondholders for the purposes of this clause.

For the purposes of this Guarantee, the proper address and telephone number of the Guarantor is:

#### **SD Holdings Ltd**

**Address:** Seabank Hotel, Marfa Road, Ghadira, Mellicha MLH 9064, Malta

**Tel. No.:** +356 22891000

**Contact Person:** Mr Arthur Gauci (Director)

### **3.12 Governing Law and Jurisdiction**

This Guarantee is governed by and shall be construed in accordance with Maltese Law.

Any dispute, controversy or claim arising out of or relating to this Guarantee or as to the interpretation, validity, performance or breach thereof shall be referred to and finally resolved by arbitration under the UNCITRAL Rules of Arbitration in accordance with the provisions of Part V (International Arbitration) of the Arbitration Act, 1996. Any arbitration commenced pursuant to this clause shall take place in Malta and be administered by the Malta Arbitration Centre. The number of arbitrators shall be three (3), one arbitrator to be appointed by each of the Parties or, in default, by the Malta Arbitration Centre, whereas the third arbitrator shall be appointed by the first two arbitrators or, if they fail to agree on such an appointment, by the Malta Arbitration Centre. No appeal shall lie from any such award given.



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# Financial Analysis Summary

## 27 March 2017

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**Issuer** SD Finance p.l.c.

**Guarantor** SD Holdings Limited

The Directors  
SD Finance p.l.c.  
Seabank Hotel  
Marfa Road, Ghadira  
Mellieha MLH 9064  
Malta

27 March 2017

Dear Sirs

**Financial Analysis Summary**

In accordance with your instructions, and in line with the requirements of the Listing Authority 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 appertaining to SD Finance p.l.c. (the “**Issuer**”) and SD Holdings Limited (the “**Guarantor**”). 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 31 March 2014 to 31 March 2016 has been extracted from the audited consolidated financial statements of the Guarantor for the three years in question.
- (b) The forecast data for the years ending 31 March 2017 and 31 March 2018 has been provided by management.
- (c) Our commentary on the results of the db Group and on its financial position is based on the explanations provided by management.
- (d) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 5 of the Analysis.
- (e) Relevant financial data in respect of the companies included in Part 4 has been extracted from public sources such as websites of the companies concerned, 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 db Group. 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 faithfully,



**Wilfred Mallia**  
Director



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## PART 1 – INFORMATION ABOUT THE DB GROUP

### 1. KEY ACTIVITIES OF THE ISSUER

SD Finance p.l.c. (the “**Issuer**” or “**Company**”) was incorporated in January 2017 as a public limited liability company under the Companies Act with an authorised and fully paid up issued share capital of €250,000. The principal activity of the Company is to carry on the business of a holding and finance company within the Group.

The Issuer is not engaged in any trading activities but is involved in raising debt and advancing same to members of the Group as and when the demands of this business or the demands of a particular project so require. Accordingly, the Issuer is economically dependent on the operations, performance and prospects of the Group.

### 2. DIRECTORS OF THE ISSUER

The Issuer is managed by a Board comprising six directors who are entrusted with its overall direction and management. The Board members of the Issuer as at the date of this report are included hereunder:

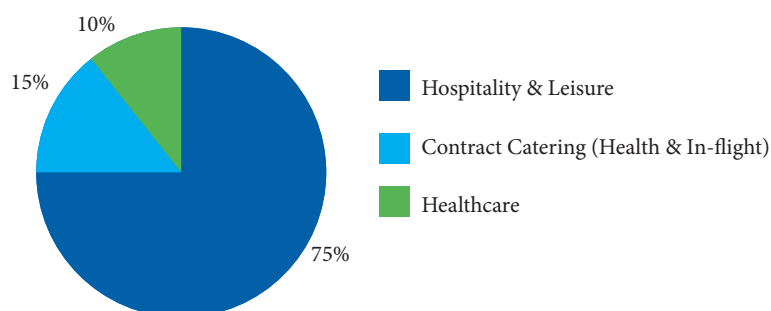
#### Board of Directors

Silvio Debono	Chairman
Arthur Gauci	Chief Executive Officer
Robert Debono	Non-Executive Director
Stephen Muscat	Independent Non-Executive Director
Vincent Micallef	Independent Non-Executive Director
Philip Micallef	Independent Non-Executive Director

### 3. KEY ACTIVITIES OF THE GUARANTOR

SD Holdings Limited (the “**Guarantor**”) is the parent holding company of the Group and is principally engaged, through subsidiary companies, in the operation of: db Seabank Resort Spa, Mellieha Bay, Malta; db San Antonio Hotel & Spa, St Paul’s Bay, Malta; Tunny Net Complex, Mellieha, Malta; and 3 outlets under the Hard Rock Café franchise which are each located at the Valletta Waterfront, Baystreet Complex, St Julians and the Malta International Airport. Furthermore, the Group is involved, through associated entities, in the provision of contract catering and healthcare services in Malta, and the operation of Porto Azzurro Complex, St Paul’s Bay, Malta.

**Aggregated Group Revenue by Segment  
for the year ended 31 March 2016**



Note: The above chart represents the aggregated revenue by division of the Group for the financial year ended 31 March 2016, adjusted accordingly to reflect the percentage shareholding held by the Group in each respective entity.

The authorised share capital of the Guarantor is €5,000,000 divided into 5,000,000 ordinary shares of €1 each. As at 31 March 2016, the Guarantor had an issued share capital of €520,000. By virtue of the capitalisation of amounts payable to the ultimate shareholder, during October 2016, the Guarantor issued and allotted an additional 3,480,000 ordinary shares of €1 each. As a result, the issued share capital is €4,000,000, which is subscribed for, allotted and taken up as fully paid up shares by Silvio Debono.

#### 4. DIRECTORS OF THE GUARANTOR AND SENIOR MANAGEMENT

The Guarantor is managed by a Board comprising six directors who are entrusted with its overall direction and management, including the establishment of strategies for future development. The Board members of the Guarantor as at the date of this report are included hereunder:

##### Board of Directors

Silvio Debono	Chairman
Arthur Gauci	Chief Executive Officer
Robert Debono	Director
Victoria Debono	Director
Vincent DeGiorgio	Director
Jesmond Vella	Director

In the execution of the strategic direction, investment and management oversight of the db Group, the Board is assisted by the following members of senior management:

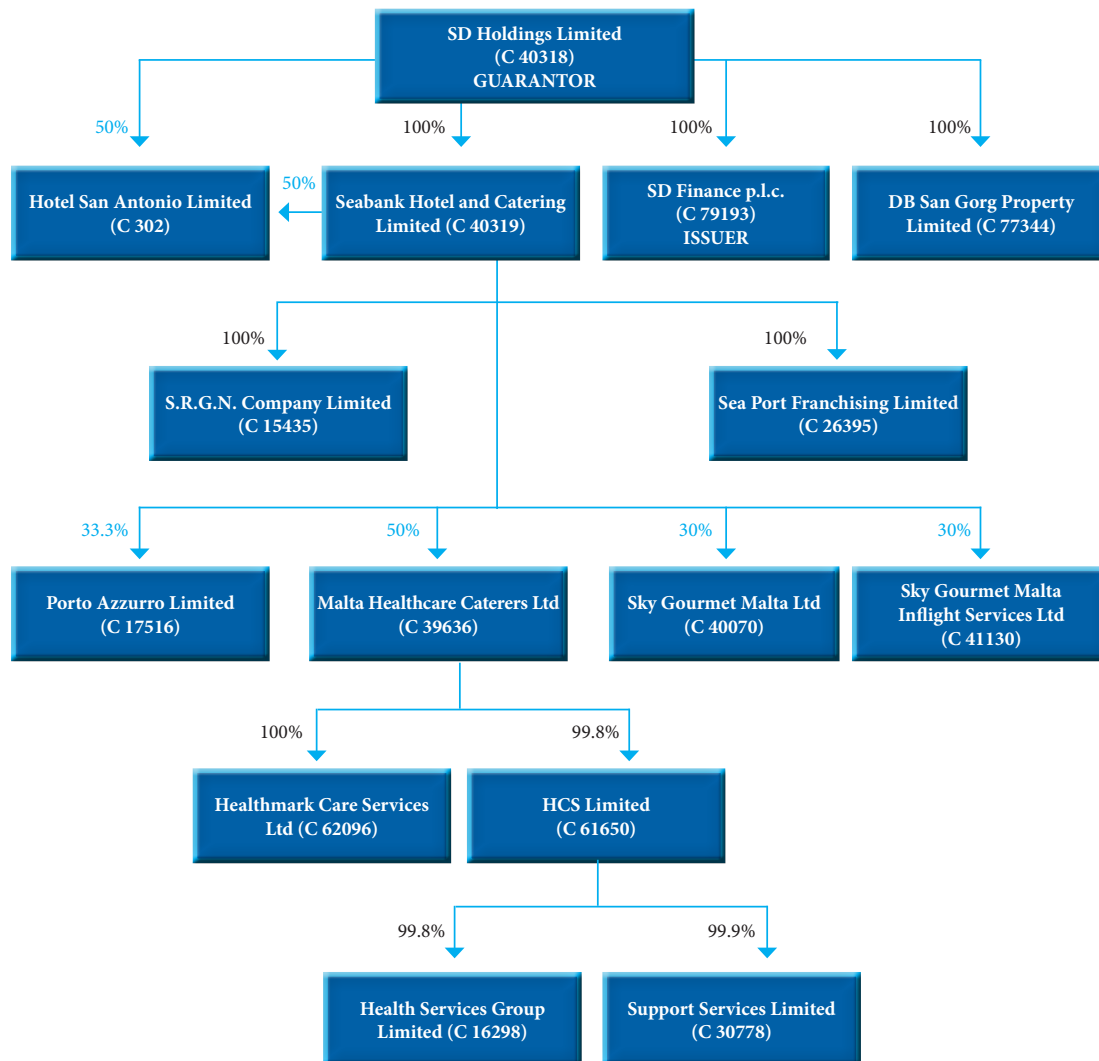
##### Senior Management of the db Group

Silvio Debono	Executive Chairman
Arthur Gauci	Chief Executive Officer and Director of Franchise Operations
Vincent DeGiorgio	Director of Hotel Operations
Jesmond Vella	Head of Purchasing and Logistics
Massimo Azzopardi	General Manager of db Seabank Resort & Spa
Bradley Dingli	General Manager of db San Antonio Hotel & Spa
Robert Debono	Director of Healthcare Operations
Trevor Vella	Chief Financial Officer

The weekly average number of employees engaged by the Group during FY2016 amounted to 518 persons (FY2015: 481).

## 5. DB GROUP ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the principal subsidiaries and associates within the organisational structure of the db Group and the position within the said group of the Issuer and Guarantor. The complete list of companies forming part of the Group and further information on other investments of the Group are included in the consolidated audited financial statements of the Guarantor for the year ended 31 March 2016. The Group's businesses are described in more detail in Part 2 below.



Other than as set out hereunder, there were no changes to the above structure since the last published audited consolidated financial statements of the Guarantor:

- On 11 October 2016, SD Holdings Limited increased its shareholding in Seabank Hotel and Catering Limited from 98.8% to 100% following the acquisition of 250 ordinary shares from each of Raymond Debono, Guido Debono and Natalino Debono;
- On 11 October 2016, Seabank Hotel and Catering Limited increased its shareholding in Sea Port Franchising Limited from 95% to 100% following the acquisition of 2,500 ordinary shares from Arthur Gauci.

## PART 2 – OPERATIONAL DEVELOPMENT

### 6. DB SEABANK RESORT & SPA

#### Introduction

Seabank Hotel and Catering Limited, a subsidiary of the Guarantor, owns the 539-room four-star db Seabank Resort & Spa, which occupies a land area of over 30,000m<sup>2</sup> and is located in Mellieha Bay, Malta (the “Seabank Hotel”). Over a span of 8 months commencing in 2012, the Seabank Hotel was redeveloped at a cost of *circa* €38 million which was financed from bank funding. It was officially re-opened during the financial year ended 31 March 2013 as an all-inclusive resort with 7 themed restaurants, 4 bars, an external pool, a fitness centre and health spa. In 2015, a new entertainment complex was opened at a cost of *circa* €1 million, which includes 3 restaurants, a bowling alley, a sports bar and a children club. The carrying value of the Seabank Hotel as at 31 March 2016 is €62.7 million (FY2015: €54.8 million).

#### Operational Performance

The following table sets out the highlights of the hotel’s operating performance for the years indicated therein:

db Seabank Resort & Spa	FY2014	FY2015	FY2016	FY2017	FY2018
	Actual	Actual	Actual	Forecast	Projection
Turnover (€'000)	16,485	18,044	19,988	20,929	21,348
Gross operating profit (€'000)	8,041	8,878	10,879	11,415	11,644
Gross operating profit margin (%)	49	49	54	55	55
Occupancy level (%)	71	82	82	83	83
Revenue per occupied room (RevPOR) (€)	(a) 118	112	125	128	131
Gross operating profit per available room (GOPAR) (€)	(b) 13,712	15,663	19,203	19,543	19,933
<b>Benchmark performance</b>					
Occupancy level (%)		76	80	84	
Revenue per occupied room (RevPOR) (€)	(c)	88	93	102	
Gross operating profit per available room (GOPAR) (€)	(d)	7,402	6,090	12,526	
<b>Revenue Generating Index (RGI)</b>	(a)/(c)	1.34	1.20	1.23	
<b>Gross Operating Profit Generating Index (GOPGI)</b>	(b)/(d)	1.85	2.57	1.53	

Source: Management information.

FY2014 (1 April 2013 to 31 March 2014) was the first full financial year of operation of the Seabank Hotel following the *circa* €38 million redevelopment and room-extension project which was concluded in 2012. In the said year, the hotel generated revenue of €16.5 million and gross operating profit of €8.0 million, and achieved an occupancy level of 71%. The Seabank Hotel continued to perform positively in both FY2015 and FY2016 due to: (i) a favourable trend in tourism in Malta; (ii) its advantage as a newly refurbished property over other competing hospitality establishments; and (iii) the success of management in promoting the all-inclusive service package.

The hotel registered a 9.5% increase in revenue from €16.5 million in FY2014 to €18.0 million in FY2015 (+€1.6 million), and thereafter reported an increase of €1.9 million (+10.8%) in revenue to €20.0 million in FY2016. Gross operating profit also increased yearly from €8.0 million in FY2014 to €8.9 million in FY2015 (+10%) and €10.9 million in FY2016 (+23%). Furthermore, gross operating profit margin improved from 49% in FY2014 to 55% in FY2016.

As to competitive set analysis, no hotel within the four-star sector in Malta fully operates on an all-inclusive basis (other than the San Antonio Hotel described hereunder) and therefore, no peer is deemed to be directly comparable to the Seabank Hotel. As such, the Seabank Hotel has been compared to the average four-star sector results published in the Malta Hotels and Restaurants Association (MHRA) Survey.

In terms of occupancy level, the Seabank Hotel underperformed the benchmark in FY2014 (71% as compared to the industry's 76%) and in FY2016 (82% as compared to 84%), whilst in FY2015 the hotel surpassed its peer group by 2 percentage points and achieved an occupancy level of 82%. Given that the hotel is one of the largest hotels in Malta with 539 rooms, management believes that it is more challenging to outperform the industry average.

As for RevPOR (which incorporates room revenue, food & beverage and other income), the Seabank Hotel performed better than the four-star industry average in each of the historical years under review (as evidenced by the RGI above 1 in FY2014 to FY2016). Furthermore, the Seabank Hotel generated GOPAR in FY2014, FY2015 and FY2016 well in excess of the four-star average (GOPGI of 1.85, 2.57 and 1.53 respectively), primarily as a result of the hotel benefiting from economies of scale, allowing for greater flexibility in operations and having a leaner structure.

With respect to FY2017 and FY2018, the Seabank Hotel is projected to increase occupancy level from 82% in FY2016 to 83%, and RevPOR is expected to increase from €125 in FY2016 to €128 and €131 in FY2017 and FY2018 respectively. As such, revenue is forecasted at €20.9 million in FY2017 (+4.7% over FY2016) and €21.3 million in the subsequent year. Gross operating profit margin is expected to increase from the current 54% to 55% in each of the projected financial years.

## 7. DB SAN ANTONIO HOTEL & SPA

### Introduction

Hotel San Antonio Limited, a db Group subsidiary company, owns the 513-room 10-floor four-star db San Antonio Hotel & Spa, located in St Paul's Bay, Malta (the "San Antonio Hotel"). The Group acquired 50% of the San Antonio Hotel in 2000 and purchased the remaining 50% shareholding in December 2013. During the first two quarters of 2014 (Jan-Jun'14), the hotel was closed for refurbishment and development works which comprised the extension of the room count from 300 to over 500 rooms. In addition, a number of apartments were developed, which are offered to customers on a long-let basis. The total capital expenditure amounted to *circa* €32 million and was financed from bank funding. The San Antonio Hotel is an all-inclusive hotel with 5 themed restaurants, indoor, outdoor and rooftop pools, a fitness centre, a Hammam spa and conference facilities. The carrying value of the San Antonio Hotel as at 31 March 2016 is €70.0 million (FY2015: €51.4 million).

## Operational Performance

The following table sets out the highlights of the hotel's operating performance for the periods indicated therein:

db San Antonio Hotel & Spa		FY2013	FY2015	FY2016	FY2017	FY2018
		12 months	15 months	12 months	12 months	12 months
		Actual	Actual	Actual	Forecast	Projection
Turnover (€'000)		5,456	9,393	14,727	16,280	16,819
Gross operating profit (€'000)		1,985	3,491	7,438	8,494	8,793
Gross operating profit margin (%)		36	37	51	52	52
Occupancy level (%)		72	67	70	78	79
Revenue per occupied room (RevPOR) (€)	(a)	81	113	123	126	129
Gross operating profit per available room (GOPAR) (€)	(b)	5,586	8,597	15,826	17,856	18,497
<b>Benchmark performance</b>						
Occupancy level (%)		76	80	84		
Revenue per occupied room (RevPOR) (€)	(c)	88	93	102		
Gross operating profit per available room (GOPAR)(€)	(d)	7,402	6,090	12,526		
<b>Revenue Generating Index (RGI)</b>	(a)/(c)	0.92	1.22	1.21		
<b>Gross Operating Profit Generating Index (GOPGI)</b>	(b)/(d)	0.75	1.41	1.26		

Source: Management information.

**Note 1:** Following the acquisition of the remaining 50% in Dec'13, the company changed its financial year end from 31 Dec to 31 Mar. As such, the financial information of FY2013 relates to the year 1 Jan to 31 Dec'13, and that of FY2015 refers to the period 1 Jan'14 to 31 Mar'15.

**Note 2:** The financial results of db San Antonio Hotel & Spa are consolidated with the results of the Guarantor will effect from 1 Jan'14, and are therefore included in the financial results for FY2015 (covering the period 1 Jan'14 to 31 Mar'15). As such, financial information in the table above relating to the period prior to 1 Jan'14 has been included for comparison purposes only.

In FY2013, San Antonio Hotel generated revenue of €5.5 million and gross operating profit of €2.0 million. During Q1 and Q2 of 2014, the Hotel was closed for refurbishment and expansion to 500 rooms, and re-opened ahead of the summer months as an all-inclusive hotel under the Group's db brand. The renovation works had an immediate positive effect on the average room rate and the increase in room count further enhanced revenue and gross operating profit. As such, revenue generated in FY2015 amounted to €9.4 million, an increase of €3.9 million over FY2013, and gross operating profit increased from €2.0 million in FY2013 to €3.5 million in FY2015. In FY2016, revenue increased by €5.3 million, from €9.4 million in FY2015 to €14.7 million, reflecting the full-year impact of the renovated all-inclusive hotel. Gross operating profit registered an increase of €3.9 million, from €3.5 million in FY2015 to €7.4 million.

As to competitive set analysis, no hotel within the four-star sector in Malta fully operates on an all-inclusive basis (other than the Seabank Hotel described above) and therefore, no peer is deemed to be directly comparable to the San Antonio Hotel. As such, the San Antonio Hotel has been compared to the average four-star sector results published in the Malta Hotels and Restaurants Association (MHRA) Survey.

Similar to the Seabank Hotel, the San Antonio Hotel is one of the largest hotels in Malta with 513 rooms (as of FY2016) and thus is more of a challenge to match and surpass the industry's average occupancy level. In FY2013 and FY2015, the hotel achieved an occupancy level of 72% and 67% respectively, which was lower than the sector average of 76% and 80% respectively. This was primarily due to the fact that the hotel was in a transition period until renovation works were fully executed. This position was also reflected in RevPOR, as the hotel generated RevPOR of €81 in FY2013 as compared to an sector average of €88, which improved to €113 in FY2015 (benchmark performance: €93). As a newly refurbished property, the hotel managed to attain a RevPOR of €123 in FY2016, which was 21% higher than the sector average of €102.

With respect to GOPAR, the San Antonio Hotel exceeded the market average in each of the reviewed historical financial years (other than FY2013), as management took advantage of economies of scale afforded by the property (in view of the higher room inventory than the sector average). As such, in FY2016, the San Antonio Hotel generated GOPAR of €15,826 (FY2015: €8,597), which was 26% higher than the market average of €12,526 (FY2015: €6,090).

During FY2017, the San Antonio Hotel is forecasted to further expand its all-inclusive offering and as a result, occupancy level for the said year is set to reach 78%, an increase of eight percentage points when compared to the prior year. Thereafter, occupancy level is projected to increase to 79% (in FY2018). In terms of RevPOR, management has projected an increase from €123 in FY2016 to €126 and €129 in FY2017 and FY2018 respectively. Due to the afore-mentioned growth, revenue in FY2017 is forecasted to increase by €1.6 million (+11%) from €14.7 million in FY2016 to €16.3 million, and gross operating profit is expected to increase by €1.1 million (+14%) from €7.4 million in FY2016 to €8.5 million. The aforesaid increase in business activity should further enhance operating efficiency at the hotel and therefore, management is forecasting a marginal improvement in gross operating profit margin from 51% in FY2016 to 52%.

As for FY2018, management is projecting revenue to increase by 3.3% from €16.3 million in FY2017 to €16.8 million, and gross operating profit for the reviewed year is estimated at €8.8 million, an increase of 3.5% from a year earlier.

## 8. HARD ROCK CAFÉ MALTA

### Introduction

Sea Port Franchising Limited, a db Group subsidiary company, was awarded the Hard Rock Café franchise for Malta in 2000, pursuant to the terms of a franchise agreement entered into with Hard Rock International. This franchise agreement is due to expire on 16 June 2020, subject to renewal.

The db Group presently operates 3 Hard Rock Café outlets in the following localities:

- **Bay Street Complex, St Julian's** – The premises is subject to a concession agreement and an operator agreement with Bronville Limited and Baystreet Limited respectively. The term of both agreements commenced on 25 November 2000, and is due to expire on 25 November 2020. The restaurant covers an area of 600m<sup>2</sup>, has a seating capacity of *circa* 180 covers, and includes a bar area, merchandise shop and internationally renowned rock 'n' roll memorabilia.
- **Malta International Airport** – Sea Port Franchising Limited operates a Hard Rock Bar at the Malta International Airport pursuant to a lease agreement, entered into with Malta International Airport p.l.c., the term of which commenced on 1 January 2016 and is due to expire on 31 December 2022, subject to renewal. The Hard Rock Bar is situated in the departures lounge of the airport. In 2015, the Hard Rock Bar was fully refurbished and restyled.
- **Valletta Waterfront** – In 2005, Sea Port Franchising Limited entered into a lease agreement with Valletta Cruise Port p.l.c. (formerly VISET Malta p.l.c.), following which it commenced operating a Hard Rock Bar with a seating capacity of *circa* 140 covers. The term of this lease agreement commenced on 1 March 2006 and is due to expire on 28 February 2018, subject to renewal.



### Operational Performance

The following table sets out the highlights of the company's operating performance for the years indicated therein:

Hard Rock Café Malta	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR	CAGR
	Actual	Actual	Actual	Forecast	Projection	FY14-16	FY14-18
Turnover (€'000)	4,944	5,295	5,529	5,695	5,809	5.8%	4.1%
Food and beverage	3,050	3,340	3,571	3,679	3,752	8.2%	5.3%
Merchandise	1,894	1,955	1,958	2,016	2,057	1.7%	2.1%
EBITDA (€'000)	156	285	389	493	822	57.9%	51.5%
EBITDA margin (%)	3	5	7	9	14		

*EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.*  
*CAGR - Compound annual growth rate.*

Source: Management information.

During the three historical financial years under review (FY2014 – FY2016), revenue increased from €4.9 million in FY2014 to €5.5 million in FY2016, an increase of €0.6 million (+12%, CAGR of 5.8%). This growth is mainly attributable to an increase in revenue generated from food & beverage, as merchandise sales remained broadly constant over the afore-mentioned years.

EBITDA in FY2014 amounted to €0.2 million, which increased to €0.3 million in FY2015 and €0.4 million in the subsequent financial year. The EBITDA margin improved from 3% in FY2014 to 5% in FY2015, and increased further to 7% in FY2016.

A growth rate of 3% in revenue has been assumed for FY2017 (amounting to €5.7 million) and 2% in the subsequent year (FY2018: €5.8 million). EBITDA is projected to increase from €0.4 million in FY2016 to €0.5 million in FY2017, resulting in an increase in EBITDA margin of two percentage points to 9%. As for FY2018, EBITDA is expected to increase by €0.3 million (+66%) from a year earlier to €0.8 million, which should result in an EBITDA margin of 14% (FY2017: 9%). The significant improvement in EBITDA margin reflects the impact of a reduction in franchise royalty fees agreed to with the franchisor (Hard Rock International).

## 9. TUNNY NET COMPLEX

### Introduction

Tunny Net Complex is operated by S.R.G.N. Company Limited, a subsidiary company of the db Group. The complex is located at Mellieha Bay, Malta (in close proximity to db Seabank Resort & Spa) and offers entertainment and leisure facilities to customers, including a beach lido, water sports facilities and a number of restaurants and retail outlets. It was completely refurbished in 2014. The property is leased from a subsidiary company – J.D. Catering Limited (C 15193) – which holds title of temporary emphyteusis granted to it by the Government of Malta and is due to expire on 31 July 2026.

### Operational Performance

The following table sets out the highlights of the company's operating performance for the years indicated therein:

Tunny Net Complex	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Forecast	FY2018 Projection	CAGR FY14-16	CAGR FY14-18
Turnover (€'000)	1,708	2,192	2,655	2,735	2,790	24.7%	13.1%
Food and beverage	1,171	1,301	1,513	1,559	1,590	13.7%	7.9%
Souvenir shop articles	502	853	1,104	1,137	1,160	48.3%	23.3%
Other income	35	38	38	39	40	4.2%	3.4%
EBITDA (€'000)	52	203	233	287	293	111.7%	54.1%
EBITDA margin (%)	3	9	9	10	11		

*EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.*  
*CAGR - Compound annual growth rate.*

Source: Management information.

Tunny Net Complex increased its revenue during the three years FY2014 to FY2016 at a compound annual growth rate of 24.7%, from €1.71 million in FY2014 to €2.19 million and €2.66 million in FY2015 and FY2016 respectively. The growth in revenue of *circa* €0.5 million per annum is due to an increase in food and beverage income as well as retail sales, and is a reflection of the refurbishment completed in FY2014, the positive trends exhibited in the local tourism sector and the resultant spill over effect from the increased occupancy levels at the Seabank Hotel. EBITDA has improved from €52,000 in FY2014 to €0.20 million in each of FY2015 and FY2016.

This positive trend is expected to continue in both FY2017 and FY2018, whereby management is assuming revenue to grow by 3% in FY2017 and 2% in FY2018 to €2.79 million (FY2016: €2.66 million). EBITDA should also increase to €0.28 million in FY2017 and €0.29 million in FY2018.

## 10. HOSPITALITY & LEISURE SECTOR ANALYSIS

### 10.1 ECONOMIC UPDATE

Economic activity in Malta is expected to remain robust in the near term, supported by both demand and supply factors. In particular, the energy reforms that have taken place in recent years, new investment projects, increased labour market participation and robust services exports are the primary drivers supporting the economic expansion. Real GDP growth is expected at 4.3% for 2016 and thereafter, is projected to decelerate to 4.1% in 2017, 3.7% in 2018 and 3.3% in 2019.

As a result, the labour market is projected to remain tight, with the unemployment rate falling further to 4.9% in 2016, before increasing slightly to 5.3% by 2019. Downward international price pressures are expected to contribute towards a further easing of consumer price inflation in 2016 (annual inflation should ease from 1.2% in 2015 to 0.9% in 2016). It is then projected to trend up to 1.9% by 2019, reflecting a pick-up in international commodity prices and domestic cost pressures.

In terms of public finances, restraint in key expenditure variables is expected to contribute towards a decline in the general government deficit, with the government budget set to become broadly in balance by 2019.

### 10.2 TOURISM MARKET

Tourism in Malta has in recent years been performing at a strong level and this trend continued in 2015 as well as in 2016. Inbound tourism from January to December 2015 amounted to 1.8 million guests, an increase of 6.0% over the same period in 2014. Although tourists residing in collective accommodation (hotels, guesthouses, hostels, B&Bs, etc) made up 71.7% of the market in 2015, preference for private accommodation has been growing in the last years at a faster pace, and actually increased by 18.2% from 2014. Tourism expenditure was estimated at €1.6 billion, 7.5% higher than that recorded for the comparable period in 2014.

Inbound tourist trips from January to December 2016 amounted to 1.99 million, an increase of 10.2% when compared a year earlier. Total nights spent by inbound tourists went up by 5.7%, reaching almost 15.0 million nights. During 2016, total guests in collective accommodation establishments surpassed 1.6 million, an increase of 2.1% over the same period in 2015. Within the collective accommodation establishments, the 5 star and 4 star hotels gained 10,878 guests (+2.8%) and 30,779 guests (+4.5%) respectively in 2016 when compared to a year earlier, while there was a decrease of 24,042 guests (-5.7%) in the 3 star category. Tourism expenditure was estimated at €1.71 billion in 2016, an increase of 4.3% over 2015.

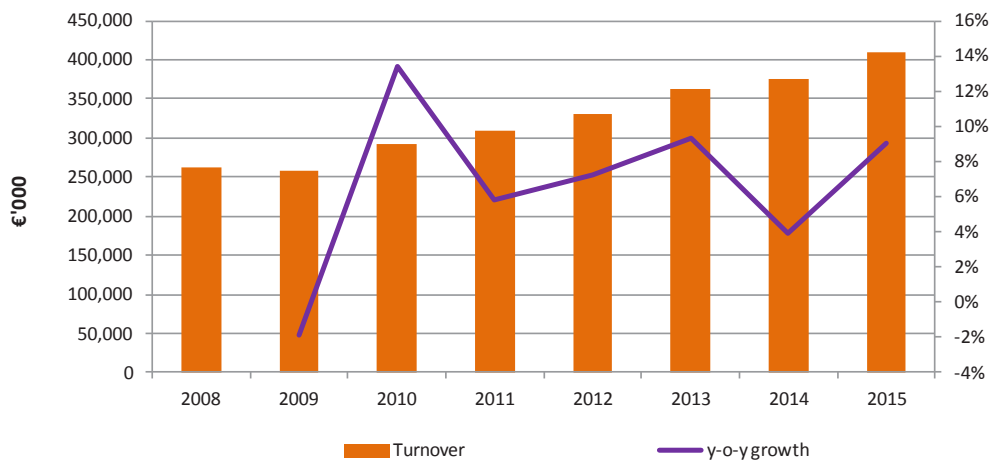
Focus will be maintained on increasing arrivals during the winter months and attracting more visitors from new markets to Malta. This bodes well for the Maltese hospitality industry as the expectation is to continue to grow revenues and increase profitability.

Looking forward, Malta's EU Presidency in the current year (2017) together with Valletta serving as the European City of Culture in 2018 are widely expected to generate increased demand for hotels and enhance Malta's image as a tourist destination, which would in turn generate further growth in the hospitality sector. Meanwhile, the somewhat uncertain future of the national carrier Air Malta poses a concern to further growth whilst competition from other Mediterranean countries will likely remain strong.

### 10.3 FOOD & BEVERAGE SERVICE SECTOR

The food & beverage service sector comprises restaurants & mobile food service activities and beverage serving activities. In 2015 (being the latest available statistical data), the total income from this sector in Malta amounted to €411 million, an increase of 9.1% over the previous year. The chart below illustrates the output from the food & beverage service sector in Malta for the past 8 years (2008 to 2015). As highlighted, market output has progressively increased over the reviewed period, except for 2009 when gross income decreased marginally by €4.8 million (-1.8%) when compared to the prior year. Since 2008, the food & beverage service sector grew at an annual compound rate of 6.6%.

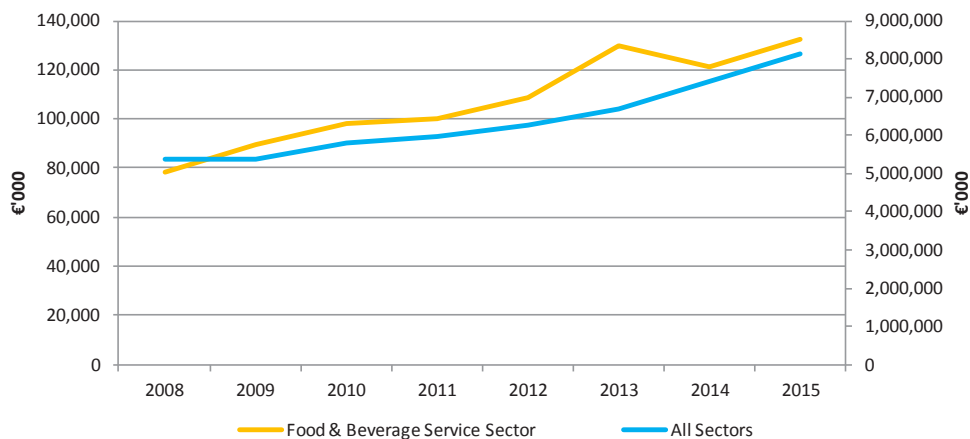
**Food & Beverage Service Sector in Malta**



Source: National Statistics Office Malta (NACE 56.1 & NACE 56.3 data)

The chart hereunder shows that the gross value added generated by the food & beverage service sector in Malta has grown on a year-to-year basis from €78.1 million in 2008 to €132.4 million in 2015. The chart also highlights the sector's correlation to Malta's economic performance, since over the reported period the food & beverage service sector has maintained the same percentage of gross value added generated by the whole economy of circa 1.7%.

**Gross Value Added**



Source: National Statistics Office Malta (NACE 56.1 & NACE 56.3 data)

## 11. INVESTMENTS IN ASSOCIATED COMPANIES

### 11.1 HEALTHCARE AND CATERING SERVICES

#### Introduction

Malta Healthcare Caterers Limited (the “MHC Group”) is a joint venture between the db Group and James Caterers Limited (C 30139), and is principally engaged in the provision of healthcare and catering services to hospitals and retirement homes, together with other related services, in Malta and Gozo. In 2013, the MHC Group acquired a site in Santa Lucija measuring *circa* 4,455m<sup>2</sup> with the intention of eventually developing it into a 300-bed home for the elderly.

#### Healthcare Division

The healthcare division of the MHC Group comprises the following subsidiary companies:

- Healthmark Care Services Ltd – the company is engaged in the provision of health and social care services and training to the general public, hospitals and elderly retirement and nursing homes;
- Health Services Group Limited – the company is engaged in the provision of nursing services;
- Support Services Limited – the company is engaged in the provision of nursing, medical and clinical services.

The operations of the healthcare division commenced in 2014 with the acquisition by the MHC Group of two existing healthcare sector companies. Subsequently, in November 2015, the MHC Group substantially increased its headcount to offer services previously provided by Malta Memorial District Nursing Association (which ceased providing community care services in October 2015). At the start of 2016, the MHC Group included domiciliary care for the elderly to its offerings.

At present, the healthcare division has a staff complement of *circa* 1,500 employees, including 150 professional nurses, 150 staff members providing domiciliary care for the elderly and 1,200 trained care assistants (2015: 1,092 employees). The key agreements include: (i) the provision of nursing and care services under the Active Ageing and Community Care Directorate; (ii) the provision of care worker services at Mater Dei Hospital and other entities within the Health Department; (iii) the provision of care worker services at St Vincent de Paul Residence and Homes for the Elderly Community Care; and (iv) the provision of home help services.

#### Catering Division

The MHC Group initiated operations in contract catering in 2007, after being awarded the contract to supply meals to in-patients at Mater Dei Hospital, St Luke’s Hospital and Sir Paul Boffa Hospital. In 2015, the MHC Group ceased to supply meals to Sir Paul Boffa Hospital, but instead commenced servicing Sir Anthony Mamo Oncology Centre. This agreement shall expire on 16 November 2022.

The MHC Group also provides catering and ancillary services to in-patients and staff of Gozo General Hospital (since 2013) and St Vincent de Paul Residence (since 2014). The contract relating to the former is due to expire on 27 June 2018, subject to the option of extending by a further year. The term of the contract relating to the latter has been extended up to 7 July 2017. In aggregate, the MHC Group serves in the region of 5,700 meals per day.

### Operational Performance

The following table sets out the highlights of the company's operating performance for the years indicated therein:

Malta Healthcare Caterers Limited	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Forecast	FY2017 Projection	CAGR FY13-15	CAGR FY13-17
Turnover (€'000)	4,325	12,904	25,128	25,128	25,128	141.0%	55.3%
Catering services	4,325	6,404	7,436	7,436	7,436	31.1%	14.5%
Healthcare services	0	5,690	17,692	17,692	17,692	210.9%	46.0%
Profit for the year (€'000)	104	712	848	848	848	185.5%	69.0%
Net profit margin (%)	2	6	3	3	3		
<b>Seabank Group's share of profit at 50%</b>	<b>52</b>	<b>356</b>	<b>424</b>	<b>424</b>	<b>424</b>		

*CAGR - Compound annual growth rate.*

Source: Management information.

**Note 1:** The year end of Malta Healthcare Caterers Limited is 31 December, whilst the Seabank Group's year end is 31 March. As such, the last available audited consolidated financial statements of the Seabank Group for the year ended 31 March 2016 includes the share of profits of Malta Healthcare Caterers Limited for the financial year ended 31 December 2015.

The table above summarises the historical financial performance of MHC Group for the years ended 31 December 2013 to 31 December 2015. As previously explained, the provision of healthcare services commenced in FY2014 and therefore revenue in FY2013 related solely to contract catering services. In FY2014, revenue generated by the MHC Group amounted to €12.9 million, an increase of €8.6 million when compared to FY2013, of which €5.7 million related to the initiation of healthcare services. In the subsequent year (FY2015), income from healthcare services more than tripled from €5.7 million to €17.7 million due to high demand for such offerings. During the reviewed period, net profit increased from €0.1 million in FY2013 to €0.7 million and €0.8 million in FY2014 and FY2015 respectively. With respect to the forecasted two financial years, management has assumed a nil growth scenario and therefore, the projected financials of FY2016 and FY2017 are a replica of the FY2015 financial results.

## 11.2 AIRLINE CATERING SERVICES

### Introduction

The Group has a 30% shareholding in Sky Gourmet Malta Ltd, a company principally involved in the provision of catering and commissary services to airlines. On an annual basis, the company serves over 2 million airline meals and snacks. The other shareholders are James Caterers Limited (C 30139) with a 30% ownership, and Do & Co, an Austrian catering company which is active in segments such as airline catering, train catering and international events catering.

During the financial years ended 31 March 2014 to 2016, the company serviced three airlines, namely Air Malta, Ryanair and Emirates, and the relevant contract agreements expire on 31 March 2021, 18 May 2019 and 30 November 2017 respectively. The agreement with Emirates is automatically renewed for successive periods of one year, subject to applicable conditions.

### Operational Performance

The following table sets out the highlights of the company's operating performance for the years indicated therein:

Sky Gourmet Malta Limited	FY2014	FY2015	FY2016	FY2017	FY2018
	Actual	Actual	Actual	Forecast	Projection
Turnover (€'000)	9,603	8,733	5,685	5,685	5,685
Profit (loss) for the year (€'000)	471	532	-227	-227	-227
Net profit (loss) margin (%)	5	6	-4	-4	-4
<b>Seabank Group's share of results at 30%</b>	<b>141</b>	<b>160</b>	<b>-68</b>	<b>-68</b>	<b>-68</b>

*CAGR - Compound annual growth rate.*

Source: Management information.

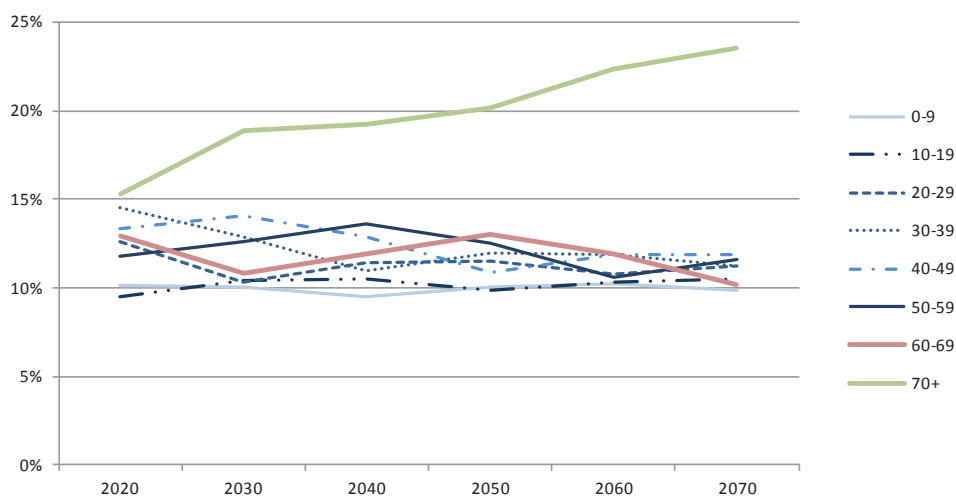
In FY2014, the company generated €9.60 million in revenue and profit for the year amounted to €0.47 million. In the subsequent year, although revenue decreased by 9% to €8.73 million, the company managed to generate marginally higher profits by €61,000 to €0.53 million. During FY2016, the company's level of business was adversely impacted by contractual changes negotiated with Air Malta. This resulted in a decline of €3.04 million in revenue, from €8.73 million in FY2015 to €5.69 million in FY2016, and the company declared a loss for the year of €0.23 million (FY2015: profit of €0.53 million). Since the share of results of Sky Gourmet Malta Limited is not material to the Group's financial performance, management has assumed a similar performance as in FY2016 for each of the projected financial years FY2017 and FY2018.

### 11.3 LONG-TERM CARE TREND ANALYSIS

Demand for long-term care in Malta is expected to progressively rise in the coming years as the population ages. According to projections published by the NSO, the percentage of the Maltese population over 60 years of age is expected to increase to 28% by 2020 and to 30% by 2030 (vide population distribution chart below). In absolute figures, Malta has *circa* 110,000 seniors above the age of 60 and this is expected to grow to over 135,000 by 2030. As a result of this substantial increase in elderly persons, it is envisaged that this will have a material effect on the growth in demand for care and support services provided to this category of the population.

In line with the above-mentioned statistics, the MHC Group foresees a steady increase in demand for nursing, home carers and other healthcare staff in the coming years, as well as a growing need for retirement and long-term care homes. As such, the MHC Group plans to continue to focus on this sector and progressively increase its offerings, particularly, by growing the staff complement to meet the demand for long-term care in Malta. Furthermore, as described hereinabove, the MHC Group intends to expand its activities in the healthcare sector through the development and operation of a residence for the elderly located in Santa Lucija.

### Projected percentage distribution of total population



Source: Demographic Review 2014, National Statistics Office, Malta

#### 11.4 CONTRACT CATERING TREND ANALYSIS

The demand for contract catering in Malta has developed substantially over the last ten years, particularly from the healthcare, aviation and canteen catering sectors. In the healthcare sector, demand for such service is mainly generated from state and privately-owned hospitals as well as from retirement homes. The Directors expect this market to grow further in the coming years as more hospitals and care homes are developed to meet the needs of Malta's ageing population. As such, the MHC Group intends to remain focused on optimising the contract catering business with a customer centric approach, while continuing to explore appropriate opportunities to profitably grow market share.

As for demand from the aviation industry, inflight catering service is decreasing as a result of airlines reducing their costs on ancillary services such as inflight meals. In this regard, the Group, through its 30% shareholding in Sky Gourmet Malta Ltd, will continue to focus on achieving operating efficiencies so as to safeguard profitability and future viability of this business.



## 11.5 OTHER INVESTMENTS IN ASSOCIATED COMPANIES

The Group owns 33.3% of Porto Azzurro Limited, a company that owns, manages and operates a three star 125-room aparthotel located in Xemxija, Malta. The rooms and apartments are equipped with en-suite bathrooms, a fully equipped kitchenette and other amenities. The hotel has a 24-hour reception, a launderette, mini market, dedicated restaurant and a pizzeria, as well as a number of leisure facilities. During the year ended 31 March 2016, the company generated revenue amounting to €0.84 million (FY2015: €0.79 million) and profits of €0.25 million (FY2015: €0.16 million).

The Group owns 30% of Sky Gourmet Malta Inflight Services Ltd, a company principally involved in the provision of personnel and administration services to Sky Gourmet Malta Limited. During the year ended 31 March 2016, the company generated €1.81 million (FY2015: €1.95 million) in revenue and registered a profit for the year of €0.11 million (FY2015: €0.11 million).

## 12. PRINCIPAL FUTURE INVESTMENTS

On 1 February 2017, the Group, through DB San Gorg Property Limited, entered into a deed of temporary emphyteusis with the Commissioner of Land, on behalf of the Government of Malta, for the design, build and operation of a tourism and leisure development on the site currently occupied by the Institute of Tourism Studies located in St George's Bay, St Julians, Malta.

The 99-year temporary emphyteutical concession is subject to a cash consideration of €15.0 million, payable over a period of seven years, with the first payment of €5.0 million payable on signing of the said deed. The balance of €10.0 million is payable in seven equal annual instalments as from January 2018. Upon the issuance of the relevant Planning Authority permit determining the full extent of developable area of the City Centre Project, a consideration shall further be due to Government, or by Government to DB San Gorg Property Limited, as the case may be, which consideration is payable over a period of seven years in seven equal annual instalments, and calculated in accordance with the terms of a schedule annexed to the Emphyteutical Deed. The first instalment is to be paid one week after the issuance of the relevant Planning Authority permit. An additional consideration shall become due should a Planning Authority permit be issued allowing for further developable area than originally permitted, which consideration is to be calculated in accordance with the terms of a schedule annexed to the Emphyteutical Deed. The payment of such additional consideration shall be effected within one week from the issuance of the said Planning Authority permit.

Stamp duty of *circa* €3.0 million was payable upon signing of deed. The payment of *circa* €8.0 million (comprising the said first payment and stamp duty) was financed primarily through a bank facility.

In terms of the deed, a total annual ground rent of €1,562,509 shall be payable to Government, of which a total of €1,169,579 is to be allocated for redemption purposes based on a net floor space area of 51,030m<sup>2</sup> (comprising residential, office space and garage space). The afore-mentioned annual ground rent shall be temporarily reduced to €1,000 per annum until the earlier of: (a) the issuance of a certificate of completion by an architect; or (b) the lapse of five years from date of deed.

Subject to the issuance of Planning Authority permit, the db Group plans to develop a five-star Hard Rock Hotel, a casino, an exclusive top-floor bar, catering and dining establishments, a congress hall and conference centre, a shopping mall, a car park, office suites and residential units. The cost of construction and development of the above-mentioned project is expected to be funded through a combination of own funds, bank facilities and issuance of debt as well as cash flows generated by the initial instalment of residential units set to be constructed as part of the project.

## PART 3 – PERFORMANCE REVIEW

### 13. FINANCIAL INFORMATION RELATING TO SD FINANCE PLC

The Issuer was registered and incorporated on 20 January 2017, and as such there is no historical financial information pertaining to the Issuer. The forecasted financial information for the years ending 31 March 2017 and 2018 has been provided by management of the Company.

The projected financial statements relate to events in the future and are based on assumptions which the Issuer believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

SD Finance p.l.c.		
Income Statement		
for the year ended 31 March	2017	2018
	€'000	€'000
	Forecast	Projection
Finance income	-	2,941
Finance costs	-	(2,844)
Administrative expenses	-	(19)
<b>Profit before tax</b>	<b>-</b>	<b>78</b>
Taxation	-	(27)
<b>Profit for the year</b>	<b>-</b>	<b>51</b>

SD Finance p.l.c.		
Cash Flow Statement		
for the year ended 31 March	2017	2018
	€'000	€'000
	Forecast	Projection
Net cash from operating activities	-	2,841
Net cash from investing activities	-	(54,447)
Net cash from financing activities	250	51,685
<b>Net movement in cash and cash equivalents</b>	<b>250</b>	<b>79</b>
Cash and cash equivalents at beginning of year	-	250
<b>Cash and cash equivalents at end of year</b>	<b>250</b>	<b>329</b>

<b>SD Finance p.l.c.</b>		
<b>Balance Sheet</b>		
<b>as at 31 March</b>		
	<b>2017</b>	<b>2018</b>
	<b>€'000</b>	<b>€'000</b>
	<b>Forecast</b>	<b>Projection</b>
<b>ASSETS</b>		
<b>Non-current</b>		
Loans owed by parent company	-	64,081
	-	64,081
<b>Current</b>		
Cash and cash equivalents	250	329
	250	329
<b>Total assets</b>	<b>250</b>	<b>64,410</b>
<b>EQUITY</b>		
<b>Capital and reserves</b>		
Called up share capital	250	250
Retained earnings	-	51
	<b>250</b>	<b>301</b>
<b>LIABILITIES</b>		
<b>Non-current</b>		
Bonds in issue	-	64,081
	-	64,081
<b>Current</b>		
Taxation	-	28
	-	28
	-	<b>64,109</b>
<b>Total equity and liabilities</b>	<b>250</b>	<b>64,410</b>

The Issuer is a fully owned subsidiary of SD Holdings Limited, the parent company of the db Group, and is principally engaged to act as a finance company. It is anticipated that in FY2017, the Issuer will on-lend the net proceeds of the €65 million Bond Issue to Group companies, and as a result, finance income will principally represent interest receivable from loan advanced to Group companies and finance costs will comprise interest payable to bondholders.

#### 14. FINANCIAL INFORMATION RELATING TO SD HOLDINGS LIMITED

The financial information provided hereunder is extracted from the audited consolidated financial statements of SD Holdings Limited for each of the years ended 31 March 2014 to 31 March 2016. The forecasted financial information for the years ending 31 March 2017 and 2018 has been provided by management of the Company.

The projected financial statements relate to events in the future and are based on assumptions which the Guarantor believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

<b>SD Holdings Limited</b>					
<b>Consolidated Income Statement</b>					
<b>for the year ended 31 March</b>					
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Projection</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Revenue	23,087	34,947	42,963	45,702	46,828
<i>db Seabank Resort &amp; Spa</i>	16,485	18,044	19,988	20,929	21,348
<i>db San Antonio Hotel &amp; Spa</i>		9,393	14,727	16,280	16,819
<i>Hard Rock Café Malta</i>	4,944	5,295	5,529	5,695	5,809
<i>Tunny Net Complex</i>	1,708	2,192	2,655	2,735	2,790
<i>Other</i>	(50)	23	64	63	62
Cost of sales	(14,355)	(21,475)	(22,939)	(24,400)	(24,654)
<b>Gross profit</b>	<b>8,732</b>	<b>13,472</b>	<b>20,024</b>	<b>21,302</b>	<b>22,174</b>
Other net operating costs	(1,147)	(1,564)	(2,220)	(1,961)	(2,030)
<b>EBITDA<sup>1</sup></b>	<b>7,585</b>	<b>11,908</b>	<b>17,804</b>	<b>19,341</b>	<b>20,144</b>
<i>db Seabank Resort &amp; Spa</i>	7,391	8,442	10,351	10,534	10,744
<i>db San Antonio Hotel &amp; Spa</i>		2,983	6,730	8,089	8,379
<i>Hard Rock Café Malta</i>	156	285	389	493	822
<i>Tunny Net Complex</i>	52	203	233	287	293
<i>Other</i>	(14)	(5)	101	(62)	(94)
Depreciation	(2,405)	(5,461)	(6,093)	(6,080)	(5,583)
<b>Operating profit</b>	<b>5,180</b>	<b>6,447</b>	<b>11,711</b>	<b>13,261</b>	<b>14,561</b>
Net finance costs	(2,038)	(4,032)	(3,694)	(2,731)	(3,085)
Share of results of associates	692	601	424	424	424
<b>Profit before tax</b>	<b>3,834</b>	<b>3,016</b>	<b>8,441</b>	<b>10,954</b>	<b>11,900</b>
Taxation	(619)	3,668	(2,814)	(3,863)	(4,222)
<b>Profit for the year</b>	<b>3,215</b>	<b>6,684</b>	<b>5,627</b>	<b>7,091</b>	<b>7,678</b>
<b>Other comprehensive income</b>					
Revaluation surplus, net of deferred tax	-	-	22,586	-	-
Cash flow hedges, net of deferred tax	22	19	110	-	-
<b>Total comprehensive income for the year net of tax</b>	<b>3,237</b>	<b>6,703</b>	<b>28,323</b>	<b>7,091</b>	<b>7,678</b>

<sup>1</sup> EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

**SD Holdings Limited**  
**Consolidated Balance Sheet**  
**as at 31 March**

	2014	2015	2016	2017	2018
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	88,478	113,436	136,667	133,136	129,299
Intangible assets	1,453	1,211	970	786	607
Prepaid operating lease	-	-	-	7,895	9,228
Investments in associates	3,631	3,932	4,356	4,780	5,204
Deferred tax assets	5,592	9,383	3,901	227	-
Trade and other receivables	-	-	327	44	-
	<u>99,154</u>	<u>127,962</u>	<u>146,221</u>	<u>146,868</u>	<u>144,338</u>
<b>Current assets</b>					
Inventories	586	832	917	1,090	1,116
Trade and other receivables	3,080	6,958	8,787	8,723	8,710
Current tax assets	64	1	-	-	-
Cash and cash equivalents	1,510	1,750	508	1,624	13,386
	<u>5,240</u>	<u>9,541</u>	<u>10,212</u>	<u>11,437</u>	<u>23,212</u>
<b>Total assets</b>	<b><u>104,394</u></b>	<b><u>137,503</u></b>	<b><u>156,433</u></b>	<b><u>158,305</u></b>	<b><u>167,550</u></b>
<b>EQUITY</b>					
<b>Capital and reserves</b>					
Share capital	520	520	520	4,000	4,000
Reserves	1,694	1,713	24,409	25,886	35,516
Retained earnings	8,481	15,135	20,721	26,370	24,495
Non-controlling interest	10,976	11,006	11,047	9,553	-
	<u>21,671</u>	<u>28,374</u>	<u>56,697</u>	<u>65,809</u>	<u>64,011</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings and bonds	55,262	61,942	54,745	54,229	72,284
Other non-current liabilities	7,111	8,470	6,523	7,207	10,345
	<u>62,373</u>	<u>70,412</u>	<u>61,268</u>	<u>61,436</u>	<u>82,629</u>
<b>Current liabilities</b>					
Borrowings	5,159	9,970	10,208	8,514	-
Other current liabilities	15,191	28,747	28,260	22,546	20,910
	<u>20,350</u>	<u>38,717</u>	<u>38,468</u>	<u>31,060</u>	<u>20,910</u>
	<b><u>82,723</u></b>	<b><u>109,129</u></b>	<b><u>99,736</u></b>	<b><u>92,496</u></b>	<b><u>103,539</u></b>
<b>Total equity and liabilities</b>	<b><u>104,394</u></b>	<b><u>137,503</u></b>	<b><u>156,433</u></b>	<b><u>158,305</u></b>	<b><u>167,550</u></b>

<b>SD Holdings Limited</b>					
<b>Consolidated Cash Flow Statement</b>					
<b>for the year ended 31 March</b>					
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Projection</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Net cash from operating activities	7,268	10,119	15,989	18,404	19,370
Net cash from investing activities	(9,432)	(21,371)	(10,272)	(14,449)	(4,512)
Net cash from financing activities	1,829	9,765	(6,082)	(787)	(3,096)
<b>Net movement in cash and cash equivalents</b>	<b>(335)</b>	<b>(1,487)</b>	<b>(365)</b>	<b>3,168</b>	<b>11,762</b>
Cash and cash equivalents at beginning of year	643	308	(1,179)	(1,544)	1,624
<b>Cash and cash equivalents at end of year</b>	<b>308</b>	<b>(1,179)</b>	<b>(1,544)</b>	<b>1,624</b>	<b>13,386</b>

<b>Key Accounting Ratios</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
Gross profit margin <i>(Gross profit/revenue)</i>	38%	39%	47%	47%	47%
Operating profit margin <i>(EBITDA/revenue)</i>	33%	34%	41%	42%	43%
Interest cover (times) <i>(EBITDA/net finance cost)</i>	3.72	2.95	4.82	7.08	6.53
Net profit margin <i>(Profit after tax/revenue)</i>	14%	19%	13%	16%	16%
Earnings per share (€) <sup>1</sup> <i>(Profit after tax/number of shares)</i>	6.15	12.80	10.74	1.77	1.92
Return on equity <i>(Profit after tax/shareholders' equity)</i>	15%	24%	10%	11%	12%
Return on capital employed <i>(EBITDA/total assets less current liabilities)</i>	9%	12%	15%	15%	14%
Return on assets <i>(Profit after tax/total assets)</i>	3%	5%	4%	4%	5%

<sup>1</sup> In FY2014 to FY2016, the Guarantor had in issue 520,000 shares. As of FY2017, the issued share capital increased to 4,000,000 shares.

Source: Charts Investment Management Service Limited

Revenue of the Group for **FY2015** amounted to €34.9 million, an increase of €11.9 million when compared to FY2014. The major part of this increase (€9.4 million) related to the inclusion of revenue of the San Antonio Hotel following the acquisition by the Guarantor of the remaining 50% shareholding in December 2013 (thereby becoming a wholly owned subsidiary of the Group). The remaining y-o-y increase in revenue of €2.5 million was generated primarily from the Seabank Hotel as to €1.6 million, whilst the balance of €0.9 million was generated from the operations of Hard Rock Café Malta and Tunny Net Complex.

In FY2015, the Group registered an EBITDA of €11.9 million, a y-o-y increase of €4.3 million (FY2014: €7.6 million). Of this increase, an amount of €3.0 million represented the first-year EBITDA generated by the San Antonio Hotel as a subsidiary of the Group. The other principal contributor to the increase in EBITDA was the Seabank Hotel, where the hotel's EBITDA increased by €1.0 million from €7.4 million in FY2014 to €8.4 million in FY2015.

Net finance costs increased from €2.0 million in FY2014 to €4.0 in FY2015, as a result of inclusion of interest payable relating to the San Antonio Hotel. With respect to 'share of results of associates', in FY2014, an amount of €0.4 million of the aggregate balance of €0.7 million represented the 50% share of profits of the San Antonio Hotel. In FY2015, the removal of the San Antonio Hotel as an associate was compensated for by an increase in share of profits from Malta Healthcare Caterers Limited, which increased from €52,000 in FY2014 to €0.4 million in FY2015.

Overall, the Group registered a profit for FY2015 of €6.7 million (FY2014: €3.2 million) after accounting for a tax credit balance of €3.7 million (FY2014: tax charge of €0.6 million). Total comprehensive income for FY2015, net of tax, amounted to €6.7 million as compared to €3.2 million a year earlier.

In **FY2016**, revenue of the db Group increased by €8.0 million (+23%) from €34.9 million in FY2015 to €42.9 million. Revenue generated by the Seabank Hotel increased by €1.9 million (+11%) to €20.0 million, whilst the San Antonio Hotel recorded a y-o-y increase of €5.3 million (+57%) from €9.4 million in FY2015 to €14.7 million. The growth registered at the San Antonio Hotel was due to an increase in occupancy levels and a significant increase in revenue per occupied room (RevPOR), and is reflective of a full-year's impact of the renovated property, the expansion to 513 rooms and the shift to an all-inclusive business model. Revenue generated by Hard Rock Café Malta and the Tunny Net Complex increased in aggregate by €0.7 million (+9%) from €7.5 million in FY2015 to €8.2 million.

EBITDA for the financial year under review increased by €5.9 million from €11.9 million in FY2015 to €17.8 million, substantially generated from the Seabank Hotel and the San Antonio Hotel which registered y-o-y increases of €1.9 million and €3.7 million respectively. As for Hard Rock Café Malta and the Tunny Net Complex, the respective EBITDA for FY2016 broadly matched the EBITDA registered in FY2015.

After accounting for depreciation of €6.1 million (FY2015: €5.5 million), net finance costs of €3.7 million (FY2015: €4.0 million) and share of results of associates of €0.4 million (FY2015: 0.6 million), the Group registered a profit before tax of €8.4 million, a y-o-y increase of €5.4 million when compared to FY2015 (profit before tax: €3.0 million). In FY2016, the property valuations (net of deferred tax) of the Seabank Hotel and the San Antonio Hotel were revised upwards by an aggregate amount of €22.6 million, and as a consequence, the comprehensive income for FY2016 amounted to €28.3 million (FY2015: €6.7 million).

Revenue for **FY2017** is projected to increase by €2.7 million (+6%) as compared to the prior year from €43.0 million to €45.7 million, primarily due to a projected increase in revenue generated from the San Antonio Hotel of €1.6 million. Management has assumed that the all-inclusive offering at the aforesaid hotel is still in the early stage of operational development and therefore a relatively high growth rate has been forecasted. Revenue from the Seabank Hotel is projected at €20.9 million, an increase of €0.9 million (+5%) over FY2016. The other group operations are expected to increase y-o-y revenue by 3%.

Operating profit for FY2017 is forecasted at €13.3 million, an increase of €1.5 million (+13%) when compared to €11.7 million registered in FY2016. Net finance costs is projected to decrease from €3.7 million in FY2016 to €2.7 million as a result of further repayments of bank borrowings made during the year and a reduction in the Group's effective interest rate. Share of results of associates has been projected to remain stable at €0.4 million. After accounting for taxation, the db Group expects to register an increase in profits of €1.5 million (+26%) in FY2017, from €5.6 million in FY2016 to €7.1 million.

As for **FY2018**, management has assumed an average revenue growth of 2.5% and therefore revenue is forecasted to increase from €45.7 million in FY2017 to €46.8 million. The resultant effect on operating profit is an increase of €1.3 million, from €13.3 million in FY2017 to €14.6 million, and profit for the year is projected at €7.7 million, a growth of €0.6 million (+8%) from a year earlier.

The estimates for the forward years as presented in this document assume that the carrying values of hotel properties will remain constant in FY2017 and FY2018, and therefore no adjustment has been made as to possible impairment or uplift of assets that may be booked and which may materially affect the consolidated income statement and balance sheet values.

Total assets of the Group as at 31 March 2016 amounted to €156.4 million (FY2015: €137.5 million), and principally comprised the Seabank Hotel (2016: €62.7 million, 2015: €54.8 million) and the San Antonio Hotel (2016: €70.0 million, 2015: €51.4 million). Other assets included investments in associates, deferred taxation and trade & other receivables. On 1 February 2017, the Group acquired a 99-year temporary emphyteutical grant from the Government of Malta on a site in St George's Bay, St Julians, as further described in section 12 of this report. The said acquisition is included as a non-current asset in the balance sheet under the heading 'Prepaid operating lease'.

Other than equity, the Group was mainly financed, in FY2014 and FY2015, through bank loans and shareholder loans. In October 2016, the Guarantor issued and allotted an additional 3,480,000 ordinary shares of €1 each, fully paid up through the capitalisation of shareholder loans. It is anticipated that, in FY2018, the majority of bank loans (which were primarily used for the development and renovation of the Seabank Hotel and San Antonio Hotel) will be refinanced from proceeds of the proposed Bond Issue.

Further analysis of borrowings is provided hereunder:

<b>SD Holdings Limited</b>					
<b>Consolidated Borrowings</b>					
<b>as at 31 March</b>					
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Projection</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Borrowings</b>					
Bank overdrafts	1,202	2,929	2,052	-	-
Bank loans	55,440	65,204	59,122	61,132	6,592
	<b>56,642</b>	<b>68,133</b>	<b>61,174</b>	<b>61,132</b>	<b>6,592</b>
<b>Bonds</b>					
4.35% Unsecured Bonds 2027				-	64,081
	-	-	-	-	<b>64,081</b>
<b>Other loans</b>					
Amounts owed to ultimate shareholder	3,779	3,779	3,779	1,611	1,611
	<b>3,779</b>	<b>3,779</b>	<b>3,779</b>	<b>1,611</b>	<b>1,611</b>
<b>Total borrowings and bonds</b>	<b>60,421</b>	<b>71,912</b>	<b>64,953</b>	<b>62,743</b>	<b>72,284</b>

<b>Key Accounting Ratios</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
Net assets per share (€) <i>(Net asset value/number of shares)</i>	41.68	54.57	109.03	16.45	16.00
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	0.26	0.25	0.27	0.37	1.11
Gearing ratio <i>(Total net debt/net debt and shareholders' equity)</i>	73%	71%	53%	48%	48%

*Source: Charts Investment Management Service Limited*



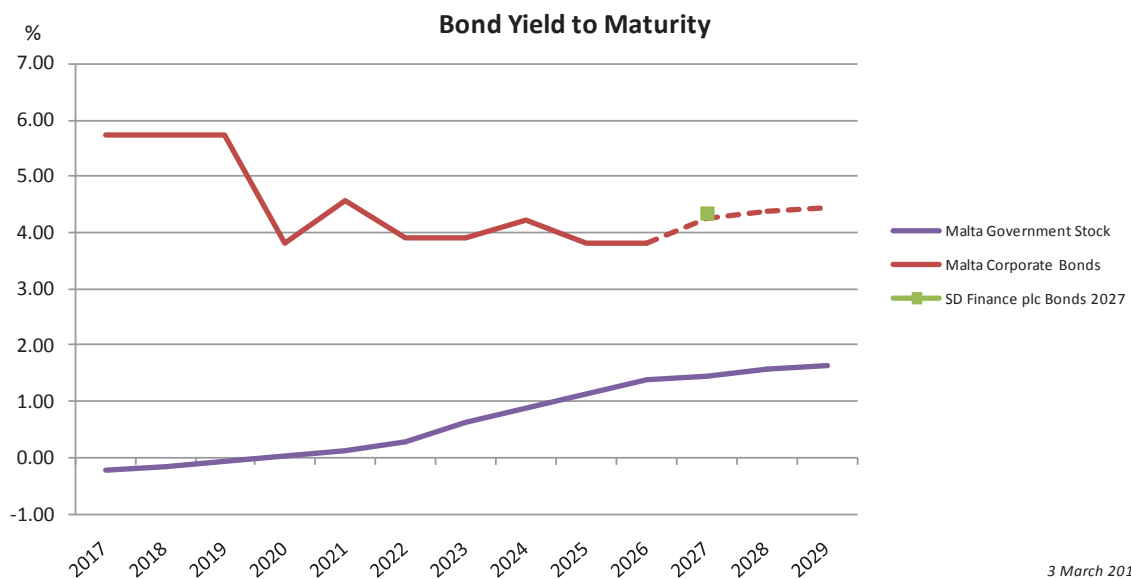
## PART 4 – COMPARABLES

The table below compares the db Group and the proposed bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Group and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Group.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	3.91	n/a	58,098	11,734	61.87
4.25% Gap Group plc Secured € 2023	40,000,000	3.98	n/a	61,002	7,541	81.51
6% AX Investments Plc € 2024	40,000,000	4.00	3.62	270,425	163,719	27.97
6% Island Hotels Group Holdings plc € 2024	35,000,000	4.62	0.58	145,140	54,053	53.19
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	4.25	3.49	67,669	25,823	57.66
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	4.22	0.05	81,842	31,150	55.46
5.1% PTL Holdings plc Unsecured € 2024	36,000,000	4.50	2.32	70,543	6,592	86.78
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.81	1.50	90,867	26,315	71.30
4.0% International Hotel Invest. plc Secured € 2026	55,000,000	3.63	1.45	1,159,643	608,288	36.49
4.0% MIDI plc Secured € 2026	50,000,000	3.46	2.64	187,462	71,248	37.55
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.50	7.93	185,070	43,401	57.85
<b>4.35% SD Finance plc € Unsecured Bonds 2027</b>	<b>65,000,000</b>	<b>4.35</b>	<b>4.82</b>	<b>156,433</b>	<b>56,697</b>	<b>53.20</b>

3 March'17

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts Investment Management Service Limited



To date, there are no corporate bonds which have a redemption date beyond 2026 and therefore a trend line has been plotted (denoted in the above chart by the dashed line). The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

## PART 5 - EXPLANATORY DEFINITIONS AND REFERENCES

### Income Statement

Revenue	Total revenue generated by the Group from its business activities during the financial year, including room reservations, food & beverage and other revenue streams.
Cost of sales	Direct costs include cost of food, beverages, consumables, labour expenses and all other direct expenses.
Gross profit	Gross profit is the difference between revenue and direct costs. It refers to the profit made by the Group before deducting operating costs, depreciation & amortisation, finance costs, impairment provisions, share of results from associate and affiliate companies and other operating costs.
Operating costs	Operating costs include all operating expenses other than direct costs and include general & administration expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Share of results of associates	The Guarantor owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the db Group, but the Guarantor's share of profit is shown in the profit and loss account under the heading 'share of results of associates'.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.

### Key Performance Indicators

Occupancy level	Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Revenue per occupied room (RevPOR)	RevPOR is calculated by adding all income generated (room accommodation, food & beverage and other income) and dividing it by the number of occupied rooms. A hotel uses this indicator as a performance measure with other hotels in the same category or market to determine how well the hotel property is yielding.
Gross operating profit per available room (GOPAR)	GOPAR is the total revenue of the hotel less expenses incurred earning that revenue, divided by the available rooms. This indicator is another performance measure used in the hotel industry.
Revenue generating index (RGI)	A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) revenue per occupied room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.
Gross operating profit generating index (GOPGI)	A gross operating profit generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) gross operating profit per available room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.

### Profitability Ratios

Gross profit margin	Gross profit margin is the difference between revenue and direct costs expressed as a percentage of total revenue.
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.

### Efficiency Ratios

Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.

### Equity Ratios

Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
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### Cash Flow Statement

Cash flow from operating activities	Cash generated from the principal revenue-producing activities (room revenue, food & beverage, hotel services, etc) of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.

### Balance Sheet

Non-current assets	Non-current assets are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. Such assets include intangible assets (including goodwill on acquisition), investments in associates (Malta Healthcare Caterers Ltd, Porto Azzurro Ltd, Sky Gourmet Ltd and Sky Gourmet Malta Inflight Services Ltd), property, plant & equipment (hotel properties), and deferred tax assets.
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory (food, beverages, consumables, etc), cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.

### Financial Strength Ratios

Liquidity ratio	The liquidity ratio (also known as current 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 a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.

### References

- Central Bank of Malta – Outlook for the Maltese economy (Economic projections 2016 - 2019), December 2016
- National Statistics Office - Malta ([www.nso.gov.mt](http://www.nso.gov.mt))
- Malta Hotels and Restaurants Association (MHRA) Survey (2013, 2014 and 2015)

