



## SECURITIES NOTE

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 the 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 Secured Bonds being issued by Exalco Finance p.l.c. Application has been made for the admission to listing and trading of the Secured 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.

dated 31 July 2018

in respect of an issue of

€15,000,000 4% Secured Bonds 2028

of a nominal value of €100 per Secured Bond, issued and redeemable at par  
by

### EXALCO FINANCE P.L.C.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA

WITH COMPANY REGISTRATION NUMBER C 87384

with the joint and several Guarantee\* of

### EXALCO PROPERTIES LIMITED

A PRIVATE LIMITED LIABILITY COMPANY REGISTERED IN MALTA

WITH COMPANY REGISTRATION NUMBER C 11273

*\*Prospective investors are to refer to the Guarantee contained in Annex II of this Securities Note and section 1 of the Registration Document for a description 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.*

ISIN: MT0001911206

Sponsor, Manager & Registrar



**RIZZO FARRUGIA**  
YOUR INVESTMENT CONSULTANTS

Legal Counsel

**CAMILLERI PREZIOSI**  
— ADVOCATES —

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Approved by the directors of Exalco Finance p.l.c

Alexander Montanaro

Jean Marc Montanaro

*Signing in their capacity as directors of the company and on behalf each of Michael Montanaro,  
Kevin Valenzia, Lawrence Zammit and Mario P. Galea.*

## IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY EXALCO FINANCE P.L.C. (THE “ISSUER”) OF €15,000,000 SECURED BONDS OF A NOMINAL VALUE OF €100 PER BOND, ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 4% PER ANNUM, PAYABLE ANNUALLY ON 20 AUGUST OF EACH YEAR (THE “SECURED BONDS” OR “BONDS”). THE ISSUER SHALL REDEEM THE BONDS ON SUCH DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION.

THIS SECURITIES NOTE CONTAINS INFORMATION ABOUT THE ISSUER, EXALCO PROPERTIES LIMITED (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.

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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 SECURITIES DESCRIBED IN THE SECURITIES NOTE 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 SECURITIES CAN ONLY BE OFFERED TO “QUALIFIED INVESTORS” (AS DEFINED IN THE 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.**

ALL THE ADVISERS TO THE ISSUER AND THE GUARANTOR UNDER THE HEADING “*ADVISERS TO THE ISSUER AND THE GUARANTOR*” IN SECTION 3.2 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 CONTENTS OF THE ISSUER’S OR THE GUARANTOR’S WEBSITES OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER’S OR THE GUARANTOR’S WEBSITES DO NOT FORM PART OF THIS 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.

**THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. 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 ADVISERS.**

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## [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, expressions and capitalized 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 capitalized 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 applicant submitting an application for the Bonds through any Authorised Financial Intermediary, and any Authorised Financial Intermediary when subscribing for the Bonds for its own account or for the account of its customers;
<b>Authorised Financial Intermediaries</b>	the financial intermediaries whose details appear in Annex I to this Securities Note;
<b>Bond Issue</b>	the issue of the Bonds;
<b>Bond Issue Price</b>	the price of €100 per Bond;
<b>Bondholder/s</b>	a holder/s of the Bonds;
<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>Collateral</b>	the following security granted by the Guarantor in favour of the Security Trustee for the benefit of Bondholders: <ul style="list-style-type: none"> <li>i. a first ranking special hypothec over the Security Property; and</li> <li>ii. a pledge over the proceeds from any insurance policy required under clause 5(1)(h) of the Security Trust Deed;</li> </ul>
<b>CSD</b>	the Central Securities Depository of the Malta Stock Exchange established pursuant to article 24 of the Financial Markets Act (Cap. 345 of the laws of Malta) having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063, Malta;
<b>Deed of Hypothec</b>	a deed to be entered into by and between the Security Trustee and the Issuer in the acts of Dr Notary John Gambin whereby the Issuer constitutes in favour of the Security Trustee that part of the Collateral which according to law requires the execution of a notarial deed;
<b>Euro or €</b>	the lawful currency of the Republic of Malta;
<b>Exalco Group or Group</b>	the group of companies of which Exalco Holdings is the parent company, which includes the Issuer and the Guarantor;
<b>Exalco Holdings</b>	Exalco Holdings Limited, a private limited liability company registered in Malta with company number C 86836 having its registered office at Cornerstone Business Centre, Level 4, 16 <sup>th</sup> September Square, Mosta, MST 1180, Malta;
<b>Issue Date</b>	expected on 4 September 2018, or such earlier date as may be applied in the event that constitution of Collateral is completed in advance of 31 August 2018;

<b>Issuer or Company</b>	Exalco Finance p.l.c., a public limited liability company registered in Malta with company number C 87384 having its registered office at Cornerstone Business Centre, Level 4, 16 <sup>th</sup> September Square, Mosta, MST 1180, Malta;
<b>Listing Authority</b>	the Board of Governors of the MFSA, appointed as Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
<b>Listing Rules</b>	the listing rules of the Listing Authority;
<b>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) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
<b>Memorandum and Articles of Association</b>	the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus. The terms <b>“Memorandum”</b> , <b>“Articles”</b> and <b>“Articles of Association”</b> shall be construed accordingly;
<b>MFSA</b>	the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
<b>Official List</b>	the list prepared and published by the MSE as its official list in accordance with the MSE Bye-Laws;
<b>Planning Authority</b>	means the Planning Authority established in terms of the Development Planning Act (Cap. 552 of the laws of Malta);
<b>Prospectus</b>	collectively, the Registration Document, the Securities Note and the Summary Note;
<b>Redemption Date</b>	20 August 2028;
<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 31 July 2018, 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 to 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 to regulatory technical standards for publication of the prospectus and dissemination of advertisements;
<b>Secured Bond(s) or Bond(s)</b>	the €15,000,000 secured bonds of a nominal value of €100 payable in full upon subscription, and redeemable at the nominal value on the Redemption Date bearing interest at the rate of 4% per annum, as detailed in this Securities Note;

<b>Securities Note</b>	this document in its entirety, forming part of the Prospectus;
<b>Security Property</b>	the following immovable property: <ul style="list-style-type: none"> <li>i. 'Marina Business Centre', Abate Rigord Street, Ta' Xbiex, Malta; and</li> <li>ii. 'Mayfair Business Centre', St. Augustine Street, Paceville, St Julian's, Malta;</li> </ul>
<b>Security Trustee or Trustee</b>	Alter Domus Trustee Services (Malta) Limited, a private limited liability company registered and existing under the laws of Malta with company registration number C 63887 and having its registered office at Vision Exchange Building, Territorials Street, Mriehel, Birkirkara BKR 3000, Malta, duly authorised to act as a trustee or co-trustee in terms of Article 43(3) of the Trusts and Trustees Act (Cap. 331 of the laws of Malta);
<b>Security Trust Deed</b>	means the security trust deed entered into between the Security Trustee, the Issuer and the Guarantor on 27 July 2018;
<b>Sponsor, Manager &amp;/or Registrar</b>	Rizzo, Farrugia & Co. (Stockbrokers) Ltd., a private limited liability company registered in Malta with company number C 13102 having its registered office at Airways House, Fourth Floor, High Street, Sliema, SLM 1551, Malta. Rizzo, Farrugia & Co. (Stockbrokers) Ltd. is an authorised financial intermediary licensed by the Malta Financial Services Authority and a member of the Malta Stock Exchange;
<b>Summary Note</b>	the summary note issued by the Issuer dated 31 July 2018, forming part of the Prospectus;
<b>Target Property</b>	the immovable property described in section 4.4.2.3 of the Registration Document; and
<b>Terms and Conditions</b>	the terms and conditions of the Bonds, set out in sections 4.3, 5 and 7 of 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; and
- c. the word "may" shall be construed as permissive and the word "shall" shall be construed as imperative.

## **[2]**

### **RISK FACTORS**

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 ADVISERS, 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.

#### **2.1 FORWARD-LOOKING STATEMENTS**

This Securities Note contains “forward-looking statements” which include, amongst 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.

#### **2.2 SUITABILITY OF INVESTMENT IN THE BONDS**

An investment in the Bonds may not be suitable for all recipients of the Prospectus. Prospective investors are urged to consult an independent investment adviser licensed under the Investment Services Act (Cap. 370 of the laws of Malta) as to the suitability or otherwise of an investment in the Bonds before making an investment decision. In particular, such advice should be sought with a view to ascertaining that 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 adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.



## 2.3 RISKS RELATING TO THE BONDS

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

### 2.3.1 NO PRIOR MARKET

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.

### 2.3.2 ORDERLY AND LIQUID MARKET

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. Accordingly, 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.

### 2.3.3 SUBSEQUENT CHANGES IN INTEREST RATES

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

### 2.3.4 MARKET RISK

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.

### 2.3.5 CURRENCY RISK

Any investor whose currency of reference is not the Euro shall bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference.

### 2.3.6 CHANGES IN CIRCUMSTANCES

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, will have on the market price of the Bonds prevailing from time to time. If such changes take place they could have an adverse effect on the market price for the Bonds.

### 2.3.7 COLLATERAL AND THE GUARANTEE

The Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantor. The Bonds shall at all times rank *pari passu* without any priority or preference amongst themselves but, in respect of the Guarantor, they shall rank with priority or preference over all unsecured indebtedness, if any. In view of the fact that the Bonds are being guaranteed by the Guarantor on a joint and several basis, the Security Trustee, for the benefit of itself and the Bondholders, shall be entitled to request the Guarantor to pay both the interest due and the principal amount under said Bonds if the Issuer fails to meet any amount, when due in terms of the Prospectus.

The joint and several Guarantee requires the Security Trustee to take action against the Guarantor before taking action against the Issuer. The strength of this undertaking on the part of the Guarantor and therefore, the level of recoverability by the Security Trustee 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.

The Guarantee is further supported by the Collateral that is to be granted over the Security Property, however recourse thereto would be triggered only in the event that the Guarantee proves insufficient to address a claim brought by the Security Trustee as aforesaid. In terms of the Security Trust Deed, the Security Trustee reserves the right to demand that additional or alternative immovable (and unencumbered) property owned by the Guarantor be given as security in addition to and/or in place of the Security Property, should at any given time the value of the Security Property be reported to be lower than the nominal value of outstanding Bonds in issue plus interest yet to accrue until the Redemption Date. In such case, the Issuer shall identify which unencumbered property/ies in the Guarantor's portfolio would replace or be added to the existing Security Property for the purpose of securing the Bond Issue, and procure that the Guarantor takes the steps necessary in this respect.

Whilst the Security Trust Deed grants the Security Trustee a right of preference and priority for repayment over the Security Property, there can be no guarantee that the value of the Security Property (or other properties forming part of the Guarantor's portfolio that may from time to time replace or be added to the Security Property, as currently constituted, as explained in section 4.5 below) over the term of the Bonds will be sufficient to cover the full amount of interest and principal outstanding under the Bonds. This may be caused by a number of factors not least of which general economic factors that could have an adverse impact on the value of the Security Property. If such circumstances were to arise or subsist at the time when the Collateral is to be enforced by the Security Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Bonds.

Notwithstanding that the Bonds constitute the general, direct and unconditional obligations of the Issuer and in relation to the Guarantor the general, direct, unconditional and secured obligations, there can be no guarantee that privileges accorded by law in specific situations will not arise during the course of the business of each of the Issuer and the Guarantor which may rank with priority or preference to the Collateral.

#### **2.3.8 CONDITIONS PRECEDENT**

The attention of prospective investors in the Bonds is drawn to the concluding paragraph of section 4.1 of this Securities Note, which provides that the issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List by no later than 4 September 2018 and on the Collateral being constituted in favour of the Security Trustee, and that in the event that either of the aforesaid conditions is not satisfied, the Security Trustee shall return Bond Issue proceeds to Bondholders.

#### **2.3.9 CHANGES TO TERMS AND CONDITIONS**

In the event that the Issuer wishes to amend any of the Terms and Conditions it shall call a meeting of Bondholders in accordance with the provisions of section 5.12 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.

#### **2.3.10 CHANGES IN LAW**

The terms and conditions of this Bond Issue are based on the requirements of the Listing Rules of the Listing Authority, the Act and the Regulation. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law, European regulation or administrative practice after the date of this Prospectus.

#### **2.3.11 PROPERTY VALUATIONS**

The valuations referred to in the Prospectus are prepared by an independent qualified architect in accordance with Chapter 7 of the Listing Rules. In providing a market value of the respective properties, the independent architect has

made certain assumptions which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends as reality may not match the assumptions. There can be no assurance that such property valuations and property-related assets will reflect actual market values.

#### **2.3.12 ADDITIONAL INDEBTEDNESS AND SECURITY**

Both the Issuer and the Guarantor may incur further borrowings or indebtedness and may create or permit to subsist security interests upon the whole or any part of their respective present or future undertakings, assets or revenues (including uncalled capital).

#### **2.3.13 INDEPENDENT CREDIT RATING**

The Issuer has not sought, nor does it intend to seek, the credit rating of an independent agency and there has been no assessment by any independent rating agency of the Bonds.

#### **2.3.14 DISCONTINUATION OF LISTING**

Even after the Bonds are admitted to trading on the MSE, the Issuer is required to remain in compliance with certain requirements relating inter alia to 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 authority 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.

### **[ 3 ]**

## **PERSONS RESPONSIBLE AND CONSENT FOR USE OF PROSPECTUS**

### **3.1 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 subheading “*Directors*” under the heading “*Identity of Directors, Advisers 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 and the directors of the Guarantor, 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 and the directors of the Guarantor accept responsibility accordingly.

All representations and other statements made in the Prospectus are made by the Issuer, and the Directors of the Issuer and the directors of the Guarantor take sole responsibility for all such representations and statements. The Sponsor, Manager and Registrar, and the Issuer’s advisers have advised and assisted the Issuer in the preparation of this document, but none make any representation or statement, unless otherwise expressly stated in the Prospectus, and each of them disclaims any responsibility for any representations and other statements made in the Prospectus.

### 3.2 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 Regulation, 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 the 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;
- ii. to any resale or placement of Bonds subscribed for as aforesaid, taking place in Malta; and
- iii. to any resale or placement of Bonds subscribed for as aforesaid, taking place within the period of sixty (60) days from the date of the Prospectus.

None of the Issuer, the Sponsor, the Security Trustee or any of their respective advisers take 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 the 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 circumstance. 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 the 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 the 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 the Bonds subsequent to the Bond Issue shall, limitedly for the period of sixty (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: [www.exalcogroup.com](http://www.exalcogroup.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 €14,700,000, will be used by the Issuer for the following purposes, in the amounts set out below:

- i. a maximum amount of circa €11,200,000 will be loaned by the Issuer to the Guarantor for the purpose of it re-financing the outstanding banking facilities held with HSBC Bank Malta p.l.c. which were originally utilised by the Guarantor to acquire and/or develop various properties and for capital expenditure purposes; and
- ii. the remaining balance of the net Bond Issue proceeds equivalent to circa €3,500,000 shall be applied towards financing the Guarantor's general financing requirements including but not limited to the (re-)financing of future costs of acquisition and development of other immovable properties (in full or in part) in pursuance of the Guarantor's business development strategy.

For the purposes of (i) and (ii) above, a loan agreement dated 20 July 2018 has been entered into by and between the Issuer (as lender) and the Guarantor (as borrower). Such loan agreement is conditional upon the issue and allotment of the Bonds, which in turn is conditional upon: the Bonds being admitted to the Official List; and the Collateral being constituted in favour of the Security Trustee in accordance with the provisions of the Security Trust Deed.

The issue and allotment of the Bonds is conditional upon: (i) the Bonds being admitted to the Official List by no later than 4 September 2018; and (ii) the Collateral being constituted in favour of the Security Trustee in accordance with the provisions of the Security Trust Deed. In the event that either of the aforesaid conditions is not satisfied, the Security Trustee shall, through the Registrar and/or Authorised Financial Intermediaries (as applicable), return the proceeds of the Bond Issue to the Bondholders.

### 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 €300,000 and shall be borne by the Issuer. There is no particular order of priority with respect to such expenses.

### 4.3 ISSUE STATISTICS

<b>Amount:</b>	€15,000,000
<b>Form:</b>	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 the CSD;
<b>Denomination:</b>	Euro (€);
<b>ISIN:</b>	MT0001911206;
<b>Minimum amount per subscription:</b>	Minimum of €5,000 and multiples of €100 thereafter;
<b>Redemption Date:</b>	20 August 2028;

<b>Plan of Distribution:</b>	The Bonds are open for subscription by Authorised Financial Intermediaries, either for their own account or for the account of their underlying customers, as further specified in section 7.4 below;
<b>Bond Issue Price:</b>	At par (€100 per Bond);
<b>Status of the Bonds:</b>	The Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves. The Bonds shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantor in terms of the Guarantee. In respect of the Guarantor, the Bonds shall rank with priority or preference to all other present and future unsecured obligations of the Guarantor, save for such exceptions as may be provided by applicable law, and with first ranking and priority over the Security Property;
<b>Listing:</b>	The Listing Authority has approved the Bonds for admissibility to listing and subsequent trading on the Official List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List;
<b>Placement Agreements:</b>	The Bonds will be available for subscription by Rizzo, Farrugia & Co. (Stockbrokers) Ltd. and Bank of Valletta p.l.c. as Authorised Financial Intermediaries pursuant to conditional placement agreements. Further information on the said placement agreements may be found in section 7.4 below;
<b>Placement Date:</b>	10 August 2018;
<b>Interest:</b>	4% per annum;
<b>Interest Payment Date(s):</b>	Annually on 20 August as from 20 August 2019 (the first interest payment date);
<b>Governing Law of Bonds:</b>	The Bonds are governed by and shall be construed in accordance with the laws of Malta; and
<b>Jurisdiction:</b>	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 subscription for Bonds by Rizzo, Farrugia & Co. (Stockbrokers) Ltd., and any fees payable in connection with the Bond Issue to Rizzo, Farrugia & Co. (Stockbrokers) Ltd. as Sponsor, Manager and Registrar, so far as the Issuer is aware, no person involved in the Bond Issue has an interest material to the Issue.

#### 4.5 SECURITY

The Bonds are secured by, and Bondholders shall have the benefit of, the following security:

- a. a first ranking special hypothec over the Security Property pursuant to a deed of hypothec to be made in the records of Notary John Gambin (the “**Deed of Hypothec**”); and
- b. a pledge over the proceeds from any insurance policy required under clause 5(1)(h) of the Security Trust Deed.

The security shall be constituted in favour of the Security Trustee for the benefit of all Bondholders from time to time registered in the CSD.

The Issuer and the Guarantor have entered into a Security Trust Deed with the Security Trustee, which sets out the covenants of the Issuer and the Guarantor to pay the principal amount under the Bonds on the Redemption Date and interest thereon, the hypothecary rights under the Deed of Hypothec, the rights under the pledge agreement relating to

the abovementioned insurance policy, and all the rights and benefits enjoyed by the Security Trustee (for the benefit of Bondholders) under the Security Trust Deed. The Collateral will be vested in the Security Trustee for the benefit of the Bondholders in proportion to their respective holding of Bonds.

The Security Trustee's role includes the holding of the Collateral for the benefit of the Bondholders and the enforcement of the said Collateral upon the happening of specified events of default, provided that recourse is first made to the Guarantee, and only in the event that the value of the Guarantee is not sufficient to cover the full amount of interest and principal outstanding under the Bonds, can the Security Trustee enforce any of the Collateral over the Security Property.

The Security Trustee shall have no payment obligations to Bondholders under the Bonds, such obligations remaining exclusively the obligations of the Issuer (or, in the case of default by the Issuer and recourse to the Guarantee, of the Guarantor).

In terms of the Security Trust Deed, the Security Trustee reserves the right to demand to the Issuer that additional or alternative immovable (and unencumbered) property owned by the Guarantor be given as security in addition to and/or in place of the Security Property, should at any given time the value of the Security Property be reported, pursuant to an independent architect's valuation report, to be lower than the nominal value of outstanding Bonds in issue plus interest yet to accrue until the Redemption Date. In such case, the Issuer shall identify, at its discretion, which of the unencumbered property/ies forming part of the Guarantor's portfolio as at the date thereof, if any, would replace or be added to the existing Security Property for the purposes of securing the Bond Issue, and procure that the Guarantor takes such steps as may be necessary for such unencumbered property/ies to replace or be added to the existing Security Property. In the event that, upon such request being made by the Security Trustee, the Guarantor's property portfolio does not comprise any immovable property which is unencumbered, the Issuer shall procure that the Guarantor shall either: provide a cash guarantee in favour of the Security Trustee sufficient to cover the difference between the nominal value of outstanding Bonds in issue (plus interest yet to accrue until the Redemption Date) and the revised value of the Security Property as set out in the abovementioned independent architect's valuation report; or take such steps as may be necessary to free any one or more of the immovable properties in its property portfolio from any existing encumbrances, and grant a first ranking special hypothec thereon in favour of the Security Trustee for the purpose of securing the Bond Issue.

As at the date hereof, it is agreed between Issuer, Guarantor and Security Trustee as parties to the Security Trust Deed that the Cornerstone Business Centre, Parklane Business Centre, Golden Mile Business Centre, Borton House, and eventually the Target Property, will be reserved for securing third party financing, including (but not limited to): loan facilities to be obtained for the financing of prospective property acquisitions (including that of the Target Property); an overdraft facility which is to be retained by the Guarantor for working capital purposes; and a further overdraft facility provided to a related party of the Exalco Group. Accordingly, the existing charges over the Cornerstone Business Centre, Parklane Business Centre, Golden Mile Business Centre and Borton House indicated in the table below will not be released once the outstanding bank facilities referred to in section 4.1. (i) above (which may, but not necessarily shall, include the aforementioned loan facility and overdraft facilities) are refinanced by application of the Bond Issue proceeds as aforesaid. In the event that, during the term of the Bonds, any of the properties referred to in the preceding paragraph were to be freed of any and all encumbrances thereon, in terms of the Security Trust Deed the Guarantor shall not be in a position to grant any form of new security over any of such properties without the prior approval of the Issuer. Furthermore, the Guarantor has undertaken towards the Issuer not to dispose of any of the properties held by it from time to time during the term of the Bonds without the prior approval of the Issuer.

The outstanding aggregate amount of the facilities to be re-financed is €10,717,091 as at 30 June 2018. The following table provides a breakdown of the charges currently in place over assets of the Guarantor:

<b>Asset</b>	<b>Charge</b>	<b>Relevant Inscriptions</b>
All assets present and future of Exalco Properties Limited	First General Hypothec	H 7073/2006 H 10936/2006 H 10937/2006 H 10938/2006 H 21744/2006 H 5299/2008 H 5436/2009 H 533/2010 H 13914/2011 H 13915/2011 H 13917/2011 H 15313/2013 H 5760/2014 H 2961/2017
Golden Mile Business Centre	Special Privilege	H 15313/2013 H 2961/2017
	First Special Hypothec	H 15313/2013 H 2954/2017 H 2955/2017 H 2956/2017 H 2957/2017 H 2958/2017 H 2959/2017 H 2960/2017 H 2961/2017
Marina Business Centre	Special Privilege	H 13915/2011
	First Special Hypothec	H 13915/2011 H 13917/2011 H 2952/2017 H 2953/2017 H 2961/2017
Cornerstone Business Centre	Special Privilege	H 7073/2006
	First Special Hypothec	H 7073/2006 H 10936/2006 H 10937/2006 H 10938/2006 H 21744/2006 H 5299/2008 H 5436/2009 H 533/2010 H 13914/2011 H 13915/2011 H 13917/2011 H 2952/2017 H 2953/2017 H 2961/2017



Mayfair Business Centre	First Special Hypothec	H 7073/2006 H 10936/2006 H 10937/2006 H 10938/2006 H 21744/2006 H 5299/2008 H 5436/2009 H 533/2010 H 13914/2011 H 13915/2011 H 13917/2011 H 2952/2017 H 2953/2017 H 2961/2017
Parklane Business Centre and airspace at Mountbatten Street, Guardamangia	First Special Hypothec	H 7073/2006 H 10936/2006 H 10937/2006 H 10938/2006 H 21744/2006 H 5299/2008 H 5436/2009 H 533/2010 H 13914/2011 H 13915/2011 H 13917/2011 H 2952/2017 H 2953/2017 H 2961/2017
Borton House and airspace including garage at Sir Arthur Borton Street, Mosta	First Special Hypothec	H 7073/2006 H 10936/2006 H 10937/2006 H 10938/2006 H 21744/2006 H 5299/2008 H 5436/2009 H 13914/2011 H 13915/2011 H 13917/2011 H 2952/2017 H 2953/2017 H 2961/2017
Maisonette no. 9 and garage no. 24, Hillside Place, Triq il-Kwartin, Ibragg	Special Privilege First Special Hypothec	H 5760/2014 H 5760/2014

Once the outstanding bank facilities referred to in section 4.1.(i) above are refinanced through the application of Bond Issue proceeds as aforesaid, the Security Property will, through the appropriate cancellations, reductions and/or waivers (as applicable), be released from the charges listed above currently encumbering the Security Property, and such charges shall effectively be replaced by the Collateral being created in favour of the Security Trustee for the benefit of Bondholders.

In relation to the property of the Guarantor which is already encumbered as specified above (including but not limited to the Security Property), the Security Trustee shall appear on each notarial deed to effect payment and to obtain, if possible and where relevant, subrogation into the rights of the bank which provided the original finance. Pursuant to these deeds, the Security Trustee shall obtain the Collateral over the relevant immovable property constituting the Security Property and that had previously part-secured the bank funding being refinanced.

By creating a preferred claim over the Security Property, the Collateral will secure the claim of the Security Trustee, for the benefit of and in the interest of Bondholders, for the repayment of the principal and interest under the Bonds. Accordingly, following the issue of the Bonds and application of the Bond Issue proceeds in accordance with the terms of this Securities Note as well as the release of the existing security in place over the Security Property, the Security Trustee will have the benefit of a first ranking special hypothec over the Security Property for the full amount of the Bonds and interest thereon. The security constituted by the Collateral is in addition to the Guarantee, pursuant to which the Guarantor and the Issuer agree to jointly and severally between them guarantee the punctual performance by the Issuer of the Bond obligations. The Guarantee shall become effective upon the full subscription of the Bonds. In terms of the Security Trust Deed, the Security Trustee shall have recourse to the Collateral over the Security Property only in the event that the value of the Guarantee is not sufficient to cover the full amount of interest and principal outstanding under the Bonds in the case of default by the Issuer in terms of this Securities Note.

#### **4.6 PROCESS FOR CREATION OF COLLATERAL AND RELEASE OF BOND PROCEEDS TO ISSUER**

The net Bond Issue proceeds shall be transferred to the Security Trustee on or around 10 August 2018. The Bond Issue proceeds to be allocated to the bank refinancing referred to in section 4.1.(i) above shall, as outlined in the Security Trust Deed, be released by the Security Trustee on condition that: (i) it receives appropriate assurance that publication and registration of the necessary notarial deeds for the cancellation of the existing charges over the Security Property, and the simultaneous publication and registration of the Deed of Hypothec pursuant to which all security over the Security Property for the benefit of Bondholders is to be duly perfected and registered, will be effected once the outstanding bank facilities referred to in section 4.1.(i) above are refinanced through the application of Bond Issue proceeds; (ii) the pledge on insurance proceeds referred to in clause 5(1)(h) of the Security Trust Deed is duly and properly executed; and (iii) confirmation that the Bonds will be admitted to the Official List by no later than 4 September 2018 is communicated to the Security Trustee.

With reference to (i) above:

- (I) the Guarantor shall appear on notarial deeds to repay the outstanding loans due to HSBC Bank Malta p.l.c., which as at 30 June 2018 amounted to €10,717,091 as indicated in section 4.5 above. The Security Trustee shall appear on each notarial deed to effect payment and to obtain, if possible, subrogation into the rights of the bank which provided the original finance. Pursuant to these deeds the Security Trustee would be in a position to obtain the Collateral over the Security Property which as at the date hereof secures the existing bank funding; and
- (II) the Issuer, the Guarantor and the Security Trustee will simultaneously enter into another notarial deed (the Deed of Hypothec) pursuant to which the Guarantor shall constitute a first ranking special hypothec over the Security Property.

Following registration of the notarial deeds described in (I) and (II) above and the presentation to the Security Trustee of the appropriate notes of hypothec, and upon the Bonds being admitted to the Official List, the Security Trustee shall release the remaining balance of the net Bond Issue proceeds, equivalent to circa €3,500,000, to be applied for the purposes specified in section 4.1.(ii) above of this Securities Note.

The Guarantor shall also acknowledge itself as the true and lawful debtor of the Issuer for an amount equivalent to the payment effected by the Issuer to repay all bank financing of the Guarantor, and the amount to be loaned for the general corporate funding purposes of the Guarantor, in either case as specified in section 4.1 above.

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

Each Bond shall be issued on the terms and conditions set out in this Securities Note and, by subscribing to or otherwise acquiring the Bonds, the Bondholders are deemed to have knowledge of all the terms and conditions of the Bonds hereafter described and to accept and be bound by the said terms and conditions.

### 5.1 GENERAL

Each Bond forms part of a duly authorised issue of 4% Secured Bonds 2028 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €15,000,000 (except as otherwise provided under section 5.11 “*Further Issues*”). The Issue Date of the Bonds is expected to be 4 September 2018, or such earlier date as may be applied in the event that constitution of Collateral is completed in advance of 31 August 2018.

- a. The currency of the Bonds is Euro (€).
- b. Subject to admission to listing of the Bonds to the Official List of the MSE, the Secured Bonds are expected to be assigned ISIN: MT0001911206.
- c. Unless previously purchased and cancelled, the Bonds shall be redeemable at par on the Redemption Date.
- d. The issue of the Bonds is made in accordance with the requirements of the Listing Rules, the Act, and the Regulation.
- e. The Bond Issue is not underwritten.
- f. There are no special rights attached to the Bonds other than the right of the Bondholders to the payment of capital and interest and in accordance with the ranking specified in section 5.2 hereunder.

### 5.2 RANKING OF THE BONDS

The Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference amongst themselves. The Bonds shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantor in terms of the Guarantee. In respect of the Guarantor, the Bonds shall rank with priority or preference to all other present and future unsecured obligations of the Guarantor, save for such exceptions as may be provided by applicable law, and with first ranking and priority over the Security Property.

As explained earlier, pursuant to the Security Trust Deed, the Guarantor has agreed to constitute in favour of the Security Trustee, for the benefit of Bondholders as beneficiaries, a special hypothec over the Security Property, of which it is the owner. The special hypothec will secure the claim of the Security Trustee, for the benefit and in the interest of Bondholders, for the repayment of the principal and interest under the Bonds by a preferred claim over the Security Property. Accordingly, following the issue of the Bonds and application of the proceeds as set out above, the Security Trustee for the benefit of Bondholders will have the benefit of a special hypothec over the Security Property for the Bonds plus interest thereon.

### 5.3 RIGHTS ATTACHING TO THE BONDS

A Bondholder shall have such rights as are, pursuant to this Securities Note, attached to the Secured Bonds, including:

- i. the repayment of capital;
- ii. the payment of interest;
- iii. the benefit of the Collateral through the Security Trustee;
- iv. the right to attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bond Issue; and
- v. the enjoyment of all such other rights attached to the Bonds emanating from the Prospectus.

## 5.4 INTEREST

The Bonds shall bear interest from and including 20 August 2018 at the rate of 4% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 20 August 2019 (covering the period 20 August 2018 to 19 August 2019). 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 years.

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 360-day year consisting of 12 months of 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%.

## 5.6 REGISTRATION, FORM, DENOMINATION AND TITLE

Certificates will not be delivered to Bondholders in respect of the Bonds. The entitlement to Bonds will be represented in 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.

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

The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiples of €100 provided that on subscription the Bonds will be issued for a minimum of €5,000 per individual Bondholder. Authorised Financial Intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €5,000 to each underlying client.

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 Secured Bonds may be transferred as provided below under the heading “*Transferability of the Bonds*” in section 5.10 of this Securities Note.

## 5.7 PAYMENTS

Payment of the principal amount of Bonds 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, provided such bank account is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven days of the Redemption Date. The Issuer shall not be responsible for any loss or delay in transmission. Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Secured 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.

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, which is denominated in Euro and held with any licensed bank in Malta.

Such payment shall be effected within seven days of the Interest Payment Date. The Issuer shall not be responsible for any loss or delay in transmission.

All payments with respect to the Secured 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 or may become 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.

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

## **5.8 REDEMPTION AND PURCHASE**

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 20 August 2028. Subject to the provisions of this section 5.8, 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. All Secured Bonds repurchased by the Issuer shall be cancelled forthwith and may not be re-issued or re-sold.

## **5.9 EVENTS OF DEFAULT**

Pursuant to the Security Trust Deed, the Security Trustee may in its absolute and uncontrolled discretion, and shall upon the request in writing of not less than seventy five per cent (75%) in value of the registered beneficiaries (the Bondholders appearing on the register of Bondholders from time to time), by notice in writing to the Issuer and the Guarantor declare the Bonds to have become immediately due and repayable at their principal amount together with accrued interest, upon the happening of any of the following events:

- a. the Issuer fails to effect the payment of interest under the Bonds on an Interest Payment Date and such failure continues for a period of sixty (60) days after written notice thereof by the Security Trustee to the Issuer;
- b. the Issuer fails to pay the principal amount of a Bond on the date fixed for its redemption; and such failure continues for a period of sixty (60) days after written notice thereof by the Security Trustee to the Issuer;
- c. the Issuer fails duly to perform or shall otherwise be in breach of any other material obligation contained in the Prospectus and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by a Bondholder;
- d. in terms of article 214(5) of the Act, a Court order or other judicial process is levied or enforced upon or sued out against any part of the property of the Issuer and is not paid out, withdrawn or discharged within one month;
- e. the Issuer or the Guarantor stop or suspend payments (whether of principal or interest) with respect to all or any class of its debts or ceases or threatens to cease to carry on its business or a substantial part of its business;
- f. the Issuer or the Guarantor is unable to pay its debts within the meaning of article 214(5) of the Act, or any statutory modification or re-enactment thereof;
- g. a judicial or provisional administrator is appointed upon the whole or any part of the property of the Issuer or the Guarantor; and such appointment is certified by the Security Trustee to be prejudicial, in its opinion, to the Bondholders;
- h. an order is made or an effective resolution is passed for winding up of the Issuer or the Guarantor, except for the purpose of a reconstruction, amalgamation or division, the terms of which have been approved in writing by the Security Trustee;
- i. the Issuer or the Guarantor substantially changes the object or nature of its business as currently carried on;
- j. the Issuer or the Guarantor commits a breach of any of the covenants or provisions contained in the Security Trust Deed and on its part to be observed and performed and the said breach still subsists for thirty (30) days after having been notified by the Security Trustee (other than any covenant for the payment of interests or principal monies owing in respect of the Bonds);
- k. the security constituted by any hypothec, pledge or charge upon the whole or any part of the undertaking or assets of the Issuer or the Guarantor shall become enforceable and steps are taken to enforce the same and the taking of such steps shall be certified in writing by the Security Trustee to be in its opinion prejudicial to the Bondholders;

- l. any representation or warranty made or deemed to be made or repeated by or in respect of the Issuer or the Guarantor is or proves to have been incorrect in any material respect in the sole opinion of the Security Trustee;
- m. any material indebtedness of the Issuer or the Guarantor is not paid when properly due or becomes properly due and payable or any creditor of the Issuer or the Guarantor (as the case may be) becomes entitled to declare any such material indebtedness properly due and payable prior to the date when it would otherwise have become properly due or any guarantee or indemnity of the Issuer or the Guarantor in respect of indebtedness is not honoured when properly due and called upon; PROVIDED THAT for the purposes of this provision, material indebtedness shall mean an amount exceeding €1,000,000;
- n. any consent, permit, authorisation, licence or approval of, or registration with, or declaration to governmental, statutory or public bodies, or authorities or courts, required by the Guarantor in connection with the operation of the Security Property, or required by the Issuer for the performance of its obligations hereunder or under the Security Trust Deed, is substantially modified in the sole opinion of the Security Trustee, or is not granted, or is revoked, or terminated, or expires and is not renewed, or otherwise ceases to be in full force and effect;
- o. it becomes unlawful at any time for the Issuer or the Guarantor to perform all or any of its obligations hereunder, or under the Security Trust Deed;
- p. the Issuer or the Guarantor repudiates, or does or causes or permits to be done any act or thing evidencing an intention to repudiate the Bonds and/or the Security Trust Deed; or
- q. all, or in the sole opinion of the Security Trustee, a material part, of the undertakings, assets, rights, or revenues of or shares or other ownership interests in the Issuer or the Guarantor are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government.

Upon any such declaration being made as aforesaid the said principal monies and interest accrued under the Bonds shall be deemed to have become immediately payable at the time of the event which shall have happened as aforesaid.

Provided that in the event of any breach by the Issuer or the Guarantor of any of the covenants, obligations or provisions herein contained due to any fortuitous event of a calamitous nature or otherwise beyond the control of the Issuer or Guarantor, then the Security Trustee may, but shall be under no obligation so to do, give the Issuer or Guarantor such period of time to remedy the breach as in its sole opinion may be justified in the circumstances and if in its sole opinion the breach is remediable within the short term and without any adverse impact on the Bondholders. Provided further that in the circumstances contemplated by this proviso, the Security Trustee shall at all times take cognizance of and, to the extent considered reasonably possible, act on and in accordance with any directions it may receive in a meeting of Bondholders satisfying the conditions set out in the Security Trust Deed. The Security Trustee shall not be bound to take any steps to ascertain whether any event of default or other condition, event or circumstance has occurred or may occur, and, until it shall have actual knowledge or express notice to the contrary, the Security Trustee shall be entitled to assume that no such event of default or condition, event or other circumstance has happened and that the Issuer is observing and performing all the obligations, conditions and provisions on their respective parts contained in the Secured Bonds and the Security Trust Deed.

## **5.10 TRANSFERABILITY OF THE BONDS**

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

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.

All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.

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.

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.

## **5.11 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, provided that no issue may be made that would rank senior to the Bonds in respect of the Collateral.

## **5.12 MEETINGS OF BONDHOLDERS**

The Issuer may, through the Security Trustee, 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 applicable Terms and Conditions of the Bonds.

A meeting of Bondholders shall be called by the Directors by giving the Security Trustee not less than twenty-one (21) days' notice in writing. Upon receiving due notice from the Directors, the Security Trustee shall call such meeting 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 to 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 5.12 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

The amendment or waiver of any of the Terms and Conditions 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. 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 Bondholders present, in person or by proxy, representing not less than fifty per cent (50%) in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within 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 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 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.

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.

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 which are required to be taken 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.

The voting process shall be managed by the company secretary of the Issuer under the supervision and scrutiny of the auditors of the Issuer and the Security Trustee.

The proposal placed before a meeting of Bondholders shall only be considered approved if at least seventy-five per cent (75%) 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.

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.

### **5.13 AUTHORISATIONS AND APPROVALS**

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a Board of Directors' resolution passed on 18 July 2018. The Guarantee being given by the Guarantor in respect of the Bonds has been authorised by a resolution of the board of directors of the Guarantor dated 18 July 2018.

### **5.14 REPRESENTATIONS AND WARRANTIES**

The Issuer represents and warrants to Bondholders and to the Security Trustee for the benefit of Bondholders, who shall be entitled to rely on such representations and warranties, that:

- i. it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business as it is now being conducted and to hold its property and other assets under legal title; and
- ii. it has the power to execute, deliver and perform its obligations under the Prospectus and that all necessary corporate, shareholder and other actions have been duly taken to authorise the execution, delivery and performance of the same, and further that no limitation on its power to borrow or guarantee shall be exceeded as a result of the Terms and Conditions or the Prospectus.

The Prospectus contains all relevant material information with respect to the Issuer and the Guarantor and all information contained in the Prospectus is in every material respect true and accurate and not misleading, and there are no other facts in relation to the Issuer and/or the Guarantor, their respective businesses and financial position, the omission of which would, in the context of the issue of the Bonds, make any statement in the Prospectus misleading or inaccurate in any material respect.

### **5.15 NOTICES**

Notices to Bondholders will be mailed to 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.



## 5.16 GOVERNING LAW AND JURISDICTION

The Bonds are governed by and shall be construed in accordance with Maltese law. Any legal action, suit or proceedings against the Issuer and/or the Guarantor arising out of or in connection with the Bonds and/or the Prospectus shall be brought exclusively before the Maltese courts.

## [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 transfer as well as on any income derived therefrom or on any gains derived on the transfer of such Bonds. 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 instructed by a Bondholder to receive the interest gross of any withholding tax, 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, hereinafter the **“Income Tax Act”**), interest shall be paid to such Bondholder net of a final withholding tax, currently at the rate of fifteen per cent (15%) (ten per cent (10%) in the case of certain types of collective investment schemes) of the gross amount of the interest, pursuant to Article 33 of the Income Tax Act. 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 is not obliged to declare the interest so received in his income tax return (to the extent that the interest is paid net of tax). No person shall be charged to further tax 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. The Issuer will render an account to the Maltese Commissioner for Revenue of all amounts so deducted, including the identity of the recipient.

In the case of a valid election 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 such Bondholder at that time. Additionally, in this latter case the Issuer will advise the Maltese Commissioner for Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients. 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 not taxable in Malta 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 EXCHANGE OF INFORMATION**

In terms of applicable Maltese legislation, the Issuer and/or its agent are required to collect and forward certain information (including, but not limited to, information regarding payments made to certain Bondholders) to the Commissioner for Revenue. The Commissioner for Revenue will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions.

### **6.4 MALTESE TAXATION ON CAPITAL GAINS ON A 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”, to the extent that the Bonds are held as capital assets by the Bondholder, no tax on capital gains should be chargeable in respect of a transfer of the Bonds.

### **6.5 DUTY ON DOCUMENTS AND TRANSFERS**

In terms of the Duty on Documents and Transfers Act (Cap. 364 of the laws of Malta), duty is chargeable *inter alia* on the transfer or transmission causa mortis of marketable securities. A marketable security is defined in the said legislation as “a holding of share capital in any company and any document representing the same”.

Consequently, the Bonds should not be treated as constituting marketable securities within the meaning of the legislation and therefore, the transfer/transmission thereof should not be chargeable to duty.

Furthermore, even if the Bonds are considered marketable securities for the purposes of the Duty on Documents and Transfers Act, 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 should, in any case, be exempt from 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. Placement Date	10 August 2018
2. Commencement of interest on the Bonds	20 August 2018
3. Expected date of constitution of Collateral	31 August 2018
4. Expected date of admission of the securities to listing	4 September 2018
5. Expected date of commencement of trading in the securities	5 September 2018

In the event that the constitution of Collateral is completed in advance of 31 August 2018, the events set out in steps 4 and 5 above shall be brought forward accordingly, although the number of Business Days between the respective events shall remain unaltered.

### 7.2 TERMS AND CONDITIONS OF THE BONDS

The following terms and conditions shall be read in conjunction with all the other terms and conditions relative to and regulating the contractual relationship created between the Issuer and the Guarantor on the one hand and the Security Trustee and the Applicant on the other.

- a. The issue and allotment of the Bonds is conditional upon: (i) the Bonds being admitted to the Official List by no later than 4 September 2018; and (ii) the Collateral being constituted in favour of the Security Trustee, in accordance with the provisions of the Security Trust Deed. In the event that the latter condition is not satisfied within fourteen (14) Business Days of the Placement Date and/or the Bonds are not admitted to listing by the date indicated, the Issuer undertakes to procure that any application monies received by the Registrar will be returned without interest by direct credit into the Authorised Financial Intermediary's bank account as indicated by the Authorised Financial Intermediary in the respective Placement Agreement, for the eventual refund to the Applicant.
- b. An Applicant applying for the Bonds is thereby confirming to the Issuer, the Registrar and the Authorised Financial Intermediary through whom the application is made, as applicable, that the Applicant's remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured on its first presentation, the Issuer and the Registrar reserve the right to invalidate the relative application. Furthermore the Applicant will not be entitled to receive a registration advice or to be registered in the register of Bondholders, unless the Applicant makes payment in cleared funds and such consideration is accepted by the respective Authorised Financial Intermediary, Registrar and/or Issuer, as applicable, which acceptance shall be made in the Authorised Financial Intermediary, Registrar and/or Issuer's absolute discretion and may be on the basis that the Applicant indemnifies the Authorised Financial Intermediary, Registrar and/or Issuer against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of the Applicant's remittance to be honoured on first presentation.
- c. The contract created by the Issuer's acceptance of an application for the Bonds shall be subject to all 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 Applicants 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.
- d. Any application for the Bonds made on behalf of another person, legal or natural, will be deemed to have bound the person signing such application who will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such Applicant 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 or the Authorised Financial Intermediary.

- e. In the case of joint applications, reference to the Applicant in these terms and conditions is a reference to each of the joint Applicants, and liability therefor is joint and several.
- f. In respect of a Bond to be registered as held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register of Bondholders. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Bond/s 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, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner).
- g. Any Bonds allocated in the name and for the benefit of minors shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer is duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
- h. 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.
- i. No person receiving a copy of the Prospectus 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 Prospectus, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Prospectus could lawfully be used without contravention of any registration or other legal requirements.
- j. It is the responsibility of any person outside Malta wishing to make any application to satisfy himself/herself as to the 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.
- k. The Bonds will be issued in multiples of €100. The minimum subscription amount of Bonds that can be subscribed for by Applicants is €5,000.
- l. In the event that an Applicant is not allocated any Bonds or has been allocated a number of Bonds which is less than the number applied for, the Applicant shall receive a full refund or, as the case may be, the balance of the price of the Bonds applied for but not allocated, without interest, through the Authorised Financial Intermediary to such account as indicated by the Applicant, at the Applicant's sole risk within five Business Days from the date of final allocation. The Issuer and/or Registrar shall not be responsible for any charges, loss or delay arising in connection with such direct credit transfer.
- m. 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, the 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 "Members' Code of Conduct" appended as Appendix 3.6 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. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR) (EU) 2016/679, as may be amended from time to time, for the purposes and within the terms of the MSE Data Protection Policy as published from time to time.
- n. Any Applicant applying for the Bonds:
  - 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 is true and correct in all respects. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) provided by the Applicant and those held by the MSE in relation to the MSE account number indicated by the Applicant, the details held by the MSE shall be deemed to be the correct details of the Applicant;
  - c. authorises the Issuer, the Registrar, the Authorised Financial Intermediary and/or the MSE, as applicable, to process the personal data that the Applicant provides, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Cap. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR) (EU) 2016/679, as may be amended from time to time. The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed in relation to the Bond Issue. Any such requests must be made in writing and sent to the MSE. 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/or Guarantor or the issue of the Bonds other than what is contained in the Prospectus and accordingly agrees 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, the Authorised Financial Intermediary 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 “**U.S.**”) or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- j. agrees that unless such application is made with Rizzo, Farrugia & Co. (Stockbrokers) Ltd. as Authorised Financial Intermediary, Rizzo, Farrugia & Co. (Stockbrokers) Ltd. will not, in its capacity as any of Sponsor, Manager or Registrar treat the Applicant as its customer by virtue of such Applicant making an application for the Bonds, and that Rizzo, Farrugia & Co. (Stockbrokers) Ltd. will owe the Applicant no duties or responsibilities concerning the Bonds including 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 indicated by the Applicant on the relevant application for the Bonds submitted through any Authorised Financial Intermediary; 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 will be available for subscription by Rizzo, Farrugia & Co. (Stockbrokers) Ltd. and Bank of Valletta p.l.c. pursuant to the Placement Agreements as detailed further in section 7.4 below.

Subscriptions shall be made through Authorised Financial Intermediaries, subject to a minimum subscription amount of €5,000 in nominal value of Bonds and in multiples of €100 thereafter.

Dealings in the Bonds shall not commence prior to: (i) the Bonds being admitted to the Official List; and (ii) the Collateral being constituted in favour of the Security Trustee.

### 7.4 PLACEMENT AGREEMENTS

The Issuer has entered into placement agreements with Rizzo, Farrugia & Co. (Stockbrokers) Ltd. and Bank of Valletta p.l.c. for the placement of the Bonds. In terms of the Placement Agreements, the Issuer is conditionally bound to issue, and Rizzo, Farrugia & Co. (Stockbrokers) Ltd. and Bank of Valletta p.l.c. are each conditionally bound to subscribe to, such number of Bonds as indicated in their respective agreements. The Placement Agreements are conditional upon the Bonds being admitted to the Official List.

The Authorised Financial Intermediaries undertake to pay to the Issuer all subscription proceeds in cleared funds by no later than the Placement Date.

## **7.5 PRICING**

The Bonds are being issued at par, that is, at €100 per Bond, with the full amount payable upon subscription.

## **7.6 ALLOCATION POLICY**

The Issuer shall allocate the Bonds to Authorised Financial Intermediaries pursuant to the conditional placement agreements entered into with the Issuer, details of which can be found in section 7.4 above.

## **7.7 ADMISSION TO TRADING**

- i. The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 31 July 2018.
- ii. 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.
- iii. The Bonds are expected to be admitted to the Official List by no later than 4 September 2018 and trading is expected to commence thereafter.

## **7.8 ADDITIONAL INFORMATION**

Save for the financial analysis summary set out as Annex III, 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 the Sponsor, which has given and has not withdrawn its consent to the inclusion of such report herein.

The Sponsor 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**

<b>Name</b>	<b>Address</b>	<b>Telephone</b>
Bank of Valletta p.l.c.	BOV Centre, Cannon Road, St Venera, SVR 9030	22751732
Rizzo, Farrugia & Co (Stockbrokers) Ltd.	Airways House, Fourth Floor, High Street, Sliema, SLM 1551	22583000

## [ANNEX II] THE GUARANTEE

To: Alter Domus Trustee Services (Malta) Limited (C 63887), Vision Exchange Building, Territorials Street, Mriehel, Birkirkara BKR 3000, Malta

(hereinafter together with its lawful successors and assigns referred to as the **"Security Trustee"**)

19 July 2018

Dear Sirs,

**RE: GUARANTEE AND INDEMNITY**

**We, Exalco Properties Limited, a company registered in Malta and bearing company registration number C 11273 (hereinafter together with our lawful successors and assigns referred to as the "Guarantor"), having noted that:**

- i. by virtue of a prospectus dated 31 July 2018 issued by Exalco Finance p.l.c. (the **"Issuer"**) in connection with the issue of €15,000,000 4% Secured Bonds (as the same may be amended, varied or supplemented, hereinafter referred to as the **"Prospectus"**) the Issuer shall, under the joint and several guarantee of the Guarantor, issue up to €15,000,000 in Secured Bonds at an annual interest rate of 4% to be redeemed and finally repaid on 20 August 2028 subject to the terms and conditions of the Prospectus (the **"Secured Bonds"**);
- i. it is a condition precedent for the issuance of the Secured Bonds that, *inter alia*, the Guarantor executes and grants this Guarantee and Indemnity (hereinafter referred to as **"Guarantee"**) of the obligations of the Issuer above referred to in favour of the Security Trustee; and
- ii. the Guarantor has agreed to the conclusion and execution of this Guarantee in favour of the Security Trustee.

NOW, THEREFORE, THE GUARANTOR IS HEREBY COVENANTING IN FAVOUR OF THE SECURITY TRUSTEE AS FOLLOWS:

### **1. 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 Secured 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.



## **2. TERMS OF THE GUARANTEE**

### **2.1 COVENANT TO PAY**

In satisfaction of the conditions precedent for the issuance of the Secured Bonds, and in consideration of the Bondholders acquiring the Secured Bonds, the Guarantor, as duly authorised, without proof of liability or evidence and as primary obligor, hereby jointly and severally with the Issuer, unconditionally and irrevocably guarantees to the Security Trustee, for the benefit of Bondholders the payment of, and undertakes on first demand in writing made by the Security Trustee on the Guarantor, to pay the Indebtedness to the Security Trustee or any balance thereof at any time due or owing under the Secured Bonds. The Guarantor acknowledges that recourse must first be made to this Guarantee, and only in the event that the value of the Guarantee is not sufficient to cover the Indebtedness in full, can any of the Collateral over the Security Property be enforced by the Security Trustee.

### **2.2 MAXIMUM LIABILITY**

This is a continuing Guarantee for the whole amount due or owing under the Secured Bonds or which may hereafter at any time become due or owing under the Secured Bonds by the Issuer but the amount due by the Guarantor to the Security Trustee under this Guarantee shall be up to and shall not be in excess of €15,000,000 apart from interest due up to the date of payment and costs and expenses relating to the protection, preservation, collection or enforcement of the Security Trustee's rights against the Issuer and/or the Guarantor which shall be additional to the maximum sum herein stated.

### **2.3 INDEMNITY**

As a separate and independent stipulation, the Guarantor agrees to indemnify the Security Trustee on demand for any damages, losses (excluding loss of profit), costs and expenses arising from any failure on the part of the Issuer to perform any obligation to the Security Trustee and the Guarantor so agrees to indemnify the Security Trustee even in the event that any obligation of the Issuer to the Security Trustee is invalid or ceases to be valid and enforceable against the Issuer for any reason whatsoever including, but without limitation, any legal limitation or any disability or incapacity of the Issuer. In such an event the Guarantor shall be liable towards the Security Trustee as if that obligation was fully valid and enforceable and as if the Guarantor was the principal debtor in respect thereof and shall pay all sums due to the Security Trustee within seven days of a demand in writing by the Security Trustee.

## **3. 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 effected, 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 any Guarantor; or
- d. the Security Trustee 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 exact 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 Security Trustee.

The Security Trustee is being expressly authorised to vary the Prospectus and/or modify the Indebtedness or to release or modify any guarantees or any security the Security Trustee may hold as security for the Indebtedness and this without the need of any prior or subsequent notice to the Guarantor and without any prejudice to the rights of the Security Trustee hereunder. The Guarantor is also hereby expressly consenting to any assignments and transfers made by the Issuer in accordance with the Prospectus and this without the need of any prior or subsequent notice to the Guarantor and without any prejudice to the rights of the Security Trustee hereunder.

#### **4. WAIVER OF THE GUARANTOR'S RIGHTS AND THE GUARANTOR'S WARRANTIES**

- 4.1** This Guarantee shall be for the full amount of the Indebtedness due from time to time. The liability of the Guarantor under this Guarantee shall be decreased from time to time to the extent, if any, that the Issuer or the Guarantor shall have made any irrevocable payment of the Indebtedness.
- 4.2** Until the Indebtedness has been paid in full the Guarantor agrees that it will not, without the prior written consent of the Security Trustee,
- a. exercise any rights of subrogation, reimbursement and indemnity against the Issuer or any other person liable for the Indebtedness;
  - b. demand or accept repayment, in whole or in part, of any indebtedness now or hereafter due to the Guarantor either from the Issuer or from any other person liable for the Indebtedness or demand any collateral in respect of same or dispose of same;
  - c. take any step to enforce any right against the Issuer or any other person liable for the Indebtedness; and/or
  - d. claim any set-off or counter-claim against the Issuer or any other person liable for the Indebtedness nor shall the Guarantor claim or prove in competition with the Security Trustee in the liquidation of the Issuer or any other person liable for the Indebtedness or benefit or share any payment from or in composition with the Issuer or any other person liable for the Indebtedness.
- 4.3** Subject to the overriding provisions of the Prospectus, until the Indebtedness has been paid in full the Guarantor further agrees that:
- a. if an Event of Default under the Prospectus occurs, any sums which may be received by it from the Issuer or any person liable for the Indebtedness shall be held by it on trust exclusively for the Security Trustee and shall be paid to the Security Trustee immediately upon demand in writing or immediately after its receipt if such obligation arises from the documents executed by the Issuer in connection with the Prospectus;
  - b. all rights of relief and subrogation arising in favour of the Guarantor upon a partial payment to the Security Trustee against the Issuer and any other person who may be liable for the Indebtedness, including any co-guarantors, shall be suspended;
  - c. the Security Trustee may and shall receive and retain the whole of the liquidation dividends to the exclusion of the rights (if any) of the Guarantor in competition with the Security Trustee and pursuant to the above the Security Trustee is entitled to hold all payments made by the Guarantor or the Issuer on account of the Indebtedness in suspense for a period of six months from the date of payment and any such payments on account shall not be applied in reduction of the Indebtedness for a period of six months as stated. The Security Trustee may accordingly prove for the whole Indebtedness of the Issuer in liquidation after excluding any and all payments made within a period of six months prior to the liquidation of the Issuer; and/or
  - d. the Security Trustee shall not be required to exhaust any remedy or remedies it may have against the Issuer or other persons who may be liable for the Indebtedness for the settlement of all the Indebtedness before claiming against the Guarantor under this Guarantee which is to be construed as entirely independent from the relationship between the Security Trustee and the Issuer and providing immediate recourse against the Guarantor under this Guarantee. The Guarantor hereby waives any benefit of discussion or division which may be available under any applicable law.

## **5. APPROPRIATION OF PAYMENTS**

The Security Trustee is entitled to appropriate payments received by it from the Issuer towards the credit of the collateral account or such other purposes contemplated in the Prospectus.

## **6. SETTLEMENTS CONDITIONAL**

Any release, discharge or settlement between the Guarantor and the Security Trustee shall be conditional upon no security, disposition or payment to the Security Trustee by the Issuer or the Guarantor or any other third party liable to being void or set aside for any reason whatsoever and if, for any reason whatsoever, this condition is not fulfilled, such release, discharge or settlement shall be of no effect whatsoever and this Guarantee shall again come into force for all effects and purposes of law.

## **7. ADDITIONAL GUARANTEE**

This Guarantee is to be construed as being in addition to and in no way prejudicing any other securities or guarantees which the Security Trustee may now or hereafter hold from or on account of the Issuer and is to be binding on the Guarantor as a continuing Guarantee until full and final settlement of all the Issuer's Indebtedness towards the Security Trustee. Moreover, the remedies provided in this Guarantee are cumulative and are not exclusive of any remedies provided by law.

## **8. BENEFIT OF THIS GUARANTEE AND NO ASSIGNMENT**

**8.1** This Guarantee is to be immediately binding upon the Guarantor for the benefit of the Security Trustee and the liability hereunder is not subject to any conditions as to additional security being received by the Security Trustee or otherwise.

**8.2** The Guarantor shall not be entitled to assign or transfer any of its obligations under this same Guarantee.

## **9. REPRESENTATIONS AND WARRANTIES**

**9.1** 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, judgment, 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 the Guarantor to create any encumbrance on any of that 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 and nor is it threatened with any such procedures;
- vii. that, save for any other priority and preference created by virtue of the Deed of Hypothec, the obligations binding it under this Guarantee rank at least *pari passu* with all other present and future unsecured indebtedness of the Guarantor with the exception of any obligations which are mandatorily 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.

**9.2** As from the date of this Guarantee, until such time as the Indebtedness is paid in full to the Security Trustee, 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.

## **10. DEMANDS AND PAYMENTS**

**10.1** All the Indebtedness shall be due by the Guarantor under this Guarantee as a debt, certain, liquidated and due on the seventh day following the Security Trustee's first written demand to the Guarantor to pay. All demands shall be sent to the address or facsimile or other numbers as are stated below in Article 11 as the same may be changed by notice in writing by one party to the other.

The demand shall be accompanied by a statement by the Security Trustee confirming that to the best of its knowledge there exist, at the time of the demand, circumstances which constitute an Event of Default or such that may render the underlying obligations of the Issuer to the Security Trustee or any security document invalid and unenforceable for any reason whatsoever.

It is expressly agreed that the requirement of such statement is not a condition of liability of the Guarantor under this Guarantee and is entirely without prejudice to the on demand nature of this Guarantee. Any disagreement by the Guarantor as to the contents of the statement shall not entitle the Guarantor to delay or interrupt the payment of the sum due under this Guarantee for any reason whatsoever.

**10.2** The statement by the Security Trustee of the amount due under this Guarantee shall be binding on the Guarantor and shall be conclusive evidence of the sum due, saving only manifest error.

**10.3** All payments shall be made to the Security Trustee 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 or the Security Trustee. The Guarantor authorises the Security Trustee to apply any credit balance the Guarantor may have with the Security Trustee towards the satisfaction of the Indebtedness. The Security Trustee shall notify the Guarantor forthwith of the exercise of this right giving full details relating thereto.

## **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.

For the purposes of this Guarantee, the proper addresses and facsimile numbers of the Parties are:

**Exalco Finance p.l.c.**

Address: Cornerstone Business Centre, Level 4, 16<sup>th</sup> September Square, Mosta, MST 1180, Malta

Tel. No.: +356 2142 4430/1/2

Contact Persons: Alexander Montanaro / Jean Marc Montanaro

**Exalco Properties Limited**

Address: Cornerstone Business Centre, Level 4, 16<sup>th</sup> September Square, Mosta, MST 1180, Malta

Tel. No.: +356 2142 4430/1/2

Contact Persons: Alexander Montanaro / Jean Marc Montanaro

**Alter Domus Trustee Services (Malta) Limited**

Address: Vision Exchange Building, Territorials Street, Mriehel, Birkirkara, BKR 3000, Malta

Tel. No.: +356 2205 1000

Contact Person: Chris Casapinta

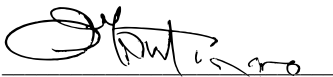
Provided that each party may at any time change such address or telefax number by giving seven days' prior written notice to the other party. Every notice, request, demand, letter or other communication hereunder shall be in writing and shall be delivered by hand or by post or through any other communication methods including telex, telefax or otherwise and shall be deemed to be received in case of post within seven days of dispatch or in case of other methods immediately upon confirmed transmission.

## **12. APPLICABLE LAW AND JURISDICTION**

This Guarantee shall be governed by and 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, 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.

Yours faithfully,

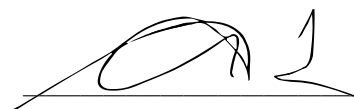


Name: Alexander Montanaro

duly authorised, for and on behalf of

**Exalco Properties Limited**

WE ACCEPT.



Name: Chris Casapinta

duly authorised, for and on behalf of

**Alter Domus Trustee Services (Malta) Limited**

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**[ANNEX III]**  
**FINANCIAL ANALYSIS SUMMARY**



**EXALCO FINANCE P.L.C.**  
**FINANCIAL ANALYSIS SUMMARY**

*Prepared by*

**Rizzo, Farrugia & Co (Stockbrokers) Ltd**  
**31 July 2018**



The Board of Directors

**Exalco Finance p.l.c.**

Cornerstone Business Centre,  
Level 4, 16<sup>th</sup> September Square,  
Mosta, MST 1180  
Malta

31 July 2018

Dear Sirs,

**Exalco Finance p.l.c. – Financial Analysis Summary (the “FAS”)**

In accordance with your instructions and in line with the requirements of the Listing Authority Policies, we have compiled the FAS set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the Analysis is that of summarising key information appertaining to Exalco Finance p.l.c. (the “**Company**” or “**Issuer**”) and Exalco Properties Limited (the “**Guarantor**”). The data is derived from various sources or is based on our own computations as follows:

- a. Historical financial information sourced from the consolidated audited financial statements of Exalco Properties Limited for the years ended 31 December 2015 and 2016 (restated);
- b. Historical financial information sourced from the audited financial statements of Exalco Properties Limited for the year ended 31 December 2017;
- c. Projected data for financial years ending 31 December 2018 and 2019 as provided and approved by management of the Issuer and the Guarantor;
- d. Commentary on the historical financial information and forecasts based on explanations from management and the financial due diligence report (FDDR) prepared by the reporting accountants of the Issuer (PricewaterhouseCoopers);
- e. Ratios presented in the FAS have been computed by us applying the definitions as set out and defined within the FAS; and
- f. Financial data in respect of the comparable set of bond issuers as analysed in section 12 has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registry of Companies.

The FAS is meant to assist potential investors by summarising the more important financial data of the Issuer and the Guarantor. The FAS does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. The FAS does not constitute an endorsement by our firm of the securities of the Issuer and should not be interpreted as a recommendation to invest. We shall not accept any liability for any loss or damage arising out of the use of the FAS and no representation or warranty is provided in respect of the reliability of the information contained in the FAS and/or the Prospectus. As with all investments, potential investors are encouraged to seek professional advice before investing.

Yours sincerely,



**Vincent E Rizzo**  
Director



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## 1 INTRODUCTION

Exalco Finance plc (the “**Issuer**” or “**Exalco Finance**”) is a newly set-up company, incorporated on 17 July 2018 with company registration number C 87384, which acts as the financing vehicle of the Exalco Group (Exalco Holdings Limited (C 86836) and subsidiaries), the principal constituent of which is the Issuer’s sister company, Exalco Properties Limited (C 11273) (the “**Guarantor**” or “**Exalco Properties**”). Both Issuer and Guarantor share common ownership, through the said holding company Exalco Holdings Limited [as explained further in section 4 of this financial analysis summary (“**FAS**”).

The FAS is being drawn up in terms of the Listing Policies issued by the Malta Financial Services Authority (“**MFSA**”) and in connection with a €15 million 4% secured bond issue 2028 (the “**Bond Issue**”).

## 2 GOVERNANCE & MANAGEMENT

### 2.1 THE ISSUER

The Issuer was set up on 17 July 2018 as a public limited liability company

#### ISSUER’S DIRECTORS & SENIOR MANAGEMENT

Being a public limited liability company listing securities on the Official List of the Malta Stock Exchange, Exalco Finance is bound by the Code of Corporate Governance (the “**Code**”). As such, its board of directors is composed of a mix of executive and non-executive directors in terms of the Code. The board is currently composed as follows:

Mr Alexander Montanaro	Chairman of the Board, Executive Director
Mr Jean Marc Montanaro	Executive Director
Mr Michael Montanaro	Executive Director
Mr Mario Galea	Non-Executive Director
Mr Lawrence Zammit	Non-Executive Director
Mr Kevin Valenzia	Non-Executive Director

The Issuer is a finance company and does not have employees of its own.

### 2.2 THE GUARANTOR

Set up in 1990, Exalco Properties was formerly known as Exalco Group Limited. It is the main operating company, whose activities comprise the acquisition, development, management and leasing of property in Malta. The current property portfolio of the Guarantor includes five properties, on lease to corporate clients on both short- and long-term leases. Further information on each of these properties is found in section 5 of this FAS.

#### GUARANTOR’S DIRECTORS & SENIOR MANAGEMENT

Mr Alexander Montanaro	Chairman of the Board, Executive Director
Mr Jean Marc Montanaro	Executive Director
Mr Michael Montanaro	Executive Director

### 3 HISTORY OF THE GUARANTOR

Exalco Properties was established on 11 January 1990 and was previously known as Exalco Group Limited.

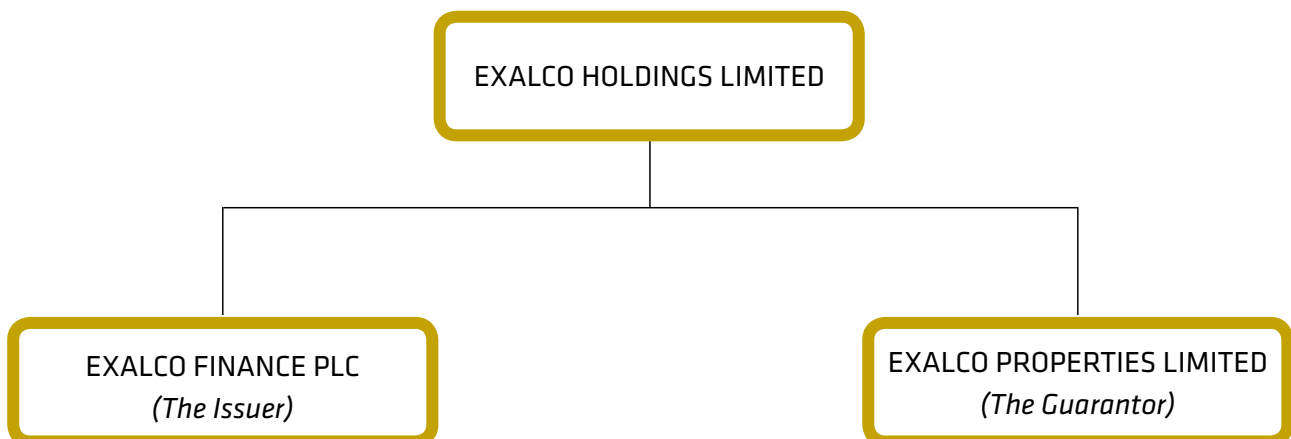
During its earlier years, the main business of the Exalco group was the international trade in non-ferrous metals through a related company of the Guarantor, Exalco (Metals and Steel) Limited (C 10397 – the company was struck off following the merger with the Guarantor), which started its operations back in 1987. This business, consisting of the supply of aluminium billets and other base metal products such as copper and steel commodities, was eventually transferred out into a separate company - Exalco Metals Limited (C 67788).

Exalco Group Limited branched into real estate in the 1990s through the acquisition of Parklane Business Centre in Hamrun, which was completed in 1999. Following that, the company undertook the development of the Mayfair Business Centre in St Julian's (1999) and the Cornerstone Business Centre in Mosta (2006). Each property was owned in separate companies which were eventually amalgamated within either of Exalco Group Limited or Exalco (Property Leasing) Limited.

In 2005, Exalco (Property Leasing) Limited and Exalco (Metals and Steel) Limited were merged into the Guarantor. The next property acquired was the Marina Business Centre in Ta' Xbiex in 2011. The latest development is the Golden Mile Business Centre in St Julian's, which was completed in 2017.

Exalco Properties' business interest is now exclusively real estate, particularly business centres with lettable office space. *Further information on the major (and non-major) assets of the Guarantor may be found in section 5 of this FAS.*

### 4 GROUP STRUCTURE



The Issuer and the Guarantor are sister companies, owned by Exalco Holdings Limited. The Issuer is a financing vehicle and its purpose is the raising of finance for the use and benefit of the Exalco group, of which the main operating entity is presently Guarantor. The majority of bond proceeds are to be on-lent to the Guarantor and as such the Issuer is dependent on the Guarantor.

## 5 MAJOR ASSETS

As at the date of this FAS, the Issuer has no major assets. Going forward, it is expected that the assets of the Issuer will comprise of receivables from the Guarantor, as the proceeds from the bond issue are on-lent to the Guarantor.

The property portfolio of the Guarantor comprises, primarily, of five business centres. Below is a summary of the key information pertaining to these and additional, smaller, properties.

Business Centre	Location	Title / Tenure	Year of Acquisition/ Completion	No of Levels	NLA: Offices	NLA: Commercial	No. of Parking Spaces	Valuation €'000
Golden Mile Business Centre	St Julian's	Wholly owned	2017	7	2,880	0	25	19,433
Marina Business Centre	Ta' Xbiex	Wholly owned	2011	6	3,532	64	78	17,126
Mayfair Business Centre	St Julian's	Wholly owned	1999	7	836	1,620	12	8,345
Cornerstone Business Centre	Mosta	Wholly owned	2006	5	1,880	372	32	6,782
Parklane Business Centre	Guardamangia, Hamrun	Wholly owned	1999	4	695	250	6	1,769
Borton House	Mosta	Wholly owned	1990	3	200	0	2	355
Ibragg Maisonette	Ibragg	Wholly owned	2013	1	n/a	n/a	1	435
Tilbury Garage	Balzan	Wholly owned	1997	n/a	n/a	n/a	1	12

Source: Management information

## 5.1 THE MAYFAIR BUSINESS CENTRE



Source: Management

Location: Triq Santu Wistin, St Julian's

The Mayfair Business Centre ("**Mayfair BC**") was completed in 1999 – the second business centre of the group. It hosts 836 square metres ("**sqm**") of net lettable area of office space and 1,620 sqm of commercial lettable space spread across six levels above ground and two semi/basement floors. The property has 12 parking spaces. Mayfair BC is wholly owned by the Guarantor.

According to the latest valuation report prepared by Perit Stephen A. Mangion A&CE dated 15 June 2018 (the "**Valuation Report**"), the value of the property based on discounted future cash flows is of €8.3 million.

Mayfair BC is fully tenanted, with the anchor tenant being an English language school and a number of smaller tenants renting office space within the centre. The property is freehold.

## 5.2 THE MARINA BUSINESS CENTRE



Source: Management information

Location: Triq Abate Rigord, Ta' Xbiex

The development of the Marina Business Centre ("**Marina BC**") was completed in 2011. It lies on a corner site between two streets in Ta' Xbiex and has net lettable area of 3,532 sqm. The property has six floors and hosts 78 parking spaces and is built on a footprint of 800sqm. The business centre is occupied by seven lessees, some of which occupy whole floors of the property.

According to the Valuation Report, the value of the property is of €17.1 million.

The property is freehold and is wholly owned by the Guarantor, except for the ground floor.



### 5.3 THE PARKLANE BUSINESS CENTRE



Source: Management

Location: Triq Mountbatten, Guardamangia, Hamrun

The Parklane Business Centre ("**Parklane BC**") was constructed in 1992 and lies on a trapezoidal corner site between two streets. The footprint of the property is 290sqm. Parklane BC has five floors above ground and one semi-basement floor – the latter serves as a parking lot which can hold up to seven cars. The ground floor (250 sqm) is let to a retail outlet, while the remaining floors serve as office space for four tenants across total area of 695 sqm of lettable office space.

The value attributed to Parklane BC in the Valuation Report is that of €1.8 million.

The property is freehold.

#### 5.4 THE CORNERSTONE BUSINESS CENTRE



Source: Management information

Location: Constitution Street, Mosta

The Cornerstone Business Centre ("**Cornerstone BC**") sits on a rectangular corner plot having an area of 610sqm. The building has five floors above ground and two basement floors. The ground floor hosts a number of retail units, while the basement floors provide car parking facilities. The net lettable space for office space on the other floors within Cornerstone BC is 1,880sqm, which is leased out to a number of tenants, including the offices of the Exalco group companies.

The value attributed to the Cornerstone BC in the Valuation Report is €6.8 million. The property is freehold.



## 5.5 THE GOLDEN MILE BUSINESS CENTRE



*Source: Management*

Location: Dragonara Road, St. George's Bay, St Julian's

The Golden Mile Business Centre ("**Golden Mile BC**") is the latest addition to the property portfolio of the Guarantor. The plot on which the building sits is of 750sqm. Lettable office space in the building is of 2,880sqm spread over seven floors. The building has one semi-basement floor which serves as a parking for up to 25 cars. The Golden Mile BC is leased out to one tenant who has renamed the building to reflect its commercial name. The property is freehold. The tenant has entered into a naming rights agreement with the Guarantor, giving the former the right to name the property '@GIG Beach'.

The Valuation Report attributes a value of €19.4 million to the Golden Mile BC.

## 5.6 OTHER PROPERTY ASSETS

The Guarantor has three other properties, two of which are for residential use.

- Borton House, Mosta

Borton House is a three-storey terraced premises in Mosta. Since its completion in 1990, the 200sqm building has been leased out for environmental studies and monitoring. The Borton House has an underlying garage at ground level with an area of 80sqm. The value of the Borton House is €0.36 million.

- The other two residential premises comprise a maisonette and an underlying garage in Ibragg and a garage in Balzan (known as Tilbury Garage). It is the intention of the Guarantor to transfer out these two properties (to ECTS Limited, a related company) and retain a property portfolio consisting solely of commercial properties. The value of these two properties is €0.45 million.

## 6 RECENT DEVELOPMENT

In pursuit of the objective to continue growing the Exalco brand and the respective commercial property portfolio, a related party of the Issuer and the Guarantor, ALMO Properties Limited (C 69554), entered into a promise of sale agreement dated 22 June 2018 for the acquisition of a six-floor complex bordered on three streets namely Triq il-Ferrovija, Triq Regionali and Triq Blata l-Kahla, in Santa Venera (the “**New Property**”), for the price of €6.2 million. The acquisition is subject to the successful conclusion of the final deed of sale. Pursuant to the terms of the promise of sale agreement, the related party is vested with a right of assignment in favour of, *inter alia*, the Guarantor. The Board of Directors of the Issuer understands that such right of assignment is due to be exercised with a view to the Guarantor appearing on the final deed of sale for the acquisition of the New Property.

## 7 FUTURE DEVELOPMENTS

The growth of Exalco Properties over the years has been achieved through the acquisition and development of properties which contributed an adequate rate of return on the investment. In pursuit of this objective, management is constantly screening potential new projects / properties which would complement the existing property portfolio.

## 8 MATERIAL AGREEMENTS

The Issuer is a financing vehicle for the Group and the contracts it is expected to enter into are in respect of its lending function to the Group’s main operating company, that is the Guarantor. A loan agreement has been entered into by and between the Issuer (as lender) and the Guarantor (as borrower) on 20 July 2018 pursuant to which the Issuer will advance the net proceeds from the Bond Issue, amounting to approximately €14,700,000, to the Guarantor for the purposes of the latter deploying same in the manner specified in section 4.1 of the Securities Note, entitled “*Reasons for the Bond Issue and Use of Proceeds*”. Such loan agreement is conditional upon the issue and allotment of the Bonds, which in turn is conditional upon: the Bonds being admitted to the Official List; and the Collateral being constituted in favour of the Security Trustee in accordance with the provisions of the Security Trust Deed.

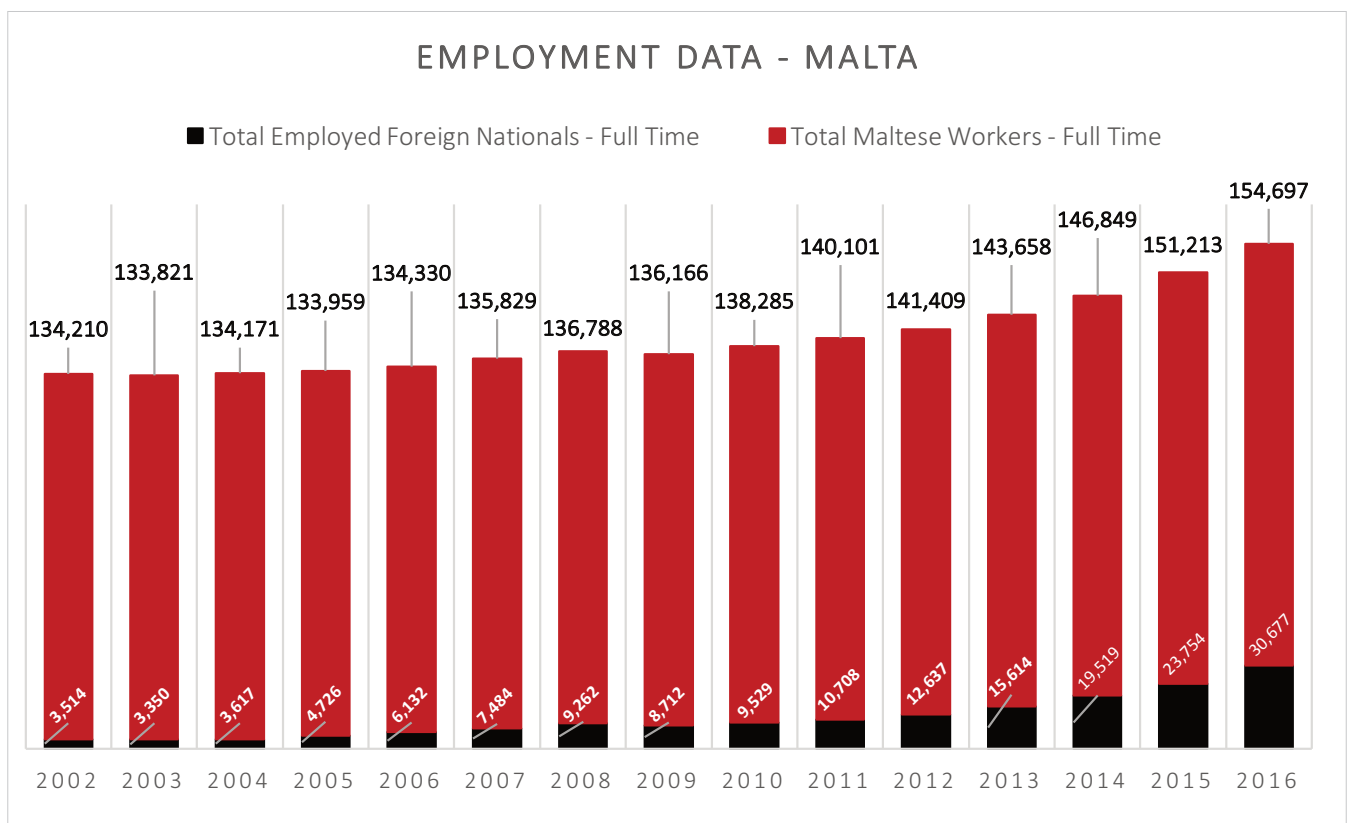
The Guarantor is party to a number of contracts which are considered to be material in the context of its operations, particularly those with tenants of the business centres. Furthermore, as described in section 6 of this FAS, the Guarantor may in the near future become party, by assignment, to a promise of sale agreement to acquire the New Property.

## 9 MARKET OVERVIEW

*Note: The analysis below has been conducted by Rizzo, Farrugia & Co (Stockbrokers) Ltd. on information from publicly-available sources, including data from the National Statistics Office (NSO), Jobs Plus, the Eurostat and other information obtained from real estate agent websites which advertise commercial properties for rent.*

The market for the rental of office and commercial space in Malta has grown substantially over the past couple of years. This was largely driven by the increase in employment levels<sup>1</sup>, most notably, that of foreign workers. In the period between 2002 and 2005, employment levels remained relatively stable. Afterwards, employment levels grew steadily except for a marginal decline in 2009 because of the global financial crisis after which the growth rate in employment levels accelerated considerably.

The sound growth in employment levels can be attributed to two main factors, primarily, the solid growth rate of the local economy which in 2017 amounted to €11,109 million, an increase of €917 million or 9% when compared to 2016. In real terms, GDP went up by 6.6%<sup>2</sup>. For the same period, the eurozone GDP increased by 2.5%<sup>3</sup>, the highest growth rate since a 3% rise in 2007. Furthermore, the level of foreign direct investment over recent years lead to in an inflow of foreign workers. This is in general because Malta offers a number of business-friendly incentives and a favourable tax system, attracting substantial foreign direct investment to the island. By 2016, foreign workers exceeded 30,000 representing approximately 16.5% of total employed workers in Malta.



Source: Jobs Plus

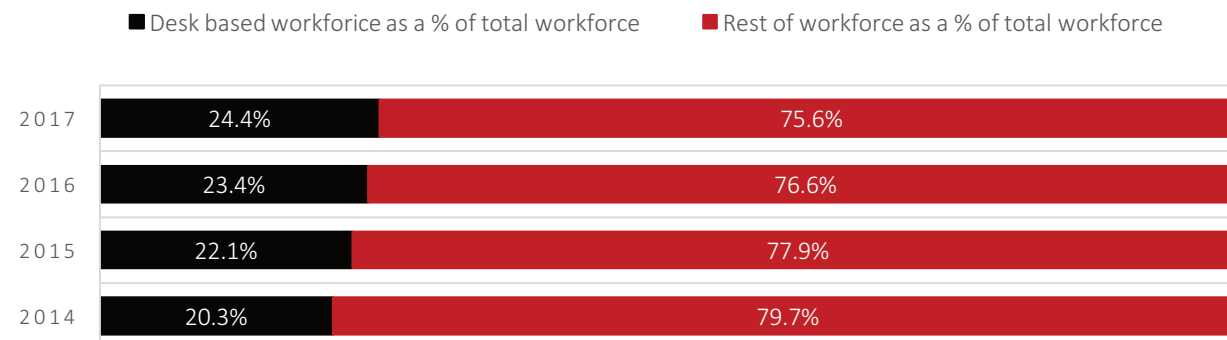
<sup>1</sup> All figures are stated for full-time employment

<sup>2</sup> Source: NSO

<sup>3</sup> Source: Eurostat

The principal driver for demand of office and commercial space is associated to the number of individuals engaged in desk-based employment. Over the period between 2014 and 2017, desk-based employment has grown from 33,312 to 46,763, representing a CAGR of nearly 12%. Consequently, this lead to total desk-based workforce to account approximately 24.4% of total workforce in 2017, a noteworthy increase over the 2014 figure of 20.3%. Moreover, this indicates that desk-based employment is growing at a rate higher than other type of employments. Going forward, it is clear that Malta's economy is reliant on the growth and sustainability of desk-based sectors.

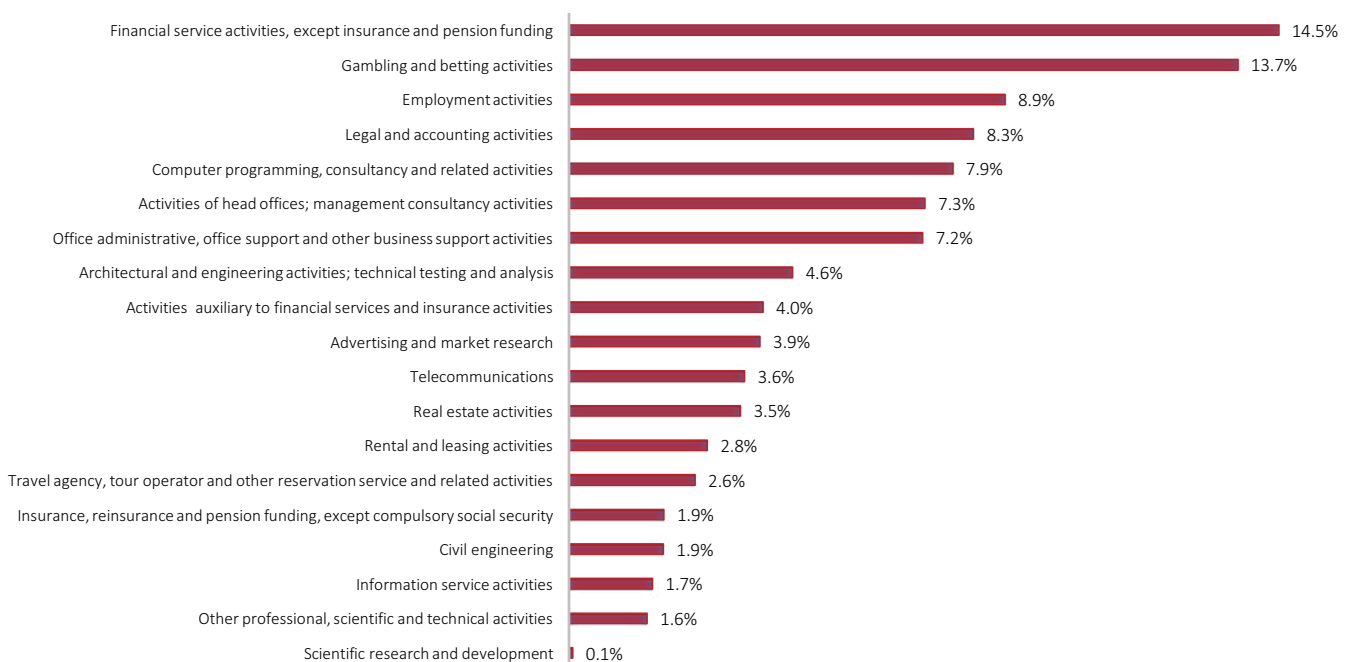
### (2014 - 2017) - DESK-BASED WORKFORCE AS A % OF TOTAL WORKFORCE, EXCL. PUBLIC ADMINISTRATION



Source: NSO - Gainfully Occupied Population

As indicated overleaf, most of the employees working within desk-based industries are concentrated in financial services activities, gaming and betting activities, employment activities, legal and accounting services, computer programming and consultancy services, as well as office administration. Together, these account for nearly 68% of all desk-based employment in Malta. The largest growth was reported in the gaming and betting activities sector as employment levels doubled from 3,192 in 2014 to 6,398 in 2017. Subsequently, in nominal terms, the employment activities sector, the management consultancy activities and legal and accounting activities were the key contributors in growth adding 1,642, 1,292 and 1,070 respectively.

### WORKFORCE WITHIN DESK-BASED EMPLOYMENT, EXCL. PUBLIC ADMINISTRATION (2017)



Source: NSO - Gainfully Occupied Population

To accommodate the growing demand, there has been an increase in the supply of office and commercial space in Malta. In fact, several business centres have recently been complete and are currently fully operational. A few of these include The Centre at Tigné Point, Aragon House in St. Julians, The Golden Mile BC in St. Julians, and SkyParks in Luqa. Other major developments that will feature substantial office and commercial space currently in progress include Pendergardens in St. Julians, Mercury House in Paceville, and The Quad and Trident Park both in Mriehel.

The supply for office space is highest in four main areas around Malta. The table below presents the range of pricing in € per sqm yearly for each segment. Data for pricing of office space available has been obtained from various real estate agents websites as at mid-2018.

<b>Area</b>	<b>€ per sqm yearly</b>
Central areas such as Birkirkara, Mriehel & Naxxar	120 - 200
North East such as Ta Xbiex, Sliema & St Julians	220 - 500
Harbour Area such as Valletta, Msida & Floriana	175 - 400
West & South such as Qormi, Luqa & Gudja	120 - 150

As outlined above, the higher rentals are generally found in the North East Area, which rates vary from €220/sqm up to €500/sqm. On the other hand, office rents tend to be lowest in the West & South Areas, which rates vary between €120/sqm to €150/sqm. The variance in pricing is attributable to the characteristics of the building primarily location but also functional efficiency, technology, size and proximity and surrounding infrastructure.

## 10. REVIEW OF FINANCIAL INFORMATION - THE ISSUER

The Issuer was registered on 17 July 2018, and as such, does not have any historic audited financial information. Furthermore, the Issuer is not intended to undertake any trading activities itself apart from the raising of capital and the advancing thereof to the Guarantor and is therefore economically dependent on the financial and operational performance of the business of the Guarantor.

The financial statements presented for the Issuer in this section reflect the projections for the years ended 31 December 2018 and 31 December 2019 (“FY2018” and “FY2019”).

### 10.1 INCOME STATEMENT

as at 31 December	Projected 2018 €000's	Projected 2019 €000's
Interest on loans to fellow companies	251	602
Facility fee	63	127
<b>Finance Income</b>	<b>314</b>	<b>729</b>
Finance cost	(250)	(600)
<b>Net Finance Cost</b>	<b>64</b>	<b>129</b>
Amortisation of bond issuance costs	(15)	(30)
Directors' fees	(23)	(46)
Listing and related fees	(17)	(34)
Other	(5)	(10)
<b>Profit before tax</b>	<b>4</b>	<b>9</b>
Taxation	(1)	(3)
<b>Profit for the Year</b>	<b>3</b>	<b>6</b>

Source: Management information

Income streams are expected to be interest income and the facility fee chargeable to the Guarantor, as the ultimate beneficiary of the funds raised by the Issuer. A margin over the coupon of the Bond Issue and the facility fee charged are intended to cover the Issuer's fees, which include directors' fees, listing fees, bond amortisation costs and other administrative expenses. By the end of FY2018 and FY2019, the Issuer is expected to register a profit for the year of approximately €3,000 and €6,000 respectively.

## 10.2 STATEMENT OF FINANCIAL POSITION

<b>as at 31 December</b>	<b>Projected 2018 €000's</b>	<b>Projected 2019 €000's</b>
<b>Assets</b>		
<b>Non-Current Assets</b>		
Loans & receivables	14,700	14,700
<b>Current Assets</b>		
Cash & cash equivalents	519	557
<b>Total Assets</b>	<b>15,219</b>	<b>15,257</b>
<b>Equity &amp; Liabilities</b>		
<b>Equity</b>		
Share Capital	250	250
Retained Earnings	3	9
<b>Total Equity</b>	<b>253</b>	<b>259</b>
<b>Non-Current Liabilities</b>		
Amortised bond issue	14,715	14,745
<b>Current Liabilities</b>		
Accrued bond interest	250	250
Current tax	1	3
<b>Total Liabilities</b>	<b>14,966</b>	<b>14,998</b>
<b>Total Equity &amp; Liabilities</b>	<b>15,219</b>	<b>15,257</b>

Source: Management information

The balance sheet structure of the Issuer will be reflective of its objectives as a financing arm for the Guarantor. By the end of FY2018, the Issuer's total assets are expected to amount to €15.2 million, comprising of the loan to Exalco Properties of €14.7 million and a €0.5 million cash balance. Liabilities include the amortised bond issue of €14.7 million and accrued interest on the bond of €0.25 million, while equity consists of €0.25 million in share capital and retained earnings for the year.

The company does not expect any material changes in the balance sheet for FY2019.

## 10.3 CASH FLOW STATEMENT

<b>as at 31 December</b>	<b>Projected 2018 €000's</b>	<b>Projected 2019 €000's</b>
Cash flows from operating activities	269	38
Cash flows used in investing activities	(14,700)	-
Cash flow from financing activities	14,950	-
<b>Net movements in cash &amp; cash equivalents</b>	<b>519</b>	<b>38</b>
Opening cash & cash equivalents	-	519
<b>Closing cash &amp; cash equivalents</b>	<b>519</b>	<b>557</b>

Source: Management information

The cash flow from operating activities of the Issuer will comprise facility fees and interest received from the Guarantor, which for FY2018 is expected to be in the region of €0.27 million and €0.04 million in FY2019, reflecting the full year coupon payable. Cash flows used in investing activities reflect the loan advanced to the Guarantor, while the cash flow from financing activities represent the share capital upon incorporation and the bond issue proceeds, net of bond issue costs.

## 11 REVIEW OF FINANCIAL INFORMATION - THE GUARANTOR

The Guarantor has been in existence since 1990. The property segment has not always been the sole trading activity of the Guarantor, and as such, ahead of the Bond Issue, restructuring processes have taken place to extract any non-property related business out of the Guarantor. To this effect, the financial statements of the Guarantor are being presented hereunder in a manner that makes the financial statements of previous years comparable to those of FY2017 (and beyond) by presenting items related to other business interests as extraordinary items or discontinued operations, where and as necessary.

The historical financial figures for the years ended 31 December 2015, 2016 and 2017 have been sourced as follows:

- The consolidated financial statements of the Guarantor for the years ended 31 December 2015 and 2016 (restated - The 2016 financial statements of Exalco Properties were restated to include accumulated depreciation of €0.5 million on the buildings of the properties held by the Guarantor, which was not being accounted for in prior years, and €0.4 million relating to revaluation gains, previously credited to retained earnings instead of the revaluation reserve);
- The audited financial statements of the Guarantor for the year ended 31 December 2017; and
- The Guarantor reports under GAPSME, which is an accounting standard applicable for small-and-medium sized entities in Malta, which standard does not require the publication of a cash flow statement. As such, for the purposes of the prospectus and this FAS, cash flows statements for FY2016 and FY2017 have been produced accordingly by management.

Whereas, items (i) to (iii) will hereinafter collectively be referred to as “**Historical Financial Information**”.

Projections for the years ended 31 December 2018 and 2019 (the “**Management Projections**”) have been provided by management. Given it is the objective of the Guarantor to continue expanding its property portfolio, a new project is assumed to be undertaken during FY2019 (the “**Assumed Project**”). The Assumed Project is a proxy to the various investment proposals that the Guarantor is frequently being presented with and in line with the parameters that management feel would complement and work in terms of yield on the investment.

Financial information presented hereunder may be subject to rounding differences.

### 11.1 THE INCOME STATEMENT

for the year ended 31 December	Audited 2015 €000's	Audited (restated) 2016 €000's	Audited 2017 €000's	Projected 2018 €000's	Projected FY2019 €000's
Property Leasing	1,674	1,769	2,174	3,070	3,542
Net property management income	96	94	149	177	198
<b>Net revenue from property leasing activities</b>	<b>1,770</b>	<b>1,863</b>	<b>2,323</b>	<b>3,247</b>	<b>3,740</b>
Other net (costs)/income from property leasing activities	(32)	(27)	18	12	12
Selling, general and administrative costs	(218)	(210)	(292)	(307)	(304)
<b>Normalised EBITDA</b>	<b>1,520</b>	<b>1,626</b>	<b>2,049</b>	<b>2,952</b>	<b>3,448</b>
Depreciation	(50)	(83)	(204)	(190)	(235)
<b>Normalised EBIT</b>	<b>1,470</b>	<b>1,543</b>	<b>1,845</b>	<b>2,762</b>	<b>3,213</b>
Net finance expenses	(542)	(509)	(538)	(646)	(960)
<b>Normalised profit before tax</b>	<b>928</b>	<b>1,034</b>	<b>1,307</b>	<b>2,116</b>	<b>2,253</b>
Extraordinary expenses	(182)	(131)	(102)	-	-
Profits attributable to legacy metals business	36	24	-	-	-
Profits attributable to ECTS operations	33	33	-	-	-
Income attributable to property held by ECTS	42	42	46	-	-
<b>Profit before tax</b>	<b>857</b>	<b>1,002</b>	<b>1,251</b>	<b>2,116</b>	<b>2,253</b>
Current taxation	(268)	(295)	(333)	(471)	(542)
<b>Profit for the year</b>	<b>589</b>	<b>707</b>	<b>918</b>	<b>1,645</b>	<b>1,711</b>

Source: Historical Financial Information and Management Projections



The results for the period between FY2015 and FY2017 were adjusted to single-out the results relating to discontinued operations in connection with the legacy metals business, ECTS Limited (as this was transferred from the Guarantor in 2017) and income from property owned by ECTS.

## REVENUE ANALYSIS

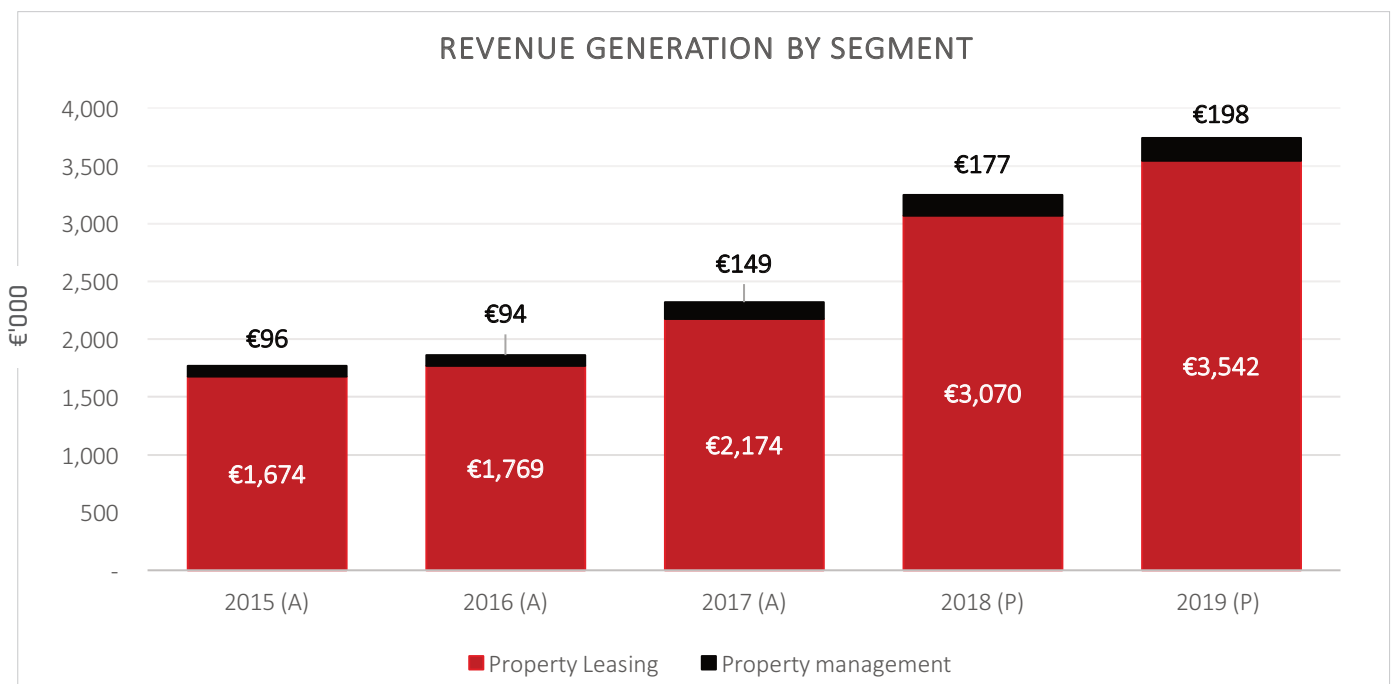
The Group's revenue generating segments are two:

- Property leasing
- Property management

The Group's total revenue reached €2.32 million in FY2017, up from €1.86 million and €1.77 million in FY2016 and FY2015, respectively. The property leasing segment is the largest contributor to the Group's revenue exceeding 90% of total revenue.

In the last financial year, the Group registered growth across both principal business segments. The property management segment grew by 59% to €149,000 while the property leasing segment grew by 23% to €2.17 million, as the revenue streams from the Golden Mile BC started being recognised.

## PROPERTY LEASING

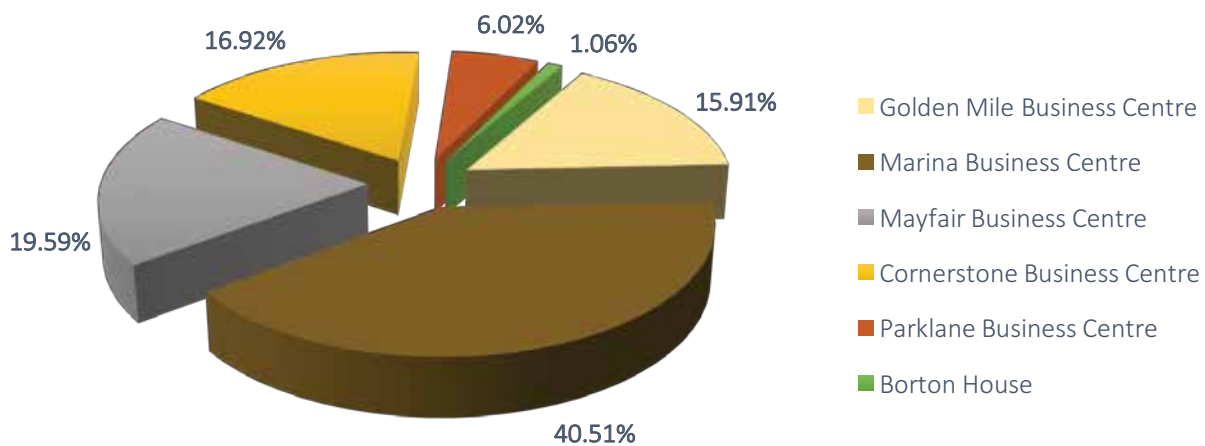


Source: Historical Financial Information and Management Projections

This segment is represented by the leasing of the five business centres in Malta entirely owned by the Group. A detailed description of the property portfolio of the Guarantor can be found in section 5. The latest addition in the property portfolio of the Group is the Golden Mile Business Centre which started operating in the last quarter of 2017. Therefore, the income generated in 2017 includes only four months of income generated from the Golden Mile Business Centre.

The business centres provide a total net lettable area of circa 12,300 sqm, of which circa 2,300 sqm is commercial space. The business centres are leased out to corporate clients on both short and long-term leases. The lease agreements in place between the Guarantor and its tenants provide an initial definite term of rent and are subject for annual increments ranging between 2% and 3% of the rent payable in the previous year. Certain lease agreements also cater for the automatic renewal of the lease, for a period ranging from one to three years. Additionally, all the rental agreements provide the option for the termination of the lease agreement by the lessee by giving a written notice a few months before the expiration of the lease term (between 3 to 12 months), either during the original or the renewed term.

### Contribution of rental Income in % terms per Business Centre - 2017



Source: Management Information

Adjusting the Golden Mile rental income to a full year equivalent, the contribution from Golden Mile is expected to reach 37%, followed by Marina Business Centre at 31% in FY2018.

The Guarantor's tenants are various, however, there is a noticeable concentration on the gaming industry (approximately 56% of total income forecast in FY2018), which is reflective of the current demand for office space in Malta. Furthermore, as the Golden Mile BC is currently fully occupied by one large gaming company and given also that this business centre represents nearly 37% of total revenue (based on FY2018 forecast), such concentration is all the more visible.

#### **PROPERTY MANAGEMENT**

This segment complements the rental property segment, as it maintains the business centres on behalf of its tenants. Services provided by Exalco include common area management, general repairs and maintenance, and in-house maid services. The company generated revenue of €149,000 from these services in 2017.

#### **OTHER COMPONENTS OF THE INCOME STATEMENT**

EBITDA, being the operating profit adjusted for depreciation, amortisation and before charging tax and interest expenses, amounted to €2.05 million in FY2017, an increase of 26% over the previous year and an improvement of 34.8% over that of FY2015. This mainly reflects the contribution of the newly operating Golden Mile Business Centre during the last quarter of FY2017, as well as, the annual increase in lease payments of the other business centres. EBITDA margin stood at 88.2% in FY2017 reflecting the business model of the Group which necessitates very little human capital and working capital to sustain the business.

Depreciation increased from €50,000 in FY2015, to €83,000 in FY2016 to €204,000 in FY2017 mainly due to a substantial investment in the Golden Mile Business Centre during the year. Accordingly, operating profit amounted to €1.85 million in FY2017, from €1.54 million the previous year (FY2015: €1.47 million).

Net finance costs remained relatively stable throughout the last three-year period averaging €0.5 million per annum. However, because of the improvement in operating income, interest coverage increased from 2.7x in FY2015 to 3.4x in FY2017.

The company incurred extraordinary expenses during each of the years presented:

- In FY2015, the €182,000 relate to a one-off repair and maintenance expense incurred on the various business centres operated by Exalco Properties at that time.
- In FY2016, the €131,000 expense is associated with professional expenses incurred in the development of the Golden Mile Business Centre which were not capitalised.
- In FY2017, the €102,000 is a result of a one-off expense related to a number of works on the public alley adjacent to the Golden Mile Business Centre.

The main expenses of the Guarantor consist of payroll charges which increased over the period covered herein to reflect the time and effort of management and its staff in relation to the management of the property portfolio.

### **DISCONTINUED OPERATIONS**

The metals operation of Exalco Properties was transferred from the company to Exalco Metals in January 2016. Accordingly, the FY2016 results include the income generated from the sale of leftover stock. The Guarantor registered a profit before tax of €23,000 during FY2016, primarily because of foreign exchange differences recognised during the year.

The ECTS operations generated profit before tax of €33,000 in both FY2016 and FY2015. Additionally, over the last three years the Guarantor received rental income in relation to a property located in Attard which amounted to approximately €42,000 per annum, which property is owned by ECTS Limited. In FY2018, the lease agreement will be amended to reflect a change in lessor (that from Exalco Properties to ECTS). Thus, ECTS will receive any future income associated to the property.

### **PROJECTIONS - FY2018**

The projections for FY2018 show that the company is anticipating an increase in profitability as profit for the year is expected to reach €1.65 million, representing an increase of 80% over FY2017. As intimated earlier in this section, such increase mainly reflects the contribution of the newly operating Golden Mile Business Centre for the whole year (unlike FY2017 which was only reflective of the last quarter contribution), as well as, the annual increase in lease payments. Revenue is expected to reach €3.25 million, of which, 94.6% is attributable to the property rental segment. The remaining 5.4% of revenue is related with the property management segment.

As described in section 5.6 of this FAS, the New Property to be acquired during FY2018 is expected to contribute additional EBITDA of €59,000, reflecting the fact that the Guarantor is expected to take over the property in October of this year.

Other components of the Group's income statement of FY2018 are not expected to be materially different from FY2017, save for finance costs which are expected to be higher (+20%) as they reflect the additional borrowings of the Bond Issue and the new borrowings necessary for the New Property.

### **PROJECTIONS - FY2019**

The forecasts of FY2019 assume that the Guarantor will develop and finish the New Property, with revenue streams from the additional lettable area within the New Property expected to come on board as from the second quarter of 2019.

With this in mind, and taking into account the full occupancy of the other business centres, revenue in FY2019 is expected to reach €3.74 million, an increase of 15.2% over FY2018 reflecting the full year rental income on the New Property in addition to the increase in lease payments. Consequently, EBITDA is expected to also increase to €3.5 million, representing an improvement in the EBITDA margin to 92.2% from 90.9% assumed in FY2018.

Net finance costs are expected to increase to €0.96 million in FY2019 from €0.65 million in FY2018, reflecting the full year interest on the €15 million bond, the additional bank borrowings of €6.4 million for the New Property and new bank borrowings for the Assumed Project. After deducting tax, profit for the year is expected to be marginally higher at €1.7 million.

for the year ended 31 December	Audited 2015 €000's	Audited (restated) 2016 €000's	Audited 2017 €000's	Projected 2018 €000's	Projected 2019 €000's
<b>Assets</b>					
<u>Non-Current Assets</u>					
Property, plant and equipment	135	128	456	448	445
Investment property	32,768	32,834	53,716	60,752	65,144
investment property (ECTS)	1,978	1,978	-	-	-
<b>Total Non-Current Assets</b>	<b>34,881</b>	<b>34,940</b>	<b>54,172</b>	<b>61,200</b>	<b>65,589</b>
<u>Current Assets</u>					
Inventories (Exalco Metals)	85	-	-	-	-
Trade and other receivables	616	315	1,000	847	886
Cash and cash equivalents (continuing operations)	599	682	213	3,442	3,029
Cash and cash equivalents (ECTS)	306	15	-	-	-
<b>Total Current Assets</b>	<b>1,606</b>	<b>1,012</b>	<b>1,213</b>	<b>4,288</b>	<b>3,915</b>
<b>Total Assets</b>	<b>36,487</b>	<b>35,952</b>	<b>55,385</b>	<b>65,489</b>	<b>69,504</b>
<b>Equity &amp; Liabilities</b>					
<b>Equity</b>					
Share Capital	2,400	2,840	2,840	2,840	2,840
Revaluation & other Reserves	14,968	15,352	30,270	30,270	30,270
Retained Earnings	3,985	3,778	2,358	3,754	5,465
<b>Total Equity</b>	<b>21,353</b>	<b>21,970</b>	<b>35,468</b>	<b>36,864</b>	<b>38,575</b>
<u>Non-Current Liabilities</u>					
Deferred tax liabilities	1,918	1,534	4,651	4,651	4,651
Non-current trade and other payables	40	14	-	-	-
Shareholders' loan	204	168	583	-	-
Security Deposits	-	-	552	618	719
Borrowings for continuing operations	9,509	8,415	10,026	6,308	7,930
Amounts due to fellow subsidiaries	-	-	-	14,700	14,700
Borrowings for discontinued operations	294	295	-	-	-
<b>Total Non-current liabilities</b>	<b>11,965</b>	<b>10,426</b>	<b>15,812</b>	<b>26,277</b>	<b>28,000</b>
<u>Current Liabilities</u>					
Trade and other payables	866	1,395	2,032	1,646	1,855
Net Trade payables (ECTS)	284	-	-	-	-
Deposits received from clients	341	420	114	139	155
Borrowings	1,068	1,457	1,398	92	378
Bank overdraft (Exalco Metals)	511	34	263	-	-
Current tax liabilities	99	250	298	471	542
<b>Total Current Liabilities</b>	<b>3,169</b>	<b>3,556</b>	<b>4,105</b>	<b>2,348</b>	<b>2,930</b>
<b>Total Liabilities</b>	<b>15,134</b>	<b>13,982</b>	<b>19,917</b>	<b>28,625</b>	<b>30,929</b>
<b>Total Equity &amp; Liabilities</b>	<b>36,487</b>	<b>35,952</b>	<b>55,385</b>	<b>65,489</b>	<b>69,504</b>

Source: Historical Financial Information and Management Projections

## REVIEW OF FY2015 – FY2017

The Guarantor's asset base as of the end of FY2017 was mostly composed of Investment property, which accounts to nearly 97% of total assets. A breakdown of the portfolio of investment property is presented in a previous section of this FAS. On the liabilities side, the major components are bank debt and deferred taxes which account to 58.7% and 23.4% of total liabilities respectively.

The Statement of Financial Position as at 31 December 2017 compared to the figures as at 31 December 2016 and 2015, reveals that total assets increased by 51.8% to €55.4 million since the end of FY2015 (FY2015: €36.5 million; FY2016: €36.0 million) largely reflecting the increase in value of investment property. The increase of €20.9 million in the carrying amount of investment property from FY2016 to FY2017 mainly reflects a fair value gain of €18.0 million, the capitalisation of €2.5 million of expenditure with respect to development of Golden Mile and an increase of €0.4 million as a result of the reclassification of property, plant and equipment to investment property.

Meanwhile, the Guarantor's total liabilities increased by 31.6% to €19.9 million over the years (FY2015: €15.1 million; FY2016: €14.0 million). The notable increase between FY2016 and FY2017 (+€5.9 million) reflects in the main the increase of €3.1 million in deferred tax liabilities as a result of the fair value gains in investment property arising during the year, and €1.5 million in additional borrowings.

<b>Borrowing Analysis as at 31 December</b>	<b>Audited 2015 €000's</b>	<b>Audited (restated) 2016 €000's</b>	<b>Audited 2017 €000's</b>	<b>Projected 2018 €000's</b>	<b>Projected 2019 €000's</b>
Borrowings for continuing operations	10,577	9,872	11,424	21,100	23,008
Less: Net Cash and cash equivalents	599	682	213	3,442	3,029
<b>Net Funding - Continuing operations</b>	<b>9,978</b>	<b>9,190</b>	<b>11,211</b>	<b>17,658</b>	<b>19,979</b>
Borrowings for discontinued operations	805	329	263	-	-
Less: Cash and cash equivalents (ECTS)	306	15	-	-	-
<b>Net Funding - Discontinued operations</b>	<b>499</b>	<b>314</b>	<b>263</b>	<b>-</b>	<b>-</b>
<b>Total net borrowings</b>	<b>10,477</b>	<b>9,504</b>	<b>11,474</b>	<b>17,658</b>	<b>19,979</b>

Source: Historical Financial Information and Management Projections

## PROJECTIONS - FY2018

As at the end of FY2018, the Guarantor's total asset base is expected to increase to €65.5 million, reflecting the carrying value of the New Property and positive cash balances. The New Property is expected to be financed through the application of funds from the Bond Issue (to the tune of €1 million) and new bank borrowings. The Bond Issue and the additional bank borrowings will result in total borrowings of €21.1 million. The increase in total equity expected in FY2018 reflects the retained earnings for the year net of the repayment of a shareholders' loan.

## PROJECTIONS - FY2019

The projections for FY2019 assume that the Guarantor will undertake the Assumed Project. As such, in FY2019, investment property is expected to increase by €4.4 million reflecting its value. The development of the Assumed Project is expected to be financed by an additional €2 million bank borrowings and cash generated from operations. Consequently, total borrowing is expected to increase to €23 million in FY2019.

### 11.3 STATEMENT OF CASH FLOWS

as at 31 December	Audited 2015 €000's	Mgmt. Info. 2016 €000's	Mgmt. Info. 2017 €000's	Projected 2018 €000's	Projected 2019 €000's
Net Cash flow from operating activities	211	1,622	1,322	2,235	3,231
Net cash flow used in investing activities	(869)	(614)	(3,407)	(7,573)	(4,525)
Net cash flow from / (used in) financing activities	1,882	(1,216)	1,601	8,567	881
<b>Net movement in cash &amp; cash equivalents</b>	<b>1,224</b>	<b>(208)</b>	<b>(484)</b>	<b>3,229</b>	<b>(413)</b>
Opening cash & cash equivalents	(319)	905	697	213	3,442
<b>Closing cash &amp; cash equivalents</b>	<b>905</b>	<b>697</b>	<b>213</b>	<b>3,442</b>	<b>3,029</b>
Bank overdraft balance	(1,074)	(618)	(734)	-	-
<b>Net cash &amp; cash equivalents at end of year</b>	<b>(169)</b>	<b>79</b>	<b>(521)</b>	<b>3,442</b>	<b>3,029</b>

Source: Historical Financial Information and Management Projections

#### REVIEW OF FY2015 – FY2017

Over the three-year period to 31 December 2017, the Guarantor generated cash flows of €0.5 million. Net of the bank overdraft facilities, the company closed FY2017 with a negative cash balance of €0.52 million. This was the result of the substantial cash flows used by the Guarantor in its investing activities related in the main to the works of the Golden Mile project. Such cash flows were supported by increased bank borrowings throughout the years.

#### PROJECTIONS - FY2018

The projected cash flow statement for FY2018 will feature an increase in cash flow from operating activities which is expected to increase to €2.2 million, reflecting primarily the full year contribution of the Golden Mile Business Centre rental income; a net cash outflow of €7.6 million, which in the main relates to the New Property being acquired and the supporting cash inflow of €8.6 million, which is the net effect of the cash from the bond issue less repayments of bank borrowings, and the new additional borrowings in relation to the New Property.

#### PROJECTIONS - FY2019

Net operating cash flows in FY2019 are expected to be €1 million over those generated during the previous year, mainly reflecting the full year contribution of the New Property and the yearly rental rate increments. Moreover, cash used in investing activities in FY2019 is expected to be €4.5 million and is in relation to the additional financing for the works to complete the New Property and funds used for the purchase of the Assumed Project. Net cash flows from financing activities are expected to amount to €0.9 million reflecting the additional bank borrowings for the year.

## 11.4 RATIO ANALYSIS

### PROFITABILITY RATIOS

The below is a set of ratios prepared to assist in measuring the company's earnings potential from its property portfolio.

	Audited FY2015	Audited (restated) FY2016	Audited FY2017	Projected FY2018	Projected FY2019
<b>EBITDA Margin</b> (EBITDA / Revenue)	85.9%	87.3%	88.2%	90.9%	92.2%
<b>Operating profit Margin (EBIT Margin)</b> (Operating Profit / Revenue)	<b>83.1%</b>	<b>82.8%</b>	<b>79.4%</b>	<b>85.1%</b>	<b>85.9%</b>
<b>Net Profit Margin</b> (Net Profit / Revenue)	48.4%	53.8%	53.9%	65.2%	60.2%
<b>Return on Average Equity</b> (Net Profit / Average Equity)	<b>2.8%</b>	<b>3.3%</b>	<b>3.2%</b>	<b>4.6%</b>	<b>4.5%</b>
<b>Return on Average Assets</b> (Net Profit / Average Assets)	<b>1.6%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.7%</b>	<b>2.5%</b>

Source: Calculations based on Historical Financial Information and Management Projections

The Guarantor's margins reflect the lean cost structure of its business model. Margins have generally improved over the years between FY2015 to FY2017 and are expected to continue to improve further through improved cost efficiencies and the full-year recognition of income from the Golden Mile and Phoenix Building in FY2018 and FY2019 respectively.

### LIQUIDITY RATIOS

The below is a set of ratios prepared to assist in measuring a Company's ability to meet its short-term obligations.

	Audited FY2015 €000's	Audited (restated) FY2016 €000's	Audited FY2017 €000's	Projected FY2018 €000's	Projected FY2019 €000's
<b>Current Ratio</b> (Current Assets / Current Liabilities)	0.51x	0.28x	0.30x	1.83x	1.34x
<b>Cash Ratio</b> (Cash & Equivalents* / Current Liabilities)	<b>0.19x</b>	<b>0.19x</b>	<b>0.05x</b>	<b>1.47x</b>	<b>1.03x</b>

\* For comparative reasons, the cash and equivalents taken for this ratio exclude the cash attributable to the discontinued operations of ECTS.

Source: Calculations based on Historical Financial Information and Management Projections

The Guarantor's liquidity ratios are reflective of the fact that the Guarantor receives rental income in advance from its tenants, which inflates its current liabilities. Furthermore, as the existing bank loans are extinguished through the Bond Issue and income from the Golden Mile Business Centre and the New Property is received, the Guarantor's cash management is expected to improve. Furthermore, the extent of the Guarantor's debt servicing commitments will also help in improving the cash ratio, as the company will no longer need to service capital repayments of the existing bank borrowings which will be replaced by the servicing of the interest on the Bond Issue.

## SOLVENCY RATIOS

The below is a set of ratios prepared to assist in measuring a Company's ability to meet its debt obligations.

	Audited FY2015 €000's	Audited (restated) FY2016 €000's	Audited FY2017 €000's	Projected FY2018 €000's	Projected FY2019 €000's
<b>Interest Coverage Ratio</b> <i>(EBIT / Net Finance Costs)</i>	2.71x	3.03x	3.43x	4.28x	3.35x
<b>Gearing Ratio (1)</b> <i>(Net Borrowings / Equity)</i>	<b>0.49x</b>	<b>0.43x</b>	<b>0.32x</b>	<b>0.48x</b>	<b>0.52x</b>
<b>Gearing Ratio (2)</b> <i>(Total Borrowings / [Total Borrowings + Equity])</i>	<b>34.8%</b>	<b>31.7%</b>	<b>24.8%</b>	<b>36.4%</b>	<b>37.4%</b>
<b>Gearing Ratio (3)</b> <i>(Net Borrowings / [Net Borrowings + Equity])</i>	<b>32.9%</b>	<b>30.2%</b>	<b>24.4%</b>	<b>32.4%</b>	<b>34.1%</b>

Source: Calculations based on Historical Financial Information and Management Projections

The Guarantor had a healthy interest cover over the years, reflective of the strong income margins as discussed earlier on in this FAS. Going forward, this is expected to remain stable as net finance costs are expected to increase in line with EBITDA in percentage terms, however, in nominal terms, the increase in EBITDA is greater than the increase in net finance costs.

Leverage is below 50% at Guarantor level. Gearing is expected to remain manageable despite additional borrowings that are expected to be availed of later this year.



## 12 COMPARABLES

The table below compares the Issuer and its proposed bond issue to other listed debt on the local market having broadly similar maturities. The list excludes issues by financial institutions. The comparative set includes local groups whose assets, strategy and level of operations may vary significantly from those of the Issuer and are therefore not directly comparable. Nevertheless, the table below provides a sample of some comparatives:

Bond Details	Outstanding Amount	Total Assets	Total Equity	Gearing Ratio*	Net Debt to EBITDA**	Interest Cover***	YTM^
	(€)	(€'000)	(€'000)	(%)	(times)	(times)	(%)
5.00% Dizz Finance plc 2026	8,000,000	19,262	4,754	66.1	5.16	3.16	4.41
4.80% Med. Maritime Hub Finance plc 2026	15,000,000	29,276	4,784	73.9	8.63	2.13	4.07
4.50% Medserv plc 2026 (EUR)	21,982,400	153,273	28,251	63.5	11.36	1.10	4.37
4.25% Corinthia Finance plc 2026	40,000,000	1,765,072	901,595	42.1	9.55	2.23	3.58
4.00% MIDI plc 2026	50,000,000	235,302	86,621	43.3	25.30	-0.98	3.45
4.00% IHI plc 2026 (Secured)	55,000,000	1,602,317	884,632	36.4	7.91	2.64	3.42
4.00% IHI plc 2026 (Unsecured)	40,000,000	1,602,317	884,632	36.4	7.91	2.64	3.44
3.90% Plaza Centres plc 2026	8,500,000	44,882	27,625	30.2	4.46	6.10	3.82
3.75% Premier Capital plc 2026	65,000,000	161,128	47,607	67.3	1.82	10.15	3.40
4.50% GHM plc 2027	15,000,000	21,050	2,876	70.7	4.57	1.81	3.90
4.35% SD Finance plc 2027	65,000,000	217,599	65,698	47.7	3.21	5.46	3.75
4.00% Eden Finance plc 2027	40,000,000	169,936	90,161	36.5	4.97	4.46	3.44
3.75% Tumas Investments plc 2027	25,000,000	198,819	89,238	25.8	2.10	10.13	3.22
3.50% Simonds Farsons Cisk plc 2027	20,000,000	163,528	96,632	28.8	1.81	17.86	2.87
3.75% Virtu Finance plc 2027	25,000,000	161,959	79,465	40.6	3.82	11.30	3.28
3.85% Hili Finance plc 2028 (YTM as at date of issue)	40,000,000	408,204	82,870	73.1	5.69	3.27	3.85
<b>4.00% Exalco Finance plc</b>	<b>15,000,000</b>	<b>54,912</b>	<b>36,051</b>	<b>24.1</b>	<b>5.60</b>	<b>3.43</b>	<b>4.00</b>

Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 28 June 2018. Ratio workings and financial information quoted have been based on the issuer's and their guarantors where applicable, from published financial data for the year ended 2017.

\*Gearing Ratio: This refers to the fundamental analysis ratio of a company's level of long-term debt compared to its equity capital. In the above table this is computed as follows:  $\text{Net Debt} / (\text{Net Debt} + \text{Equity})$ .

\*\*Net Debt to EBITDA: This is the measurement of leverage calculated by dividing a company's interest-bearing borrowings net of any cash or cash equivalents by its EBITDA.

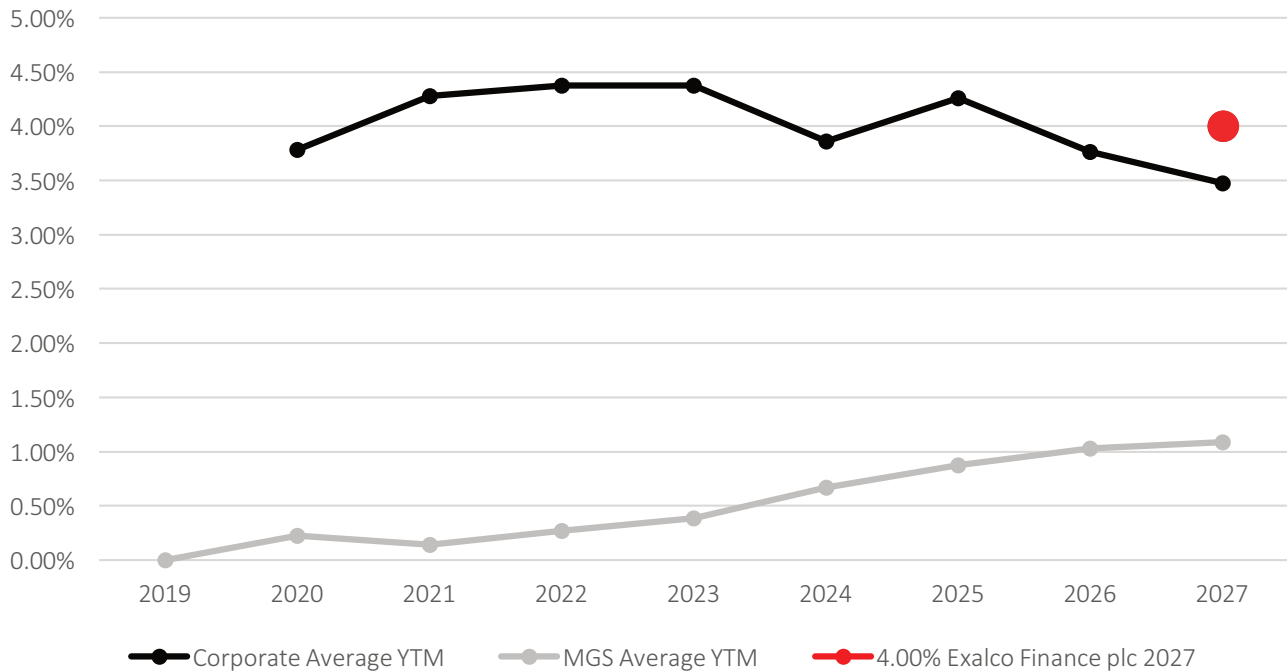
\*\*\*Interest Cover: The interest coverage ratio is calculated by dividing a company's EBITDA of one period by the company's net finance costs of the same period.

^Yield to Maturity (YTM) from rizzofarrugia.com, based on bond prices of 28 June 2018. YTM is the rate of return expected on a bond

which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.

The chart below compares the Exalco Finance plc bond to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as at 28 June 2017.

Exalco Finance plc vs Corporate & MGS YTM - as at 28.06.2018



Source: Rizzo, Farrugia & Co (Stockbrokers) Ltd. analysis

At a coupon of 4.00% per annum, the Exalco Finance plc 2027 YIELDS 4.00% per annum to maturity, which is approximately 291 basis points over the average yield to maturity of Malta Government Stock (MGS) maturing in 2027 and approximately

52 basis points above the average yield to maturity of corporate bonds maturing in 2027 (data correct as at 28 June 2018).

## **GLOSSARY & DEFINITIONS**

### Statement of Comprehensive Income Explanatory Definitions

Revenue	Total revenue generated by the company from its business activity during the financial year.
EBITDA	Earnings before interest, tax, depreciation and amortization, reflecting the company's earnings purely from operations.
Normalisation	Normalisation is the process of removing non-recurring expenses or revenue from a financial metric like EBITDA, EBIT or earnings. Once earnings have been normalised, the resulting number represents the future earnings capacity that a buyer would expect from the business.
EBIT	Earnings before interest and tax.
Depreciation and Amortization	An accounting charge to compensate for the reduction in the value of assets and the eventual cost to replace the asset when fully depreciated.
Finance Income	Interest earned on cash bank balances and from the intra-group companies on loans advanced.
Finance Costs	Interest accrued on debt obligations.
Net Profit	The profit generated in one financial year.

### Cash Flow Statement Explanatory Definitions

Cash Flow from Operating Activities	The cash used or generated from the company's business activities.
Cash Flow from Investing Activities	The cash used or generated from the company's investments in new entities and acquisitions, or from the disposal of fixed assets.
Cash Flow from Financing Activities	The cash used or generated from financing activities including new borrowings, interest payments, repayment of borrowings and dividend payments.

### Statement of Financial Position Explanatory Definitions

Assets	What the company owns which can be further classified in Current and Non-Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Liabilities	What the company owes, which can be further classified in Current and Non-Current Liabilities.
Current Liabilities	Obligations which are due within one financial year.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Equity	Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.

### Profitability Ratios

EBITDA Margin	EBITDA as a percentage of total revenue.
Operating Profit Margin	Operating profit margin is operating profit achieved during the financial year expressed as a percentage of total revenue.
Net Profit Margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Return on Equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on Capital Employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	This is computed by dividing profit after tax by total assets.
Equity	Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.

### Liquidity Ratios

Current Ratio	The current ratio is a financial ratio that measures whether a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Cash Ratio	Cash ratio is the ratio of cash and cash equivalents of a company to its current liabilities. It measures the ability of a business to repay its current liabilities by only using its cash and cash equivalents and nothing else.
Net Profit Margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Return on Equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on Capital Employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	This is computed by dividing profit after tax by total assets.
Equity	Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.

### Solvency Ratios

Interest Coverage Ratio	This is calculated by dividing a company's EBITDA of one period by the company's net finance costs of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.
Net Debt to EBITDA	This is the measurement of leverage calculated by dividing a company's interest-bearing borrowings net of any cash or cash equivalents by its EBITDA.

### Other Definitions

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