

SECURITIES NOTE

DATED 16 SEPTEMBER 2016

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 Gap Group p.l.c. The Listing Authority has approved 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.

In respect of an issue of:
€40,000,000 4.25% Secured Bonds 2023
of a nominal value of €100 per Bond issued at par
(the "Secured Bonds")



GAP GROUP P.L.C.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA
WITH COMPANY REGISTRATION NUMBER C 75875

with the joint and several Guarantee* of
Gap Mellieha (I) Limited, Gap Gharghur Limited, Gap Properties Limited and Geom Developments Limited

ISIN: MT0001231209

*Prospective investors are to refer to the Guarantee contained in Annex II of the Securities Note and section 4.6 of the Registration Document for a description of the Guarantee and the Security. 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 Secured Bonds and the Guarantee provided by the Guarantors.

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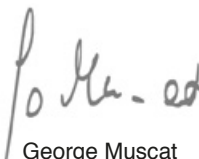
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MALTA STOCK EXCHANGE plc

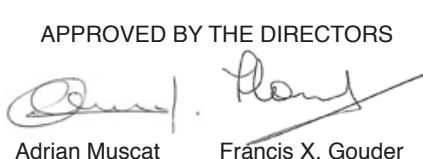
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THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE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

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


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APPROVED BY THE DIRECTORS

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IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY GAP GROUP PLC (THE "ISSUER") OF €40,000,000 SECURED BONDS 2023 OF A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 4.25% PER ANNUM PAYABLE ANNUALLY ON 3 OCTOBER OF EACH YEAR. THE NOMINAL VALUE OF THE BOND WILL BE REPAYABLE IN FULL AT MATURITY ON THE REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION (THE "BONDS" OR "SECURED BONDS"); AND

THIS SECURITIES NOTE:

- A. CONTAINS INFORMATION ABOUT THE ISSUER, THE GUARANTORS AND THE SECURED 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; AND
- B. SETS OUT THE CONTRACTUAL TERMS UNDER WHICH THE SECURED BONDS ARE ISSUED BY THE COMPANY AND ACQUIRED BY A BONDHOLDER WHICH TERMS SHALL REMAIN BINDING UNTIL THE REDEMPTION DATE OF THE SECURED BONDS UNLESS THEY ARE OTHERWISE CHANGED IN ACCORDANCE WITH THE TERMS OF THIS SECURITIES NOTE.

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

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

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

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

SAVE FOR THE ISSUE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE SECURED BONDS OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 4 NOVEMBER 2003 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING OR WHICH, PENDING SUCH IMPLEMENTATION, APPLIES ARTICLE 3.2 OF SAID DIRECTIVE, THE SECURED BONDS CAN ONLY BE OFFERED TO "QUALIFIED INVESTORS" (AS DEFINED IN SAID DIRECTIVE) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF SAID DIRECTIVE.

THE SECURED 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 AND TO THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES IN ACCORDANCE WITH THE ACT.

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

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

ALL THE ADVISORS TO THE ISSUER AND THE GUARANTORS NAMED IN THE PROSPECTUS UNDER THE HEADING "IDENTITY OF DIRECTORS, SENIOR MANAGEMENT, ADVISORS AND AUDITORS OF THE ISSUER" UNDER SECTION 3 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER AND THE GUARANTORS IN RELATION TO THIS ISSUE AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

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

1. DEFINITIONS

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

Act	the Companies Act (Cap. 386 of the Laws of Malta);
Applicant/s	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
Application/s	the application to subscribe for Secured Bonds made by an Applicant/s by completing an Application Form/s and delivering same to any of the Authorised Financial Intermediaries;
Application Form	the form of application of subscription for Secured Bonds, a specimen of which is contained in Annex I of this Securities Note;
Authorised Financial Intermediaries	<ul style="list-style-type: none">• Charts Investment Management Service Limited, Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913 (tel: 21224106);• Mediterranean Bank plc, 10, St Barbara Bastion, Valletta VLT 1961 (tel: 25574860);
Bond Issue or Offer	the issue of the Secured Bonds;
Bondholder	a holder of Secured Bonds;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
Collateral or Security Interests	<ul style="list-style-type: none">(a) the first ranking general hypothec for the full nominal value of the Secured Bonds and interests thereon over all the present and future property of the Issuer and each of GML, GPL and GDL;(b) the first ranking special hypothec for the full nominal value of the Secured Bonds and interests thereon over the land on which each of the Mellieħa Development and Blocks A, B and C forming part of the Qawra Development is to be developed together with all and any constructions and other erections to be developed thereon;(c) the first ranking special hypothec for the full nominal value of the Secured Bonds and interests thereon over the remaining 27 residential units and 74 garage spaces forming part of the Żebbuġ Development;(d) the special privilege for the amount of <i>circa</i> €9.8 million (or such other amount according to law) over the site in Mellieħa over which the Mellieħa Development shall be constructed in accordance with the provisions of article 2010 (c) of Chapter 16 of the Laws of Malta;(e) the pledge over the proceeds from any insurance policy required under clause 6(1)(k) of the Trust Deed; and(f) the Guarantee;
CSD	the Central Securities Depository of the Malta Stock Exchange having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063;
Deed of Hypothec	a deed to be entered into by and between the Trustee and the Issuer in the acts of Dr Notary Sam Abela whereby the Issuer constitutes in favour of the Trustee that part of the Collateral which according to law requires the execution of a notarial deed;
Euro or €	the lawful currency of the Republic of Malta;
Exchange, Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta, and bearing company registration number C 42525;
GDL	Geom Developments Limited (C 50805);
GHL	Geom Holdings Limited (C 64409);
GGF	Gap Group Finance Limited (C 54352);
GGL	Gap Gharghur Limited (C 72015);
GGCL	Gap Group Contracting Limited (C 75879);
Gharghur Development	the construction, development and finishing over the site in Triq Caravaggio, Gharghur, Malta measuring approximately 2,585m ² , of a total 34 luxury apartments (6 of which at Penthouse level) and 41 garages/car spaces, spread over 4 blocks with a variety of one, two and three bedroom units, as better described in section 4.3.5 of the Registration Document.
GML	Gap Mellieħa (I) Limited (C 72013);

GPL	Gap Properties Limited (C 47928);
Group or Gap Group	the Issuer, its parent, GDL, GHL, GGF, GGL, GGCL, GML, GPL and MHL;
Guarantee	the joint and several guarantee dated 9 September 2016 granted by the Guarantors as security for the punctual performance of the Issuer's payment obligations under the Bond Issue, subject to the terms and conditions contained in the Security Trust Deed and as the same is held on trust for the benefit of the Bondholders by the Security Trustee. A copy of the Guarantee and a description of the nature, scope and terms of the Guarantee are appended to the Securities Note as Annex II thereto;
Guarantor	each of GDL, GGL, GML and GPL, and the term "Guarantors" shall collectively refer to the said companies;
Hypothecated Property	the immovable property described hereunder, namely: <ul style="list-style-type: none"> (a) the plot of land known as ta' Masrija having a superficial area of approximately 5,220m², in Mellieħa, together with the improvements made and to be made thereon, over which there shall be developed the Mellieħa Development as better described in section 4.3.4 of the Registration Document, which site is to be acquired by GML; (b) the plot of land in Triq il-Portzjunkola, Qawra Malta having a superficial area of approximately 1,228m², together with any improvements to be made thereon and earmarked for the development of Blocks A, B, and C forming part of the Qawra Development, property of GDL which is better described in section 4.3.3 of the Registration document; the site is more fully described in the deed of acquisition published by Notary John Spiteri and dated 26 March 2015; (c) the 27 apartments in a completely finished state, including all common areas and internal streets and the 74 garages and garage spaces forming part of the development on the site in Żebbuġ having a superficial area of approximately 6,878m² constituting the Żebbuġ Development, property of GPL, which development is better described in section 4.3.2 of the Registration Document;
Interest Payment Date	3 October of each year between and including each of the years 2017 and the year 2023, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Issue Date	expected on 18 October 2016;
Issuer or Company	Gap Group p.l.c, a public limited liability company duly registered and validly existing under the laws of Malta with company registration number C 75875 and with its registered office at Gap Holdings Head Office, Censu Scerri Street, Tigné, Sliema SLM 3060, Malta;
Listing Authority	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta) by virtue of Legal Notice 1 of 2003;
Listing Rules	the listing rules of the Listing Authority;
Mellieħa Development	the construction, development and finishing, over the site known as ta' Masrija in Mellieħa measuring approximately 5,220m ² , of a total of 152 residential units and 174 garages/car spaces, spread over 10 blocks with a variety of one, two and three bedroom units, as better described in section 4.3.4 of the Registration Document;
MFSA	Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
MHL	Manikata Holdings Limited (C 53818);
New Developments	the construction and development of each of the Ġharghur Development; the Qawra Development and the Mellieħa Development;
Offer Period	the period between 20 September 2016 to 3 October 2016 during which the Secured Bonds are on offer;
Official List	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
Preferred Applicants	the former holders as at 30 March 2016 (the "Cut-Off Date") of the €15,500,000 7% Secured Notes 2016 issued by GGF pursuant to a prospectus dated 12 March 2012, which Notes were fully redeemed on 30 March 2016;
Preferred Applicants' Offer Period	the period between 20 September 2016 and 30 September 2016 during which the Secured Bonds are on offer to Preferred Applicants;
Projects	the construction and development of the New Developments and the sale of the remaining unsold units comprised in the Żebbuġ Development;

Prospectus	collectively the Registration Document, Summary Note and this Securities Note (each as defined in this Securities Note);
Qawra Development	the construction, development and finishing over the site in Triq il-Portzjunkola, Qawra, Malta measuring approximately 3,508m ² of a total of 145 residential units and 180 garages/car spaces, spread over 7 blocks, identified as Blocks A to G (both included) with a variety of one, two and three bedroom units, as better described in 4.3.3 of the Registration Document;
Redemption Date	3 October 2023;
Redemption Value	the nominal value of each Bond (€100 per Secured Bond);
Registration Document	the registration document issued by the Issuer dated 16 September 2016, forming part of the Prospectus;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 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 supplementing Directive 2003/71/EC of the European Parliament and of the Council with regard to regulatory technical standards for publication of supplements to the prospectus; and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015 supplementing Directive 2003/71/EC of the European Parliament and of the Council with regard to regulatory technical standards for publication of the prospectus and dissemination of advertisements and amending Commission Regulation (EC) No. 809/2004;
Secured Bond(s) or Bond(s)	the €40,000,000 4.25% 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 4.25% per annum, as detailed in this Securities Note;
Securities Note	this document in its entirety;
Security Trustee	Equinox International Limited, a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 29674 and having its registered office at 9, Level 2, Valletta Buildings, South Street, Valletta VLT 1103, 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);
Sponsor	Charts Investment Management Service Limited, an authorised financial intermediary licensed by the MFSA and a member of the MSE;
Summary Note	the summary note issued by the Issuer dated 16 September 2016, forming part of the Prospectus;
Terms and Conditions	the terms and conditions of issue of the Secured Bonds set out in this Securities Note;
Trust Deed	the trust deed signed between the Issuer and the Security Trustee dated 9 September 2016;
Trust Property	the rights attaching to and emanating from the Trust Deed and the benefit of the security created by virtue of the Security Interests for the benefit of Bondholders;
Żebbuġ Development	the 193 apartments, 2 retail outlets and 144 underlying garage spaces all in a completely finished state, including all common areas and internal streets, forming part of the development on the site in Żebbuġ measuring approximately 6,878m ² as better described in section 4.3.2 of the Registration Document.

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 SECURED BONDS WILL BE REPAYABLE IN FULL UPON MATURITY ON THE REDEMPTION DATE UNLESS THE SECURED BONDS ARE PREVIOUSLY RE-PURCHASED AND CANCELLED. THE ISSUER SHALL REDEEM THE SECURED BONDS ON THE REDEMPTION DATE.

AN INVESTMENT IN THE SECURED BONDS INVOLVES CERTAIN RISKS INCLUDING THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE SECURED 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 SECURED 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 SECURED BONDS, SHOULD PURCHASE ANY SECURED 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, among others, statements concerning matters that are not historical facts and which may involve projections of future circumstances. These forward looking statements are subject to a number of risks, uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer’s Directors. No assurance is given that the future results or expectations will be achieved.

2.2 GENERAL

An investment in the Issuer and the Secured Bonds may not be suitable for all recipients of the Prospectus and prospective investors are urged to consult an independent investment advisor licensed under the Investment Services Act (Cap. 370 of the laws of Malta) as to the suitability or otherwise of an investment in the Secured 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 Secured Bonds, the merits and risks of investing in the Secured 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 Secured 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 Secured Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- d) be able to evaluate 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 SECURED BONDS

- **Orderly and Liquid Market**
The existence of an orderly and liquid market for the Secured Bonds depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Issuer’s Secured Bonds at any given time and the general economic conditions in the market in which the Secured 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 Secured 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 Secured Bonds at or above the Bond Issue Price or at all.
- **Subsequent Changes in Interest Rates**
Investment in the Secured Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Secured Bonds.

- **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 Secured Bonds (€) and the Bondholder's currency of reference.
- **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 Secured Bonds prevailing from time to time. If such changes take place they could have an adverse effect on the market price for the Secured Bonds.
- **Security Interests and the Guarantee**
The Secured Bonds, as and when issued and allotted, shall constitute the general, direct, unconditional and secured obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under said Secured Bonds by the Guarantors. The Secured Bonds shall at all times rank *pari passu* without any priority or preference among themselves but, in respect of the Issuer, GML, GPL and GDL, they shall rank with priority or preference over all unsecured indebtedness of the Issuer, GML, GPL and GDL, if any. In view of the fact that the Secured Bonds are being guaranteed by the Guarantors on a joint and several basis, the Security Trustee, for the benefit of itself and the Bondholders, shall be entitled to request the Guarantors to pay both the interest due and the principal amount under said Secured Bonds if the Issuer fails to meet any amount, when due in terms of the Prospectus.

The joint and several Guarantee also entitles the Security Trustee to take action against the Guarantors without having to first take action against the Issuer. The strength of this undertaking on the part of the Guarantors and therefore, the level of recoverability by the Security Trustee from the Guarantors of any amounts due under any of the Secured Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantors. The Guarantee is further supported by the Collateral over the Hypothecated Property. Whilst this grants the Security Trustee a right of preference and priority for repayment over the Hypothecated Property, there can be no guarantee that the value of the Hypothecated Property over the term of the Secured Bond 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 Hypothecated Property. If such circumstances were to arise or subsist at the time that the Security Interests are to be enforced by the Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Secured Bonds.

Notwithstanding that the Bonds constitute the general, direct, unconditional and secured obligations of the Issuer, GML, GPL and GDL, 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, GML, GPL and GDL which may rank with priority or preference to the Security Interests.

- **Conditions Precedent**
The attention of prospective investors in the Secured Bonds is drawn to the concluding paragraph of section 4.1 of this Securities Note, which provides that the issue and allotment of the Secured Bonds is conditional upon the Secured Bonds being admitted to the Official List and on the Security Interests 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.
- **Changes to Terms and Conditions**
In the event that the Issuer wishes to amend any of the Terms and Conditions of this Bond Issue 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.
- **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 Companies Act and the Commission Regulation EC No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council in effect as at the date of the Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.
- **Property Valuations**
The valuations referred to in the Prospectus are prepared by an independent qualified architect in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors (RICS). 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.

3 PERSONS RESPONSIBLE

This document includes information given in compliance with the Listing Rules for the purpose of providing prospective investors with information with regard to the Issuer. All of the directors of the Issuer, whose names appear under the sub-heading "Directors" under the heading "Identity of Directors, Senior Management, Advisors and Auditors of the Issuer" in Section 3 of the Registration Document, accept responsibility for the information contained in this Securities Note.

To the best of the knowledge and belief of the directors of the Issuer, who have taken all reasonable care to ensure that such is the case, the information contained in this Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The directors of the Issuer accept responsibility accordingly.

3.1 CONSENT FOR USE OF PROSPECTUS

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

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

- i. in respect of Secured Bonds subscribed for through Authorised Financial Intermediaries of this Securities Note during the Offer Period;
- ii. to any resale or placement of Secured Bonds taking place in Malta;
- iii. to any resale or placement of Secured Bonds taking place within the period of 60 days from the date of the Prospectus.

None of the Issuer, the Sponsor, the Security Trustee or any of their respective advisors 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 Secured 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 Secured Bonds by any person in any circumstances. Any such unauthorised offers are not made on behalf of the Issuer or the Sponsor and neither the Issuer nor the Sponsor has any responsibility or liability for the actions of any person making such offers.

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

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

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

Any new information with respect to Authorised Financial Intermediaries unknown at the time of 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.gap.com.mt

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 €39,400,000, will be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

- i. the amount of *circa* €9,895,000 of the proceeds from the Secured Bonds will be used to finance the acquisition of the site in Mellieħa over which the Mellieħa development will be developed, and related contract expenses;
- ii. the aggregate amount of €13,100,000 shall be applied in part settlement and discharge of the acquisition consideration due to Gap Group Investments (III) Limited for the acquisition of the entire share capital of GDL and all the ordinary 'A' shares of GHL (see section 4.1.2 of the Registration Document);
- iii. the amount of *circa* €3,000,000 will be used by the Issuer to refinance a bank loan which was made available by Mediterranean Corporate Bank Limited to GGF for funding the Żebbuġ Development;
- iv. the remaining balance of the net Bond Issue proceeds equivalent to *circa* €13,405,000 shall be applied towards the costs of construction and development of the New Developments (other than in respect of Blocks D, E, F and G that form part of the Qawra Development). The outstanding amount of *circa* €18,400,000 required to complete the New Developments shall be generated from net sales proceeds of residential and garage units, initially from the completed Żebbuġ Development and subsequently from units in the other Projects.

All proceeds from the Bond Issue shall be held by the Security Trustee pending perfection of the Collateral to secure the Secured Bonds. In the event that the Bond Issue is not fully subscribed, and provided the amount received is not less than €35,000,000, the Issuer will proceed with the listing of the amount of Secured Bonds subscribed for and shall apply the net proceeds received in the manner and order of priority set out above. Any residual amounts required by the Issuer for the purposes of the uses specified in this section 4.1 which shall not have been raised through the Bond Issue, shall be financed from the Issuer's general cash flows or other funding sources. In the event that proceeds received on closure of the subscription period amounts to below €35,000,000, no allotment of the Bonds shall be made, the subscription to Bonds shall be deemed not to have been accepted by the Issuer and all money received from subscribers shall be refunded accordingly.

In terms of the Prospectus and Trust Deed, the Security Trustee shall not release any of the Bond Issue proceeds other than such amount as is required to settle the payment specified in para (i) above, until such time as the Collateral is duly constituted in favour of the Security Trustee.

The issue and allotment of the Secured Bonds is conditional upon: (i) the Secured Bonds being admitted to the Official List; and (ii) the Collateral being constituted in favour of the Security Trustee. In the event that either of the aforesaid conditions is not satisfied, the Security Trustee shall return Bond Issue proceeds to the Bondholders.

The Security Trustee shall retain the amount of approximately €10 million out of the net Bond Issue proceeds, which shall be released to GGCL in monthly payments against improvements and benefits made to the Developments. The Trustee is also authorised, pursuant to the Trust Deed to release such amounts out of this retained balance to GGCL against an architect's certificate confirming that works and/or improvements equivalent to the amount released or to be released have been completed on one or more of the Developments.

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 €600,000. There is no particular order of priority with respect to such expenses.

4.3 ISSUE STATISTICS

Amount:	€40,000,000;
Form:	The Secured 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;
Denomination:	Euro (€);
ISIN:	MT0001231209;
Minimum amount per subscription:	Minimum of €2,000 and multiples of €100 thereafter;
Redemption Date:	3 October 2023;
Plan of Distribution:	The Secured Bonds are open for subscription by all categories of investors, including Preferred Applicants and the general public;
Preferred Allocations:	Preferred Applicants will be granted preference in their applications for Secured Bonds up to an aggregate amount of €15 million;
Bond Issue Price:	At par (€100 per Bond);
Status of the Bonds:	The Secured Bonds, as and when issued and allotted, shall constitute the general, direct, unconditional and secured obligations of the Issuer, GML, GPL and GDL, and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves and, save for such exceptions as may be provided by applicable law, with priority or preference to all other present and future unsecured obligations of the Issuer, GML, GPL and GDL and with first ranking and priority over the Hypothecated Property. Also, the Secured Bonds shall be guaranteed, in respect of both the interest and the principal amount due, by the Guarantors in terms of the Guarantee.
Listing:	The Listing Authority has approved the Secured Bonds for admissibility listing and subsequent trading on the Official List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the Secured Bonds to be listed and traded on its Official List;
Preferred Applicants' Offer Period:	The period between 20 September 2016 and 30 September 2016 during which the Secured Bonds are on offer to Preferred Applicants;
Placement Agreements:	The Issuer has entered into conditional placement agreements with the Authorised Financial Intermediaries whereby an aggregate amount of €25 million in value of Bonds has been made available for subscription on 3 October 2016;
Offer Period:	20 September 2016 to 3 October 2016, both days included;
Interest:	4.25% per annum;
Interest Payment Date(s):	Annually on 3 October as from 3 October 2017 (the first interest payment date);
Governing Law of Bonds:	The Bonds are governed by and shall be construed in accordance with Maltese law;
Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

4.4 INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for the subscription for Secured Bonds by Authorised Financial Intermediaries, and any fees payable in connection with the Bond Issue to Charts Investment Management Service Limited as Sponsor and Manager, so far as the Issuer is aware no person involved in the Bond Issue has an interest material to the Bond Issue.

4.5 SECURITY

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

- (a) a first ranking general hypothec over all the assets of the Issuer and each of GML, GPL and GDL;
- (b) a first ranking special hypothec over the Hypothecated Property;
- (c) a special privilege over the Mellieħa site; and
- (d) a pledge on insurance proceeds.

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 Guarantors have entered into a Trust Deed with the Security Trustee which consists of the covenants of the Issuer and the Guarantors to pay the principal amount under the Secured Bonds on the Redemption Date and interest thereon, the hypothecary rights under the deed of hypothec, the rights under the special privilege in accordance with the provisions of article 2010 (c) of Chapter 16 of the Laws of Malta, the rights under the pledge agreement and all the rights and benefits under the Security Trust Deed. The Security Interests will be vested in the Security Trustee for the benefit of the Bondholders in proportion to their respective holding of Secured Bonds. Pursuant to the provisions of the Trust Deed, the Security Trustee shall retain all proceeds from the Secured Bonds until such time as the Security Interests shall have been duly constituted in favour of the Security Trustee. No Bonds shall be issued and allotted until the Security Interests have been duly constituted and the Malta Stock Exchange admits the Bonds to trading as listed instruments.

The Security Trustee's role includes holding of the Security Interests for the benefit of the Bondholders and the enforcement of those Security Interests upon the happening of certain events. The Security Trustee shall have no payment obligations to Bondholders under the Secured Bonds which remain exclusively the obligations of the Issuer (or, in the case of default by the Issuer, of the Guarantor), save to the extent that the Security Trustee shall apply any amounts held to the credit of the Reserve Account, held by it towards the redemption of the Secured Bonds on the Redemption Date.

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

Each Secured Bond shall be issued on the terms and conditions set out in this Securities Note and, by subscribing to or otherwise acquiring the Secured Bonds, the Bondholders are deemed to have knowledge of all the terms and conditions of the Secured 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 4.25% Secured Bonds 2023 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €40,000,000 (except as otherwise provided under section 5.11 "Further Issues"). The Issue Date of the Bonds is 18 October 2016.

- 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 Bonds are expected to be assigned ISIN: MT0001231209.
- 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. In the event that the Bond Issue is not fully subscribed, and provided the amount received is not less than €35,000,000, the Issuer will proceed to list the Secured Bonds subscribed for. In the event that proceeds received on closure of the subscription period amounts to below €35,000,000, no allotment of the Bonds shall be made, the subscription to Bonds shall be deemed not to have been accepted by the Issuer and all money received from subscribers shall be refunded accordingly.
- f. The Bond Issue is not underwritten.
- g. There are no special rights attached to the Secured Bonds other than the right of the Bondholders to the payment of capital and interest and in accordance with the ranking specified in section 5.3 hereunder.

5.2 RANKING OF THE SECURED BONDS

The Bonds shall constitute the secured, general, direct, and unconditional secured obligations of the Issuer, GML, GPL and GDL, and will rank with first priority and preference over all other present and future obligations of the Issuer, GML, GPL and GDL. The payment of the principal under the Bonds and interest thereon shall be secured by a first-ranking general hypothec over all the assets of the Issuer, GML, GPL and GDL, present and future, as well as a first-ranking special hypothec over the Hypothecated Property which each of GML, GPL and GDL has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders. Also, the Secured Bonds shall be guaranteed, in respect of both the interest and the principal amount due, by the Guarantors in terms of the Guarantee.

During the course of construction of the New Developments, situations may arise whereby the contractors or suppliers may become entitled by law to register a special privilege over the Hypothecated Property, thereby obtaining a priority in ranking over the Security Trustee. In this respect GML and GDL have each entered into an agreement with GGCL, the principal contractor, whereby GGCL has, *inter alia* waived its right to register any special privilege over Blocks A, B and C forming part of the Qawra Development and the Mellieħa Development until such time that the indebtedness under the Bonds has been settled and repaid in full and the Security Interests granted in favour of the Security Trustee and referred to in the Prospectus have been discharged. Whilst this is intended to minimise the possibility that any real rights are created over the afore-mentioned developments that would have the effect of diminishing the value of the Security Interests registered in favour of the Security Trustee, there can be no guarantee that a sub-contractor conducting works on one or more of the afore-mentioned developments may constitute a special privilege according to law.

The Issuer and each Guarantor has no bank borrowings made available to it and all their respective property, including the land over which the New Developments will be constructed and developed is unencumbered with any real rights of a security nature.

Pursuant to the Trust Deed, the Issuer and each of GML, GPL and GDL, with respect to the property owned by it, has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders as Beneficiaries, a special hypothec over the Hypothecated Property and a general hypothec over all its assets, present and future.

The 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 Hypothecated Property. In addition, the general hypothec will also grant to the Security Trustee, as additional and further security for the repayment of the Bonds, a preferred and prior ranking claim over all the assets present and future of the Issuer and each of GML, GPL and GDL.

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 Hypothecated Property for the full amount of €40,000,000 (forty million euro) and interests thereon in addition to the general hypothec over all the assets, present and future of the Issuer and each of GML, GPL and GDL for the full amount of €40,000,000 (forty million euro). In addition to the above, the Security Trustee shall also obtain the special privilege competent to it pursuant to article 2010 (c) of Chapter 16 of the Laws of Malta, for the amount of €9,895,000 being the acquisition cost of the site over which the Mellieħa Development will be constructed. The Security Trustee shall furthermore retain the amount of *circa* €10 million out of the net Bond Issue proceeds to be released to GGCL as progress on works on the Developments takes place to ensure that, as far as practicably possible, the value of the Bonds outstanding at any time is covered by the aggregate value of cash held by the Security Trustee and the value of Hypothecated Property, as valued by a competent expert.

Furthermore, GGCL, being the principal contractor engaged to construct and develop Blocks A, B and C forming part of the Qawra Development and the Mellieħa Development, has undertaken to waive its right to inscribe a special privilege in its favour.

5.3 RIGHTS ATTACHING TO THE SECURED BONDS

This Securities Note in its entirety contains the terms and conditions of issue of the Bond and creates the contract between the Issuer and a Bondholder. Any and all references to the terms and conditions of the Bond shall be construed as a reference to all and each section of this Securities Note. 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 Security Interests 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. enjoy all such other rights attached to the Secured Bonds emanating from the Prospectus.

5.4 INTEREST

The Secured Bonds shall bear interest from and including 3 October 2016 at the rate of 4.25% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 3 October 2017 (covering the period 3 October 2016 to 2 October 2017). 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 Secured 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 three hundred and sixty (360) day year consisting of twelve (12) months of thirty (30) days each, and in the case of an incomplete month, the number of days elapsed.

5.5 YIELD

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Secured Bonds is 4.25% per annum.

5.6 REGISTRATION, FORM, DENOMINATION AND TITLE

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

Upon submission of an Application Form, Bondholders who do not have an online e-portfolio account will be registered by the CSD for the online e-portfolio facility and will receive by mail at their registered address a handle code to activate the new e-portfolio login. The Bondholder's statement of holdings evidencing entitlement to Secured Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Those Bondholders who opt not to avail themselves of this facility should indicate such on the Application Form. Further details on the e-portfolio are found on <https://eportfolio.borzamalta.com.mt/Help>.

The Secured Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of €100 provided that on subscription the Secured Bonds will be issued for a minimum of €2,000 per individual Bondholder. Authorised Financial Intermediaries subscribing to the Secured Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 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 Secured Bonds will be made in Euro by the Issuer to the person in whose name such Secured 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 (7) 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 Secured Bonds shall be redeemed and the appropriate entry made in the electronic register of the Secured Bonds at the CSD.

In the case of Secured 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 Secured 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 (7) 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 Secured 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 Secured Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 3 October 2023.

Subject to the provisions of this section 5.8, the Issuer may at any time purchase Secured 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 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, by notice in writing to the Issuer and each Guarantor declare the Secured 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 ("**Events of Default**"):

- (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 section 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 stops payment of its debts or ceases or threatens to cease to carry on its business;
- (f) the Issuer or a Guarantor is unable to pay its debts within the meaning of section 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 a 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 a 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 a Guarantor substantially changes the object or nature of business as currently carried on;
- (j) the Issuer or a Guarantor commits a breach of any of the covenants or provisions contained in the 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 a 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 a 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 a Guarantor is not paid when properly due or becomes properly due and payable or any creditor of the Issuer or a 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 a 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 (one million Euro);
- (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 Issuer or a Guarantor in connection with the Projects and their development and construction; or pursuant to the execution, delivery, validity, enforceability or admissibility in evidence hereof, or the performance by the Issuer of its obligations hereunder, 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 any Guarantor to perform all or any of its obligations hereunder or to develop the Projects or to continue with the development of the Projects;
- (p) the Issuer or a 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 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 a 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 of any of the covenants, obligations or provisions herein contained due to any fortuitous event of a calamitous nature beyond the control of the Issuer, then the Security Trustee may, but shall be under no obligation so to do, give the Issuer 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 act on and in accordance with any instructions it may receive in a meeting of Bondholders satisfying the conditions set out in the 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 Trust Deed.

5.10 TRANSFERABILITY OF THE BONDS

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

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 Issuer.

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.

The Issuer may, with the consent of the Security Trustee, incur further indebtedness on a short to medium term basis that may rank *pari passu* with the Bonds for the purpose of bridging any cash flow shortfalls arising from the proceeds of sales from the New Developments.

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 affect any change to the applicable Terms and Conditions of the Bonds, including any change to a material term of issuance of the Bonds or the Prospectus.

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 of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section 5.12 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 provisions of and/or conditions contained in this Securities Note, or in any other part of the Prospectus, 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 (2) Bondholders present, in person or by proxy, representing not less than 50% in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting: the number of Bondholders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.

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 being required at the meeting the directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.

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 60% 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 24 June 2016. The Guarantee being given by each of the Guarantors in respect of the Secured Bonds has been authorised by a resolution of the board of directors of each of the Guarantors dated 24 June 2016.

5.14 REPRESENTATIONS AND WARRANTIES

The Issuer represents and warrants to Bondholders and to the Security Trustee for the benefit of Bondholders, that 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 Guarantors 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 Guarantors, their respective businesses and financial position, the omission of which would, in the context of issue of the Secured Bonds, make any statement in the Prospectus misleading or inaccurate in any material respect.

5.15 NOTICES

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

5.16 GOVERNING LAW AND JURISDICTION

The Secured 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 Guarantors arising out of or in connection with the Secured 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 disposal as well as any income/gains derived therefrom or made on their disposal. The following is a summary of the anticipated tax treatment applicable to Bondholders in so far as taxation in Malta is concerned. This information does not constitute legal or tax advice and does not purport to be exhaustive.

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

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

6.2 MALTA TAX ON INTEREST

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

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder need not declare the interest so received in his income tax return. No person shall be charged to further tax in respect of such income.

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 income tax return and be subject to tax on it at the standard rates applicable to that person at that time. Additionally in this latter case the Issuer will advise the Inland Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients unless the beneficiary is a non-resident of Malta. 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

Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.

6.4 MALTESE TAXATION ON CAPITAL GAINS ON TRANSFER OF THE BONDS

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

6.5 DUTY ON DOCUMENTS AND TRANSFERS

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

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

7 TERMS AND CONDITIONS OF THE BOND ISSUE

7.1 EXPECTED TIMETABLE OF THE BOND ISSUE

1. Application Forms mailed to Preferred Applicants	20 September 2016
2. Closing of Preferred Applicants' Offer Period	30 September 2016
3. Private Placement date	3 October 2016
4. Commencement of interest on the Secured Bonds	3 October 2016
5. Expected date of constitution of Security	4 October 2016
6. Expected date of announcement of basis of acceptance	10 October 2016
7. Refunds of unallocated monies	17 October 2016
8. Expected dispatch of allotment advices	17 October 2016
9. Expected date of admission of the securities to listing	18 October 2016
10. Expected date of commencement of trading in the securities	19 October 2016

7.2 TERMS AND CONDITIONS OF APPLICATION

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 Guarantors on the one hand and the Security Trustee and Bondholders on the other.

- 7.2.1** The issue and allotment of the Secured Bonds is conditional upon: (i) the Secured Bonds being admitted to the Official List of the MSE; and (ii) the Security Interests being constituted in favour of the Security Trustee. In the event that either of the aforesaid conditions is not satisfied within 15 Business Days of the close of the Offer Period, any Application monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form.
- 7.2.2** Applications by Preferred Applicants may be submitted by latest 14:00 hours on 30 September 2016.
- 7.2.3** By submitting a signed Application Form the Applicant is thereby confirming to the Issuer and the Authorised Financial Intermediary through whom the Application is made that: (i) 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 Issuer, acting through the Registrar (which acceptance shall be made in the Issuer's absolute discretion and may be on the basis that the Applicant indemnifies the 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).
- 7.2.4** The contract created by the Issuer's acceptance of an Application filed by a prospective bondholder 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.
- 7.2.5** If an Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have duly bound his principal, or the relative corporation, corporate entity, or association of persons, and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such representative 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 Issuer and the Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to appear on the Application Form.
- 7.2.6** 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. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first-named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional Applicants" in the Application Form or joint holders in the register, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.
- 7.2.7** In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner).

- 7.2.8** Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
- 7.2.9** The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 7.2.10** No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 7.2.11** It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 7.2.12** Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down, any Application, including multiple or suspected multiple Applications, and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.
- 7.2.13** The Secured Bonds will be issued in multiples of €100. The minimum subscription amount of Secured Bonds that can be subscribed for by Applicants is €2,000. The completed Application Forms are to be lodged with any of the Authorised Financial Intermediaries. Submission of Application Forms must be accompanied by the full price of the Secured Bonds applied for, in Euro. Payment may be made either in cash or by cheque payable to **'The Registrar – GAP Bond Issue'**. In the event that any cheque accompanying an Application Form is not honoured on its first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application Form.
- 7.2.14** By not later than 10 October 2016, the Issuer shall announce the result of the Bond Issue and shall determine the basis of acceptance of applications and allocation policy to be adopted.
- 7.2.15** In the event that an Applicant has not been 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, by credit transfer to such account indicated in the Application Form, at the Applicant's sole risk within five (5) Business Days from the date of final allocation. The Issuer shall not be responsible for any charges, loss or delay arising in connection with such direct credit transfer.
- 7.2.16** For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2008 (Legal Notice 180 of 2008, as subsequently amended), all 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 of the MSE Bye-Laws, irrespective of whether the Authorised Financial Intermediaries are Exchange Members or not. Such information shall be held and controlled by the Malta Stock Exchange in terms of the Data Protection Act (Cap. 440 of the Laws of Malta) for the purposes and within the terms of the MSE's data protection and privacy policy as published from time to time.
- 7.2.17** By completing and delivering an Application Form, the Applicant:
- (a) agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the Guarantors and the issue of the Bonds contained therein;
 - (b) warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects and in the case where an MSE account number is indicated in the Application Form, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant;

- (c) authorises the Issuer and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta). The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates;
- (d) confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
- (e) agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance or surrender of the Existing Bonds, as the case may be, and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
- (f) agrees to provide the Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application;
- (g) warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond or his/her Application;
- (h) warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- (i) represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- (j) agrees that unless such Application is made with Charts Investment Management Service Limited as Authorised Financial Intermediary, Charts Investment Management Service Limited will not, in their capacity of Sponsor, treat the Applicant as their customer by virtue of such Applicant making an Application for the Bonds, and that Charts Investment Management Service Limited will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their suitability for the Applicant;
- (k) agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form;
- (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 Issuer has reserved an aggregate amount of Secured Bonds amounting to €15 million for subscription by Preferred Applicants. In the event that this amount reserved for Preferred Applicants is not fully taken up, the unutilised portion of this reserved amount shall be subscribed for by Charts Investment Management Service Limited in terms of the conditional placement agreement described in section 7.4 below.

If subscriptions exceed the reserved portion referred to hereinabove, the unsatisfied excess amounts relative to such Applications will be returned by direct credit transfer to the account number indicated on the respective Application Form within five (5) Business Days from the date of final allocation.

The minimum subscription amount of Secured Bonds that can be subscribed for by Applicants is €2,000 and subscription amounts shall be in multiples of €100. Subscriptions may be made through any of the Authorised Financial Intermediaries.

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

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

7.4 PLACING AGREEMENT

On 12 September 2016, the Issuer entered into a conditional placement agreement with each of the Authorised Financial Intermediaries for the subscription of €10 million and €15 million of the Secured Bonds by Charts Investment Management Service Limited and Mediterranean Bank plc respectively on 3 October 2016.

In terms of the Placement Agreement, the Issuer bound itself to issue, and each of the Authorised Financial Intermediaries bound itself to subscribe for, the amount of Secured Bonds indicated hereinabove, subject to:

- a. the Prospectus being approved by the Listing Authority;
- b. the Security Interests being duly constituted in favour of the Security Trustee; and
- c. the Bonds being admitted to trading on the Official List.

Furthermore, Charts Investment Management Service Limited bound itself to subscribe to any Secured Bonds reserved for Preferred Applicants which are not taken up by the closing of the Preferred Applicants' Offer Period.

In terms of the Placement Agreement, each of the Authorised Financial Intermediaries subscribing for Secured Bonds may do so for its own account or for the account of underlying customers, including retail customers, and shall in addition be entitled to either:

- a. distribute to the underlying customers any portion of the Secured Bonds subscribed for upon commencement of trading; or
- b. instruct the Issuer and the Registrar to issue a portion of the Secured Bonds subscribed by it directly to its underlying customers.

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 Secured Bonds on the basis of the following policy and order of priority:

- i. An aggregate amount of €15 million shall be allocated to Preferred Applicants in accordance with the allocation policy as determined by the Issuer and Registrar. In the event that subscriptions exceed the reserved portion of €15 million, the unsatisfied excess amount of such Applications will be returned by direct credit transfer to the account number indicated on the respective Application Form within five (5) Business Days from the date of final allocation;
- ii. The amount equivalent to €10 million together with any amounts which were reserved for Preferred Applicants (detailed in para (i) above) but which were not fully taken up, shall be allocated to Charts Investment Management Service Limited pursuant to the conditional placement agreement referred to in section 7.4 above.
- iii. The amount equivalent to €15 million shall be allocated to Mediterranean Bank plc pursuant to the conditional placement agreement referred to in section 7.4 above.

7.7 ADMISSION TO TRADING

- i. The Listing Authority has authorised the Secured Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 16 September 2016
- ii. Application has been made to the Malta Stock Exchange for the Secured Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List of the Malta Stock Exchange.
- iii. The Bonds are expected to be admitted to the Malta Stock Exchange with effect from 18 October 2016 and trading is expected to commence on 19 October 2016.

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 Charts Investment Management Service Limited of Valletta Waterfront, Vault 17, Pinto Wharf, Floriana, FRN 1913, Malta, which has given and has not withdrawn its consent to the inclusion of such report herein.

Charts Investment Management Service Limited does not have any material interest in the Issuer or any of the Guarantors. 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 SPECIMEN APPLICATION FORM



GAP Group p.l.c.
€40,000,000 4.25% Secured Bonds 2023

APPLICATION FORM
Preferred Applicants

Application number

Please read the Notes overleaf before completing this Application Form. Mark 'X' if applicable.

APPLICANT (see notes 2 to 4)

A Non-Resident Minor (under 18) Body Corporate/Body of Persons CIS-Prescribed Fund

B FULL NAME & SURNAME/REGISTERED NAME

ADDRESS/REGISTERED OFFICE

POSTCODE

MSE A/C NO. (IF APPLICABLE)

ID CARD / PASSPORT / COMPANY REG. NO.

TEL. NO.

MOBILE NO.

Already registered for e-portfolio

Please do not register me for e-portfolio

This Application Form is not transferable and entitles you to subscribe for Gap Group p.l.c. 4.25% Secured Bonds 2023 as a previous holder as at 30 March 2016 of the €15,500,000 7% Gap Group Finance p.l.c. Secured Notes 2016 which was redeemed on 30 March 2016 (the "Preferred Applicants").

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

TITLE (MR/MRS/MS/...)

FULL NAME & SURNAME

ID CARD/PASSPORT NO.

TITLE (MR/MRS/MS/...)

FULL NAME & SURNAME

ID CARD/PASSPORT NO.

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

TITLE (MR/MRS/MS/...)

FULL NAME & SURNAME

ID CARD/PASSPORT NO.

TITLE (MR/MRS/MS/...)

FULL NAME & SURNAME

ID CARD/PASSPORT NO.

E I/WE APPLY TO PURCHASE AND ACQUIRE (see notes 8 and 9)

AMOUNT IN FIGURES

AMOUNT IN WORDS

€

Gap Group p.l.c. 4.25% Secured Bonds 2023 (the "Bonds") (minimum €2,000 and in multiples of €100 thereafter) at the Bond Issue Price (at par), as defined in the Prospectus dated 16 September 2016 (the 'Prospectus'), payable in full upon application under the Terms and Conditions of the Bonds as set out in the Prospectus.

F RESIDENT - WITHHOLDING TAX ON DECLARATION (see note 10 and 11a) (to be completed ONLY if the Applicant is a Resident of Malta)

I/We elect to have Final Withholding Tax deducted from my/our interest.

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

G NON-RESIDENT – DECLARATION FOR TAX PURPOSES (see note 3, 10, 11 & 11a) (to be completed ONLY if the Applicant is a Non-Resident)

TAX COUNTRY

CITY OF BIRTH

TIN (TAX IDENTIFICATION NO.)

NATIONAL ID CARD / PASSPORT NO.

COUNTRY OF BIRTH

COUNTRY OF ISSUE

ISSUE DATE

I/We am/are NOT Resident in Malta but I/we am/are Resident in the European Union.

I/We am/are NOT Resident in Malta and I/we am/are NOT Resident in the European Union.

H INTEREST MANDATE (see note 12) (completion of this panel is mandatory)

BANK

IBAN

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

Signature/s of Applicant/s

(parents or legal guardian/s are/is to sign if Applicant is a minor)

(all parties are to sign in the case of a joint Application)

Date

Authorised Financial Intermediary's Stamp

Authorised Financial Intermediary's Code

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NOTES ON HOW TO COMPLETE THIS APPLICATION FORM AND OTHER INFORMATION

The following notes are to be read in conjunction with the Prospectus dated 16 September 2016 regulating the Bond Issue

1. This Application is governed by the Terms and Conditions of the Application contained in Section 7.2 of the Securities Note dated 16 September 2016 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS.
3. Applicants who are Non-Residents in Malta for tax purposes, must indicate their passport number in Panel B and complete Panel G. The relative box in Panel A must also be marked appropriately.
4. Applicants are to insert full personal details in Panel B. In the case of an Application by more than one person (including husband and wife) full details of all individuals, including I.D. card numbers, must be given in Panels B and C **but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 7 below). Interest and redemption proceeds will be issued to the account indicated in Panel H or as otherwise indicated by the Bondholder/s during the term of the Bond.**

Upon submission of an Application Form, Bondholders who do not have an online e-portfolio account will be registered by the CSD for the online e-portfolio facility and will receive by mail at their registered address a handle code to activate the new e-portfolio login. The Bondholder's statement of holdings evidencing entitlement to Secured Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Those Bondholders who opt not to avail themselves of this facility should indicate such in Panel B of the Application Form. Further details on the e-portfolio are found on <https://eportfolio.borzamalta.com.mt/Help>.

5. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. The relative box in Panel A must also be marked appropriately. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
6. In the case of a body corporate, the name of the entity exactly as registered, and the registration number are to be inserted in Panel B. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
7. **APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MSE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THIS APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE EFFECTED.**
8. Applications must be for a minimum of €2,000 and thereafter in multiples of €100.
9. Payment must be made in Euro, in cleared funds to 'The Registrar - GAP Bond Issue'. In the event that the cheque accompanying an Application Form is not honoured on the first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application.
10. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will be obliged to declare interest so received in the tax return. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a Prescribed Fund (having indicated their status in the appropriate box in Panel A) will have final withholding tax (currently 10%), deducted from interest payments.

In terms of Section 6.2 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of Article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of final withholding tax, (currently 15%) of the gross amount of interest, pursuant to Article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta).

11. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.
 - 11a. The contents of Notes 10 and 11 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.
12. If any Application is not accepted after the closure of the subscription lists or is accepted for fewer Bonds than those applied for, the monies or the balance of the amount paid but not allocated, as the case may be, will be returned by direct credit into the bank account as indicated in Panel H. Interest and redemption proceeds will be credited to the account indicated in Panel H or as otherwise amended by the Bondholder/s during the term of the Bond.
13. Subscription lists for Preferred Applicants will close at 14.00 hours on 30 September 2016. The Issuer reserves the right to refuse any Application which appears to be in breach of the Terms and Conditions of the Application as contained in the Prospectus. Any Applications received by the Registrar after the subscription lists close will not be accepted. Completed Application Forms are to be delivered to any of the Authorised Financial Intermediaries listed in the Securities Note, during normal office hours. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not being received by the date of closing of the subscription lists.
14. By completing and delivering an Application Form you (as the Applicant(s)) acknowledge that:
 - a. the Issuer may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);
 - b. the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and
 - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

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

ANNEX II THE GUARANTEE

To: Equinox International Limited
No 9, Level 2, Valletta Buildings,
South Street,
Valletta VLT 1103 – MALTA
(hereinafter together with its lawful successors and assigns referred to as the “**Security Trustee**”).

16 September 2016

Dear Sirs,

Re: GUARANTEE & INDEMNITY

We, (a) Gap Mellieħa (I) Limited, a company registered in Malta bearing company registration number C 72013; (ii) Gap Properties Limited, a company registered in Malta bearing company registration number C 47928; (iii) GEOM Developments Limited a company registered in Malta bearing company registration number C 50805; and (iv) Gap Għargħur Limited a company registered in Malta bearing company registration number C 72015; (hereinafter together with their lawful successors and assigns referred to as the “Guarantors” and each of them as “Guarantor”), having noted that:

- I. by virtue of a prospectus dated 16 September 2016 issued by Gap Group p.l.c. (the “**Issuer**”) in connection with the issue of €40 million 4.25% Secured Bonds 2023 (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 Guarantors, issue up to €40,000,000 in Secured Bonds at an annual interest rate of 4.25% to be redeemed and finally repaid on 3 October 2023 subject to the terms and conditions of the Prospectus (the “**Secured Bonds**”), a copy of which is hereto attached;
- II. the Guarantors are the fully owned subsidiary companies of the Issuer;
- III. it is a condition precedent for the issuance of the Secured Bonds that, *inter alia*, each of the Guarantors 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
- IV. each of the Guarantors has agreed to the conclusion and execution of this Guarantee in favour of the Security Trustee;

NOW, THEREFORE, EACH OF THE GUARANTORS IS HEREBY COVENANTING IN FAVOUR OF THE AGENT 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;
- (c) “**writing**” or “**in writing**” shall mean any method of visual representation and shall include facsimile transmissions, telexes and other such electronic methods.

2. 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, each of the Guarantors, 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 itself and the 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.

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 each Guarantor to the Security Trustee under this Guarantee shall be up to and shall not be in excess of

€40,000,000 (forty million Euros)

apart from interests due up to the date of payment and costs and expenses relating to the protection, preservation, collection or enforcement of the Security Trustee's rights against the Issuer and/or each Guarantor which shall be additional to the maximum sum herein stated.

2.3 INDEMNITY

As a separate and independent stipulation, each 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 each 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 each Guarantor were the principal debtor in respect thereof and shall pay all sums due to the Security Trustee within 7 days of a demand in writing by the Security Trustee.

3. CONTINUING AND UNCONDITIONAL LIABILITY

The liability of each 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 each 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 EACH GUARANTOR'S RIGHTS AND EACH 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 a Guarantor shall have made any irrevocable payment of the Indebtedness.
- 4.2** Until the Indebtedness has been paid in full each 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;
 - (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 each 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 a 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 (6) 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;
 - (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 a 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. Each 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 Reserve Account or such other purposes contemplated in the Prospectus.

6. SETTLEMENTS CONDITIONAL

Any release, discharge or settlement between any 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 each 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 Each Guarantor shall not be entitled to assign or transfer any of its obligations under this same Guarantee.

9. REPRESENTATIONS AND WARRANTIES.

9.1 Each Guarantor represents and warrants:-

- (i) that it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business;
- (ii) that it has power to grant this Guarantee and that this Guarantee is duly authorised and all corporate action has been taken by the Guarantor in accordance with its deeds of constitution and the laws of its incorporation and regulation;
- (iii) that this Guarantee constitutes and contains valid and legally binding obligations of the Guarantor enforceable in accordance with its terms;
- (iv) that this Guarantee does not and will not constitute default with respect to or run counter to any law, by-law, articles of incorporation, statute, rule, regulation, judgement, decree or permit to which the Guarantor is or may be subject; or any agreement or other instrument to which the Guarantor is a party or is subject or by which it or any of its property is bound;
- (v) that this Guarantee shall not result in or cause the creation or imposition of or oblige a Guarantor to create any encumbrance on any of 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;
- (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, each 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 each Guarantor under this Guarantee as a debt, certain, liquidated and due on the seventh [7th] day following the Security Trustee's first written demand to any one Guarantor or all Guarantors to pay. All demands shall be sent to the address or facsimile or other numbers as are stated below in Article 12 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 each Guarantor under this Guarantee and is entirely without prejudice to the on demand nature of this Guarantee. Any disagreement by a Guarantor as to the contents of the statement shall not entitle any 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 each 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. Each 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:

Gap Mellieħa (I) Limited

Address: Gap Group Head Office, Ċensu Scerri Street, Tigné, Sliema SLM 3060, Malta
Tel. No.: 23271000
Fax No: 23271210
Contact Person: Paul Attard

Gap Properties Limited

Address: Gap Group Head Office, Ċensu Scerri Street, Tigné, Sliema SLM 3060, Malta
Tel. No.: 23271000
Fax No: 23271210
Contact Person: Paul Attard

GEOM Developments Limited

Address: Gap Group Head Office, Ċensu Scerri Street, Tigné, Sliema SLM 3060, Malta
Tel. No.: 23271000
Fax No: 23271210
Contact Person: George Muscat

Gap Gharghur Limited

Address: Gap Group Head Office, Ċensu Scerri Street, Tigné, Sliema SLM 3060, Malta
Tel. No.: 23271000
Fax No: 23271210
Contact Person: Paul Attard

Equinox International Limited

Address: Level 3, Valletta Buildings, South Street, Valletta VLT 1103, Malta
Tel. No.: 21238989
Fax No: 21224048
Contact Person: Louis de Gabriele

Provided that each party may at any time change such address or telefax number by giving seven (7) 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 7 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 (3), one arbitrator to be appointed by each of the Parties or, in default, by the Malta Arbitration Centre, whereas the third arbitrator shall be appointed by the first two arbitrators or, if they fail to agree on such an appointment, by the Malta Arbitration Centre. No appeal shall lie from any such award given.

Yours faithfully,

The original copy has been signed by

Name: George Muscat
duly authorised, for and on behalf of
Gap Mellieħa (I) Limited

Paul Attard

Yours faithfully,

The original copy has been signed by

Name: George Muscat
duly authorised, for and on behalf of
Gap Properties Limited

Paul Attard

Yours faithfully,

The original copy has been signed by

Name: George Muscat
duly authorised, for and on behalf of
GEOM Developments Limited

Yours faithfully,

The original copy has been signed by

Name: George Muscat
duly authorised, for and on behalf of
Gap Gharghur Limited

Paul Attard

WE ACCEPT.

The original copy has been signed by

Name: Louis de Gabriele
duly authorised, for and on behalf of
EQUINOX INTERNATIONAL LIMITED

Financial Analysis Summary

16 September 2016

Issuer Gap Group p.l.c. (C 75875)

Guarantors Gap Mellieħa (I) Limited (C 72013)
Gap Ġhargħur Limited (C 72015)
Gap Properties Limited (C 47928)
Geom Developments Limited (C 50805)

The Directors
Gap Group p.l.c.
Gap Group Head Office
Ċensu Scerri Street
Tigné, Sliema, SLM 3060
Malta

16 September 2016

Dear Sirs

Financial Analysis Summary

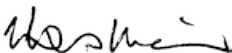
In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary (the “**Analysis**”) set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Gap Group p.l.c. (the “**Issuer**”), and Gap Mellieha (I) Limited, Gap Gharghur Limited, Gap Properties Limited and Geom Developments Limited (the “**Guarantors**”). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the three years ended 31 December 2013 to 31 December 2015 has been extracted from the audited financial statements of Gap Properties Limited, Manikata Holdings Limited and Geom Developments Limited.
- (b) The forecast data for the years ending 31 December 2016 to 31 December 2018 has been provided by management.
- (c) Our commentary on the results of the Gap Group and on its financial position is based on the explanations provided by management.
- (d) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (e) Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

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

Yours faithfully,



Wilfred Mallia
Director

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DEFINITIONS

Issuer	Gap Group p.l.c., a public limited liability company duly registered and validly existing under the laws of Malta with company registration number C 75875 and having its registered office at Gap Group Head Office, Ċensu Scerri Street, Sliema SLM 3060, Malta;
Bond Issue	the issue of Secured Bonds;
Bondholder	a holder of Secured Bonds;
Gap Group or Group	the Issuer, its parent, GDL, GHL, GGF, GGL, GGCL, GML, GPL and MHL;
GDL	Geom Developments Limited (C 50805);
GHL	Geom Holdings Limited (C 64409);
GGF	Gap Group Finance Limited (C 54352);
GGL	Gap Gharghur Limited (C 72015);
GGCL	Gap Group Contracting Limited (C 75879);
Gharghur Development	the construction, development and finishing over the site in Triq Caravaggio, Gharghur, Malta measuring approximately 2,585m ² , of a total 34 luxury apartments (6 of which at Penthouse level) and 41 garages/car spaces, spread over 4 blocks with a variety of one, two and three bedroom units;
GML	Gap Mellieħa (I) Limited (C 72013);
GPL	Gap Properties Limited (C 47928);
Guarantor	each of GDL, GGL, GML and GPL, and the term “ Guarantors ” shall collectively refer to the said companies;
Hypothecated Property	the immovable property described hereunder, namely: <ul style="list-style-type: none"> (i) the plot of land known as ta’ Masrija having a superficial area of approximately 5,220m², in Mellieħa, together with the improvements made and to be made thereon, over which there shall be developed the Mellieħa Development, which site is to be acquired by GML; (ii) the plot of land in Triq il-Porzjunkola, Qawra Malta having a superficial area of approximately 1,228m², together with any improvements to be made thereon and earmarked for the development of Blocks A, B, and C forming part of the Qawra Development, property of GDL; the site is more fully described in the deed of acquisition published by Notary John Spiteri and dated 26 March 2015; (iii) the 27 apartments in a completely finished state, including all common areas and internal streets and the 74 garages and garage spaces forming part of the development on the site in Żebbuġ having a superficial area of approximately 6,878m² constituting the Żebbuġ Development, property of GPL;
Mellieħa Development	the construction, development and finishing, over the site known as ta’ Masrija in Mellieħa measuring approximately 5,220m ² , of a total of 152 residential units and 174 garages/car spaces, spread over 10 blocks with a variety of one, two and three bedroom units;
MHL	Manikata Holdings Limited (C 53818);
New Developments	the construction and development of each of the Gharghur Development, the Qawra Development and the Mellieħa Development;

Projects	the construction and development of the New Developments and the sale of the remaining unsold units comprised in the Żebbuġ Development (each a “ Project ”);
Qawra Development	the construction, development and finishing over the site in Triq il-Porzjunkola, Qawra, Malta measuring approximately 3,508m ² of a total of 145 residential units and 180 garages/car spaces, spread over 7 blocks, identified as Blocks A to G (both included) with a variety of one, two and three bedroom units;
Secured Bond(s) or Bond(s)	the €40,000,000 4.25% Secured Bonds of a nominal value of €100 payable in full upon subscription and redeemable at the nominal value in 2023;
Trustee or Security Trustee	Equinox International Limited, a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 29674 and having its registered office at 9, Level 2, Valletta Buildings, South Street, Valletta VLT 1103, 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);
Żebbuġ Development	the 193 apartments, 2 retail outlets and 144 underlying garage spaces all in a completely finished state, including all common areas and internal streets, forming part of the development on the site in Żebbuġ measuring approximately 6,878m ² .

PART 1 – INFORMATION ABOUT THE GAP GROUP

1. KEY ACTIVITIES OF THE ISSUER

The Issuer was incorporated in June 2016 as a public limited liability company under the Companies Act with an authorised and issued share capital of €2.5 million, fully paid up.

The Issuer's principal object is that of a holding company and to promote, including through subsidiaries, the acquisition and development of real estate properties. As such, the Issuer is mainly dependent on the business prospects of its operating subsidiaries. At present, the Issuer, through the Guarantors and other subsidiaries, is involved in the construction and development of the New Developments, following the successful completion of the Żebbuġ Development. Each project undertaken by the Group is typically undertaken through a special purpose vehicle established for that project, and each special purpose vehicle is managed through its board of directors, which has common members with the directors of the Issuer. The Issuer is not dependent on other entities within the Group or outside the Group with respect to the management of the Projects.

On 6 September 2016, the Issuer acquired from Gap Group Investments p.l.c. (C 72012) the entire issued share capital of two companies, namely GML and GGL. GML is a party to a preliminary agreement for the purchase of the site known as ta' Masrija over which the Mellieħa Development is to take place. GGL acquired the site over which the Gharghur Development will be constructed by virtue of a deed published by Notary Dr Andre Farrugia on 4 February 2016. Following the acquisition of both these companies, and the completion of the deed of acquisition for the site over which the Mellieħa Development will be constructed, which is expected to take place following the Bond Issue, the Issuer will have the indirect legal and beneficial interest and control over the Mellieħa and the Gharghur Developments.

In addition, by virtue of another share purchase agreement dated 6 September 2016, entered into with Gap Group Investments (III) Limited (C 76675), the Issuer acquired the entire issued share capital of GDL and all the issued ordinary 'A' shares of GHL. GDL holds a one hundred per cent interest in GGF which in turn has the controlling interest in each of GPL and MHL. GPL is the group company that owns the Żebbuġ Development, which has now been completed, but that still retains unsold stock of 27 residential units and 74 garage spaces.

By virtue of these acquisitions the Issuer has indirectly acquired all of the sites over which the New Developments will take place, save for the site over which the Mellieħa Development will be constructed that is the subject matter of a preliminary agreement, which is expected to lead to the final deed of sale and purchase following completion of the Bond Issue (part of the Bond proceeds shall be allocated to the acquisition cost of the site in Mellieħa).

In March 2012, GGF had issued €15,500,000 7% Secured Notes of a nominal value of €1,000 each, redeemable at par between 2014 and 2016 to finance two residential projects. Both of the projects have been completed, one of which is the Żebbuġ Development and another project consisting of a number of luxury villas in Manikata. The Notes then issued were fully redeemed on their redemption date 30 March 2016.

2. DIRECTORS AND SENIOR MANAGEMENT

2.1 DIRECTORS OF THE ISSUER

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

George Muscat	Chairman
Paul Attard	Executive Director
Adrian Muscat	Executive Director
Francis X. Gouder	Independent Non-Executive Director
Mark Castillo	Independent Non-Executive Director
Chris Cilia	Independent Non-Executive Director

2.2 DIRECTORS OF THE GUARANTORS

The following are the directors of each of GML, GPL and GGL:

George Muscat	Executive Director
Paul Attard	Executive Director
Adrian Muscat	Executive Director

The following are the directors of GDL:

George Muscat	Executive Director
Francis X. Gouder	Non-Executive Director

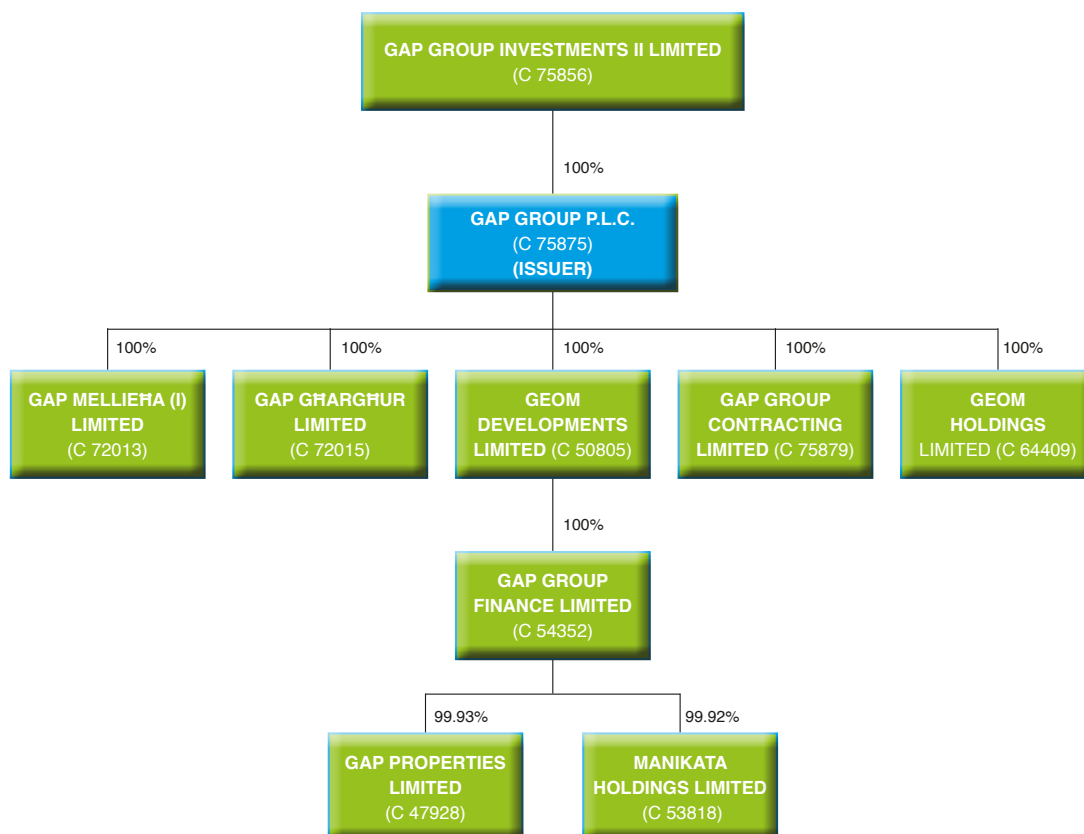
2.3 SENIOR MANAGEMENT

The Issuer itself has no employees and is managed directly by its board of directors. Each project company employs a number of management personnel and other employees devoted to managing each Project. The Group adopts a centralised management structure whereby it can deploy senior management personnel to perform duties in different parts of the Group depending on the requirements of each Group company; those services are then re-charged to the Group company where they are from time to time deployed.

Senior management of the Group is engaged by GGCL, the members of which are the following:

George Muscat	Chairman
Paul Attard	Director of Sales and Marketing
Chris Gauci	Sales and Marketing Manager
Elton Deguara	Sales and Marketing Manager
Adrian Muscat	Director of Sites
Raymond Gixti	Project Manager
Emanuel Cortis	Sites Manager
Joseph J. Formosa	Finance Manager

3. ORGANISATIONAL STRUCTURE



The organisational structure of the Gap Group is depicted above. The Group is owned by three individual shareholders, with Paul Attard and Adrian Muscat each having a 25% equity interest in the Group and George Muscat having the remaining 50% equity interest through Gap Group Investments II Limited (C 75856). Each of GML, GGL, GDL, and GHL are project companies each entrusted with the construction and development of one of the New Developments, whilst GPL is the owner of the Żebbuġ Development.

Each of GML, GGL and GDL is dependent on the Issuer as to the amount of Bond Issue net proceeds that will be on-lent by the Issuer to each of the afore-mentioned companies in terms of the Securities Note. Each of the Guarantors is not dependent on other entities within the Group. A short description of each of the Guarantors is provided hereunder.

3.1 THE GUARANTORS

3.1.1 *Mellieħa (I) Limited*

GML is a private limited liability company, registered and operating in Malta in terms of the Act with company registration number C 72013, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GML has an authorised share capital of €1,200 (one thousand two hundred Euro) and an issued share capital of €1,200 (one thousand two hundred Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GML was set up on 26 August 2015 to acquire the site and develop the Mellieħa Development.

3.1.2 Gap Gharghur Limited

GGL is a private limited liability company, registered and operating in Malta in terms of the Act with company registration number C 72015, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GGL has an authorised share capital of €3,458 (three thousand four hundred fifty eight Euro) and an issued share capital of €3,458 (three thousand four hundred fifty eight Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GGL was set up on 26 August 2015 to acquire the site and develop the Gharghur Development.

3.1.3 Gap Properties Limited

GPL is a private limited liability company, registered in Malta in terms of the Act with company registration number C 47928, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GPL has an authorised share capital of €2,800 (two thousand eight hundred Euro) and an issued share capital of €2,800 (two thousand eight hundred Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GPL was established to act as a property development company on 14 October 2009, initially for the Żebbuġ project.

3.1.4 Geom Developments Limited

GDL is a private limited liability company, registered in Malta in terms of the Act with company registration number C 50805, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GDL has an authorised share capital of €2,000 (two thousand Euro) and an issued share capital of €2,000 (two thousand Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GDL was established on 7 October 2010, and owns an undivided portion of the site situated in Triq il-Portzjunkola corner with Triq it-Tamar in Qawra, over which Blocks A, B and C of the Qawra Development are being developed. The other undivided portion of land is owned by its affiliate Geom Holdings Limited.

4. THE PROJECTS

4.1 THE ŻEBBUĠ DEVELOPMENT - HISTORY AND OVERVIEW

GPL embarked on the Żebbuġ Development in June 2012 when it acquired the land situated at 'Ta' Robba' in the district of 'Hal-Mula' in Żebbuġ, which area is located just off the village centre.

4.1.1 Development

As at the date of this report, the project is complete in terms of the overall development. The project originally consisted of the acquisition of the afore-mentioned site in Żebbuġ measuring approximately 6,878m² and the subsequent construction and development of 193 apartments, 2 retail outlets, and 226 garages/car spaces. The units occupy a total built up saleable area of *circa* 32,700m² spread over 20 blocks within five zones forming the project which vary in size and include a variety of one, two, and three bedroom units.

Units within the development have been sold and the remaining stock of apartments will be delivered in a completely finished state, including all common areas and internal streets.

4.1.2 Project Cost

The total cost of the Żebbuġ Development amounted to *circa* €10.5 million all of which has been incurred. No further costs are to be incurred in connection with this development. The cost of the Żebbuġ Development was financed principally through the €15,500,000 7% Secured Notes 2014-16 issued by GGF. The said secured notes were fully redeemed on the scheduled redemption date, that is, 30 March 2016.

4.1.3 Pricing and Sales Approach

Sales of units to date have indicated a strong demand for the development, in particular, from first-time buyers wishing to live in this part of the island. When compared to similar projects in the direct vicinity, the pricing of the units is considered to be verging on the medium to high side. Nonetheless, the velocity of the sales to date has been a positive one. This is mainly attributed by the Directors to the layouts and finishes of the units. Marketing strategies have also proven well received with campaigns being undertaken through various forms of media including social media.

As at 31 August 2016 there were 27 apartments and 74 garages/car spaces which remain to be sold.

These apartments can be divided into the following configurations:

Zebbug Development	No. of Units	%
1-bedroom unit	1	3.70
2-bedroom unit	12	44.45
3-bedroom unit	13	48.15
Commercial unit	1	3.70
	27	100.00

4.2 THE QAWRA DEVELOPMENT - HISTORY AND OVERVIEW

The Qawra Development is a joint venture between GDL and GHL, both subsidiaries of the Issuer. The Project is being constructed over a site consisting of two divided portions of land, one measuring approximately 2,280m² (inclusive of the road formation) belonging to GHL and another portion of land measuring approximately 1,228m² belonging to GDL, and both situated in Triq il-Portzjunkola corner with Triq it-Tamar which is situated just off the Qawra seafront. Both portions of land were purchased by GDL and GHL by two separate contracts dated 26 March 2015 published by Notary Dr John Spiteri.

As at 31 July 2016, *circa* 60% of Blocks A, B and C and 45% of Blocks D, E, F and G have been completed in terms of development. It is envisaged that full completion will be achieved by quarter 4, 2017.

Despite the fact that works on the said Project are still in the phase of construction, the companies have already secured, by way of preliminary agreement, the sale of approximately 83% of the total number of apartments and 37% of the garages. It is planned that the first contracts of sale will be signed in the last quarter of 2017.

4.2.1 Development

The Project consists of the construction and development over the afore-mentioned site in Qawra measuring approximately 3,508m² of a total of 145 residential units and 180 garages/car spaces.

The units will occupy a total built up saleable area of *circa* 24,879m² spread over seven blocks with a variety of one, two, and three bedroom units. Three of the said blocks are being constructed over the property owned by GDL, whilst the remaining four blocks are being constructed over the property owned by GHL. The blocks identified as A, B and C (property of GDL and forming part of the Hypothecated Property) will consist of 62 residential units and 58 underlying garage spaces, whilst Blocks D, E, F and G (property of GHL) will consist of 83 residential units and 122 underlying garage spaces.

The development will be delivered in a completely finished state, including all common areas and internal streets.

4.2.2 **Estimated Costs of the Project**

Excavation works relating to the Qawra Development have been completed in full whilst construction is underway. It is envisaged that construction will be completed by beginning of quarter 2, 2017. In the third quarter of 2017, the finishes will commence and should be completed by the fourth quarter of 2017, bringing the total completion of the Project within *circa* 28 months from initiation.

QAWRA DEVELOPMENT – BLOCKS A, B AND C

The estimated cost to develop Blocks A, B and C is *circa* €2.9 million as follows:

Qawra Development	
Estimated Costs of the Project	€'000
Blocks A, B and C (owned by GDL):	
Excavation	40
Construction	856
Finishes	1,649
Contingency	82
	<u>2,927</u>

GDL has entered into a contract for the development of Blocks A, B and C with GGCL for a value of approximately €2.9 million. Payment under the said contract will be settled by GDL according to agreed fixed monthly payments of *circa* €60,000. In general, such payment terms are subject to negotiation and agreement by GDL and GGCL. The afore-mentioned parties entered into a public deed in the records of Notary Dr Andre Farrugia and dated 5 August 2016 which makes provision for the contractual waiver by GGCL of its right at law to register a special privilege for any amount over Blocks A, B and C in the event of non-payment by GDL until such time that the hypothecs and privileges granted in favour of the Security Trustee have been settled and repaid in full. The public deed is intended to protect the security interests of the Security Trustee for the benefit of Bondholders and to preserve their ranking over the assets of the Issuer and the Guarantor.

QAWRA DEVELOPMENT – BLOCKS D, E, F AND G

The cost to develop Blocks D, E, F and G is estimated at *circa* €5.2 million as follows:

Qawra Development	
Estimated Costs of the Project	€'000
Blocks D, E, F and G (owned by GHL):	
Excavation	454
Construction	2,220
Finishes	2,433
Contingency	122
	<u>5,229</u>

The above financial information has been provided for completeness purposes, since GHL forms part of the Gap Group. GHL will be funding the afore-mentioned development costs of *circa* €5.2 million from proceeds to be derived from sales of units in Blocks D, E, F and G forming part of the Qawra Development and from other funding sources. As such, GHL will not be a recipient of any of the Bond Issue proceeds. Furthermore, GHL is not a joint and several guarantor for the Bond under the Guarantee and will not be providing any rights of preference over Blocks D, E, F and G forming part of the Qawra Development in favour of the Trustee for the benefit of Bondholders.

4.2.3 Pricing and Sales Approach

The apartments to form part of the Qawra Development have been targeted principally towards first-time buyers, rental investors, and foreigners wishing to relocate to Malta. This approach has achieved significant results as, notwithstanding that the said Project is in the phase of construction, 83% of the apartments are already committed through preliminary agreements. As at 31 August 2016, 48 out of 62 residential units in Blocks A, B and C and 72 out of 83 residential units in Blocks D, E, F and G are subject to preliminary sale agreements.

Revenue that the Group is expected to generate from sales of units in the Qawra Development is *circa* €16.7 million, being €7.3 million from the sales of units in the blocks owned by GDL and €9.4 million from the sales of units in the blocks owned by GHL.

4.3 THE MELLIEHA DEVELOPMENT - HISTORY AND OVERVIEW

In October 2015, GML entered into a preliminary agreement for the purchase and acquisition of a plot of land measuring *circa* 5,220m² with access from the three streets surrounding the property situated in the Ta' Masrija area in Mellieha over which the Mellieha Development shall be constructed and developed.

The site is located in the village of Mellieha in the northern region of Malta. It enjoys unobstructed country views of the imposing area known as Miżieb and distant sea views of the island's north western coastline. Moreover, the site is a short drive away from Malta's largest sandy beaches, Ghadira Bay and Golden Bay and a short walk to the village centre of Mellieha.

Given the location of the site and the proposed level of finishes which the Mellieha Development will embrace, the Directors believe that the Project will offer a unique opportunity for owning residential property in this part of the island.

4.3.1 Development

The Mellieha Development is planned to comprise 152 luxury apartments which will be sold finished in a complete state, including all common areas and the formation of the road. The development is covered by a full development permit and is projected to encompass 10 blocks of apartments, each with separate entrances and served with passenger lifts accessing both the apartments and underlying garage levels. The apartments at the top level will also have access to roof level and will enjoy full ownership thereof.

The progress of the apartments will be spread over 5 phases with each phase comprising 2 blocks of apartments. Out of the 10 blocks, 7 will contain 16 apartments each, 2 will contain 14 apartments each and 1 block will include 12 apartments. The apartments shall be spread over 8 levels in each block. The development shall also include 174 lock-up underground garages spread over 3 underground levels. Both apartments and garages combined shall occupy a total built up saleable area of *circa* 44,325m².

The development of the Project is planned to span over 32 months from commencement of works. It is envisaged that full demolition and excavation works will commence around September 2016 and will take 2 months from commencement date to complete, whilst the Project will be fully constructed within 26 months from commencement date. Upon the 9th month of construction, the finishes will get underway and last for about 22 months, scheduling the full completion of the Project to *circa* 32 months after initiation.

4.3.2 **Estimated Costs of the Project**

The Mellieħa Development is estimated to cost *circa* €16.3 million as follows:

Mellieħa Development	
Estimated Costs of the Project	€'000
Excavation	289
Construction	5,529
Finishes	9,728
Contingency	777
Total	<u>16,323</u>

GML has entered into a contract for the development of the Mellieħa Development with GGCL for a value of approximately €16.3 million. Payment under the said contract will be settled by the company according to agreed fixed monthly payments of *circa* €272,000. In general, such payment terms are subject to negotiation and agreement by GML and GGCL. The afore-mentioned parties entered into a public deed in the records of Notary Dr Andre Farrugia and dated 5 August 2016 which makes provision for the contractual waiver by GGCL of its right at law to register a special privilege for any amount over the Mellieħa Development in the event of non-payment by the Guarantor until such time that the hypothecs and privileges granted in favour of the Security Trustee have been settled and repaid in full. The public deed is intended to protect the security interests of the Trustee for the benefit of Bondholders and to preserve their ranking over the assets of the Issuer and the Guarantor.

4.3.3 **Pricing and Sales Approach**

Taking into account the characteristics of the development and its location, the Directors are of the view that these units should be an attractive proposition, in particular to Maltese residents wishing to upgrade to a higher end property, those wishing to downsize from a bigger residence or those wishing to reside in a tranquil area, steps away from the countryside and closer to recreational areas, but still away from the urban sprawl characterising other parts of the island. Moreover, these apartments may also be appealing to foreigners seeking to relocate to Malta and investors wishing to maximise rental income potential.

The majority of the apartments will have areas varying between 180m² and 240m² with approximate prices ranging between €300,000 and €450,000. The larger, top most apartments (which are much fewer in number) range from 250m² and 400m² with prices exceeding €500,000.

Once construction work commences, the company intends to immediately proceed with the marketing of the Project through a number of agents in Malta as well as through the Group's internet website and various forms of social media.

The Directors feel that the Project will be a competitive proposition when considering the available properties which are on the market in Mellieħa, the location of the Mellieħa Development, the size and layout of the apartments together the finishes being proposed.

4.4 **THE GHARGHUR DEVELOPMENT - HISTORY AND OVERVIEW**

In February 2016, GDL acquired the legal title of a portion of land in Gharghur, which includes its sub-terrain and airspace and measures *circa* 2,585m², accessible from an entrance bearing the official number 39 (previously numbered 20) in Triq il-Kbira and from another entrance in Triq Caravaggio.

The site is located in the small village of Gharghur in the north eastern region of Malta. Over the years, the locality has gained its popularity with regards to the property market due to the small size, exclusivity and tranquility of the village, together with its accessible location. The site is situated in a residential area, close to the village centre and just a short walk to one of the island's most picturesque valleys, Wied id-Dies/Wied Santa Marija taż-Żellieqa, which connects Gharghur with Madliena.

4.4.1 **Development**

The Gharghur Development is covered by a full development permit and includes the development of 28 residential units and 6 penthouses, 38 (1-car) lock-up garages and 3 (2-car) lock-up garages. The total area of the development will add up to *circa* 10,680m² (built up area) with a further 330m² of internal street area. The apartments shall be spread over 5 levels, whilst garages shall be over 1 underground level.

The apartments will be sold finished in a complete state, including all common areas and the formation of the internal street. The development will be spread over 4 blocks of apartments, each with separate entrances and served with passenger lifts accessing both the apartments and underlying garage levels.

The development of the Project is planned to span over 25 months from commencement of works. It is envisaged that demolition and excavation works will commence in or around September 2016 and will take 2 months from commencement date to complete, whilst the Project is expected to be fully constructed within 19 months from commencement date. Upon the 7th month of construction, the finishes will get underway and last for *circa* 17 months, bringing the full completion of the Project to approximately 25 months after initiation.

4.4.2 **Estimated Costs of the Project**

The estimated total cost of completion is *circa* €3.7 million which is divided as follows:

Gharghur Development	
Estimated Costs of the Project	€'000
Excavation	360
Construction	1,550
Finishes	1,568
Contingency	174
Total	3,652

GGL has already entered into a contract for the development of the Gharghur Development with GGCL for a value of approximately €3.7 million. Payment under the said contract will be settled by GGL according to agreed fixed monthly payments of *circa* €60,000. In general, such payment terms are subject to negotiation and agreement by GGL and GGCL.

GGL is a joint and several guarantor for the Bond under the Guarantee, but will not be supporting its guarantee with any rights of preference over the Gharghur Development.

4.4.3 **Pricing and Sales Approach**

The Directors believe that given the location of the site, the apartment layouts and the proposed level of finishes which the development will comprise, the Project will be a competitive offering for prospective buyers to acquire a property in this locality. The strategy being adopted for the marketing of these apartments is similar to the one for the Mellieha Development - a development that is aimed at appealing to Maltese residents wishing to upgrade to a more exquisite home, or others wishing to downsize from a bigger residence and wishing to reside in a tranquil, more central and coveted village location. Moreover, these apartments may also be suitable for people seeking to invest in property for rental purposes and foreigners wishing to relocate to Malta and enjoy tranquility of Maltese village life.

The majority of the apartments will have areas varying between 195m² and 250m² with approximate prices ranging between €240,000 and €300,000. The larger (which are much fewer in number) will range from 250m² and 400m² with prices ranging between €350,000 and €450,000.

Once construction works start, the company intends to immediately proceed with the marketing of the Project through a number of agents in Malta as well as through the Issuer's internet website and various forms of social media. It is also notable to mention the fact that this will be the second development by the Directors in the village of Gharghur, the first one being a success where targets were met with ease.

4.5 CASH INFLOWS ON PROPERTY SALES

The following table illustrates the projected cash inflows from deposits and contracts relating to sales of units, net of applicable commissions.

GAP Group p.l.c.	2016	2017	2018	2019-2023	Total
Pre-tax Cash Flow on Property Sales	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
Qawra & Gharghur (previous development)	610	226	76	-	912
Żebbuġ	5,974	3,820	465	340	10,599
Qawra	548	2,660	12,141	449	15,798
Gharghur	-	225	4,780	5,290	10,295
Mellieħa	244	809	8,528	44,573	54,154
Total cash inflows from deposits and contracts	7,376	7,740	25,990	50,652	91,758

As presented in the above table, cash inflows over the 8-year term ending 2023 is projected at €91.8 million and is expected to be derived principally from sales proceeds of four real estate developments. It is forecasted that the Mellieħa Development will generate the largest portion of total projected cash inflows, estimated at *circa* 59%. Given that each Project has a different timeline in terms of development and sales tempo, the Gap Group is expected to generate continual cash inflows on a yearly basis, which will enable the Group to service its borrowings and part of development costs from said cash balances.

4.6 PROJECT FUNDING

The Issuer intends to fund each of the New Developments, except for Blocks D, E, F and G that form part of the Qawra Development, through a mix of Bond proceeds and cash flows generated from the sales of units from the Projects. The development of the afore-mentioned Blocks D, E, F and G will be funded from cash flows generated from the sales of units in the respective blocks and other sources of funds. It is expected that in the initial months, such cash flow will be derived from sales of the completed Żebbuġ Development. As the New Developments progress to a position where the Group can commence marketing each New Development, it is expected that preliminary agreements will start being executed with deposits from these preliminary agreements being retained by the Group to further fund construction and other completion costs of each New Development.

The funding of the New Developments is therefore partly dependent on the proceeds from the gradual sale of units in each New Development. In the event that projected sales of units are not attained or are delayed, the Group may well not have sufficient funds to complete all the New Developments, to complete the New Developments within the time-frames envisaged in this document, or to pay GGCL for works performed.

As depicted in the table hereunder, the sum of €13.4 million from the total projected cost of the New Developments of *circa* €31.8 million will be financed out of the Bond proceeds, whilst the balance of approximately €18.4 million is to be funded from the proceeds of sales of each of the Projects.

The remaining amount of projected net sales proceeds from the Projects, estimated at €73.4 million (€91.8 million less €18.4 million), shall be utilised principally to settle tax of property sales, cover the annual interest payments on the Bond, pay administrative & other expenses of the Group and fund a reserve account to be held by the Security Trustee for the purpose of redeeming the Bond of €40 million on maturity (the "Reserve Account").

GAP Group p.l.c.
Project Funding (€'000)

Use of net proceeds from Bond Issue

Repayment of bank borrowings	3,000
Acquisition of Group companies	13,100
Net balance of consideration payable for the Mellieha land	9,895
Part funding of New Developments (excluding Qawra Development - Blocks D, E, F and G)	13,405
	39,400

Estimated development cost payments (by Project)

Zebbug	3,705
Qawra	8,157
Gharghur	3,652
Mellieha	16,323
	31,837

Source of funding

Maximum funding through Bond Issue proceeds	13,405
Minimum funding required through property sales	18,432
	31,837

4.7 RESERVE ACCOUNT

All sales of units forming part of the Hypothecated Property shall be made on condition that units are released of all hypothecary rights and privileges encumbering the units being sold. For this purpose, the Security Trustee shall be empowered to release individual units of the Hypothecated Property from the security interest encumbering such unit/s upon receipt by it from the Issuer or from a prospective purchaser of a fixed amount of the purchase price attributed to each unit forming part of the Hypothecated Property.

For this purpose, the Security Trustee and the Issuer have agreed that a fixed amount shall be set for each unit, and it is only upon receipt by the Security Trustee of such an amount that the Security Trustee shall be bound to release a particular unit from the effects of any security interests encumbering the Hypothecated Property. Accordingly, the security created for the interest of Bondholders shall only be reduced against a cash payment made by the Issuer in the Reserve Account to be held by the Trustee for the benefit of Bondholders. The Security Trustee shall hold the funds received in a segregated bank account with a credit institution in Malta and shall hold such funds for the benefit of Bondholders with a view to meeting the redemption of the Bonds on maturity.

Any shortfall in the amount receivable by the Security Trustee pursuant to the foregoing shall be required to be made up, in whole or in part, out of the available sale proceeds from any subsequent sale or sales until such shortfall shall have been made up in its entirety.

In accordance with the Trust Deed, the Security Trustee is authorised to release to the Issuer any funds held in and to the credit of the Reserve Account which are in excess of the aggregate value of Bonds outstanding, provided that there remain sufficient units, covered by the security interests, to be sold to cover the interest still to become payable on the Bonds until the redemption date.

The Trustee shall hold such monies standing to the credit of the Reserve Account to ensure their preservation and the Security Trustee may from time to time, but shall not be obliged to, through the engagement of a licensed investment advisor, invest such monies in such a manner and in such instruments as are herein provided, namely:

- (i) investment or re-investment in any EU Government debt securities or other debt securities issued or guaranteed by an OECD sovereign state and without any currency exchange risk, in either case for a term not exceeding the redemption date of the Bonds; or
- (ii) Re-purchase of the Bonds for cancellation; or
- (iii) not more than 20 per cent of any amounts held in the Reserve Account may be invested in debt securities listed on the Malta Stock Exchange or in other rated (not less than AA or its equivalent) debt securities denominated in Euro and traded on a regulated market in the European Union.

All amounts received by the Trustee from the sales proceeds of units in any one of the Projects shall be credited to the Reserve Account and shall, subject to the immediately preceding paragraph, be retained for the purpose of redeeming the Bonds on maturity. The Group intends to utilise all sales proceeds arising from the Għarghur Development to meet development and construction costs of the New Developments and as such, none of those proceeds are earmarked to be allocated to the Reserve Account. In the absence of unforeseen circumstances and subject to there being no material adverse changes in circumstances, the Directors are of the view that the percentages available for cash flows that will be credited to the Reserve Account will be sufficient to cover the redemption of the Bonds on maturity.

4.8 THE RESERVE ACCOUNT - PROJECTIONS

On the basis of the current projections of sales and the projected sales prices for units and garage spaces prepared by the Issuer and taking into account the requirements of cash for the completion of the New Developments, it is expected that, save for unforeseen circumstances, the Security Trustee shall receive funds in the Reserve Account from GPL, GDL and GML as follows:

The Reserve Account	€'000
Allocation to Security Trustee during life-time of the Bond (by Project):	
Żebbuġ Development	860
Qawra Development	5,441
Mellieħa Development	40,616
Total	46,917

During the initial term of the Bond, a significant part of the cash flows generated will be applied for the financing of development costs, taxes, and finance costs whilst the allocation to the Reserve Account will start at a low level from the Żebbuġ Development and increases significantly from the sales proceeds of the Mellieħa Development. Significant reliance is made on sales proceeds emanating from the Mellieħa Development that is expected to contribute approximately 86% of the contributions to the Reserve Account principally between 2018 and 2020.

It is the intention of the Issuer and Trustee to apply part of the funds standing to the credit of the Reserve Account to re-purchase Bonds in the market, thus reducing the total value of Bonds outstanding prior to its maturity. The funds standing to the credit of the Reserve Account which are not utilised to re-purchase Bonds in the market shall be invested in line with the investment parameters set out in the Trust Deed and which are summarised above. Interest or other income from such investments will accrue to the credit of the Reserve Account.

Taking into account all of these factors including interest and other income receivable in the Reserve Account, without the re-purchase of Bonds in the market, the amount transferred to the Reserve Account over the life-time of the Bonds will be in the region of €47 million, which should cover the redemption of the principal of the Bonds in 2023. The Security Trustee shall be under no obligation to receive in the Reserve Account an amount in excess of the principal amount outstanding on the Secured Bonds from time to time.

5. OVERVIEW OF THE CONSTRUCTION & PROPERTY MARKET IN MALTA

The recovery that began in the construction sector in 2013 extended into 2015. This was reflected in increases in the number of permits issued for the construction of residential dwellings, as well as in the value added and investment generated by the sector. This expansion in activity, in turn, has positive effects on employment income.

The improved performance in the construction sector in 2015 was supported by measures aimed at streamlining the issue of permits. The low interest rate environment, the extension of fiscal incentives for first-time buyers, the Individual Investor Programme (IIP) which fuelled demand for top-end properties, and an inflow of foreign workers have also spurred demand for dwellings.

Over €2 billion worth of property was registered in 15,557 contracts of sale concluded in 2015, a 35% increase over 2013 figures when 12,272 contracts, worth €1.3 billion, were concluded. A total 73,402 promises of sales have been registered since 2008 with an indicated value of close to €11 billion. The lowest number of promises of sale was 7,841 in 2011 with €1.074 billion worth of property.

Almost 1,000 properties, worth €400 million, were sold to foreigners (having obtained an Acquisition of Immovable Property Permit (AIP)) over the last four years (2012 – 2015). In 2015, foreigners acquired 280 properties for an aggregate value of €189.5 million (2014: 208 properties, €70.7 million).

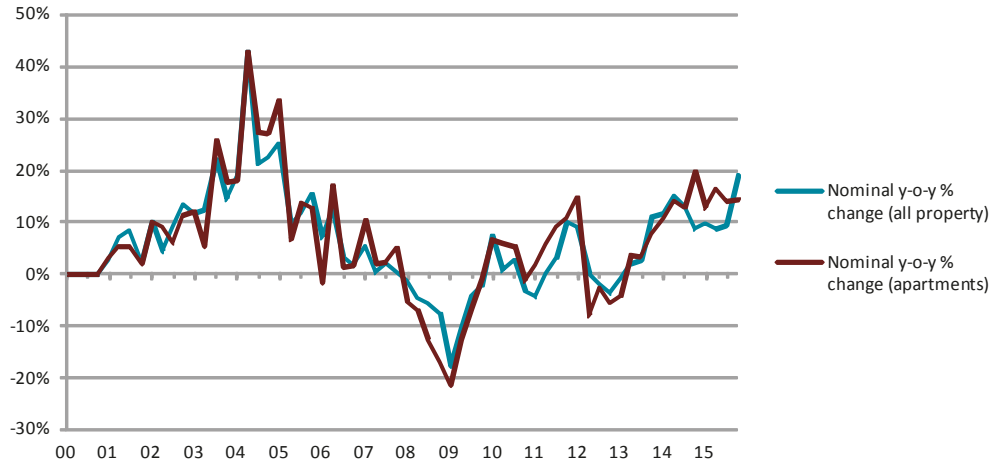
Properties sold to Foreigners	2012	2013	2014	2015	Total
Southern harbour					
Number of units	11	20	21	29	81
Value (€)	3,020,121	3,224,753	5,737,720	24,534,356	36,516,950
Average price (€)	274,556	161,238	273,335	846,012	450,927
Northern harbour					
Number of units	112	111	111	148	482
Value (€)	36,260,476	25,972,957	40,628,063	72,529,586	175,391,082
Average price (€)	323,754	233,991	366,019	490,065	363,882
Northern					
Number of units	61	36	36	42	175
Value (€)	31,253,259	13,699,353	7,139,338	81,913,504	134,005,454
Average price (€)	512,349	380,538	198,315	1,950,322	765,745
Other					
Number of units	62	40	40	61	203
Value (€)	16,510,623	9,970,050	17,214,324	10,489,188	54,184,185
Average price (€)	266,300	249,251	430,358	171,954	266,917

Source: Parliamentary question 23925

It is to be noted that the above data excludes any foreigners in Malta who have bought immovable property without the need of an "AIP", which would include those properties sold in Special Designated Areas.

The aforementioned factors also supported the pick-up in house prices (see Chart I below). Residential property prices continued to rise during the fourth quarter of 2015. The Central Bank of Malta's advertised property price index shows that house prices rose at an annual rate of 10.0% in the last quarter of 2015, following a 5.0% increase in the previous quarter. Prices of apartments – the major component – continued to grow strongly in Q4 2015, though at a similar pace as in the previous quarter. Although they indicate trends, advertised property prices may not accurately reflect the prices at which sales actually take place.

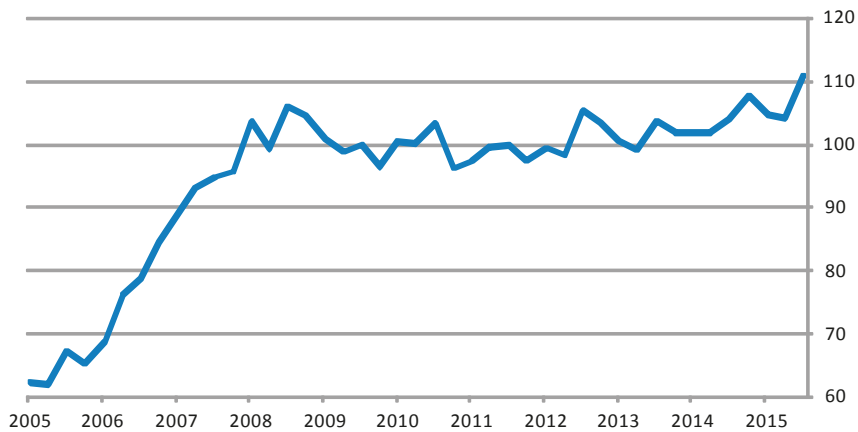
CHART I: CHANGE IN PROPERTY PRICES



Source: Central Bank of Malta

Eurostat's House Price Index for Malta – which is based on transactions covering terraced houses, apartments and maisonettes – also indicates that residential property prices increased. The latest data available refers to Q3 2015 and shows that said prices increased by 6.7% compared with the same quarter of 2014 (vide Charts II below).

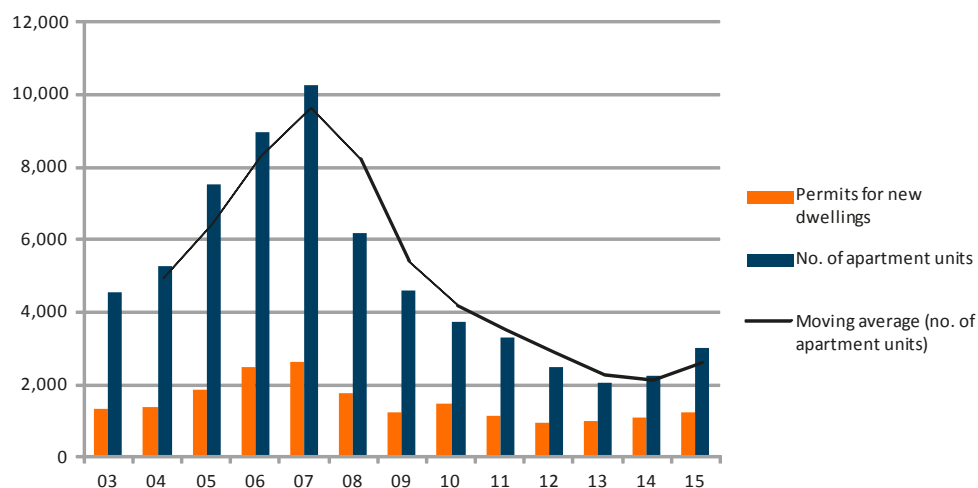
CHART II: MALTA HOUSE PRICE INDEX



Source: Eurostat

With regard to the number of permits, the Malta Environment and Planning Authority issued 3,947 permits during 2015, over one-third more than in 2014. This followed growth of 8.6% in 2014, marking two consecutive years of growth following a period of decline. The increase in permits issued in 2015 was mostly driven by the largest residential category, namely apartments, which accounted for just over three-fourths of total permits granted.

CHART III: DEVELOPMENT PERMITS FOR DWELLINGS



Source: Malta Environment & Planning Authority

The gross value added of the construction industry rose significantly, going up by 9.0% in nominal terms during 2015 (from €296 million to €322 million), following an increase of just 0.9% in 2014. This reflected robust growth in the output of the construction sector.

As a consequence, the expansion in output in the sector was mirrored in employment data. In the first nine months of 2015, total employment in the construction sector rose compared with the corresponding period average in 2014. As a result, the industry's share in the total gainfully occupied population rose to 6.1% from 5.7% in 2014. Employee compensation in the construction sector rose by 2.5% in 2015, when compared with growth of 1.1% in 2014. Notwithstanding this, the construction sector recorded improved profitability.

Construction Activity Indicators ¹	2013	2014	2015
Grossvalue added (€'million)	293	296	322
Share of gross value added in GDP (%)	3.8	3.7	3.7
Total employment ²	11,488	9,263	10,376
of which private employment	8,807	8,962	9,250
Share of total gainfully occupied population (%)	7.3	5.7	6.1

¹ Employment data are averages for the first nine months of the year, and are sourced from administrative records.

² The decline in total employment in the construction sector in 2014 reflects the reclassification of employees within the public sector following changes in ministerial responsibilities.

Source: NSO

A barometer carried out by PricewaterhouseCoopers (PwC Malta Middle Market Barometer – Real Estate Market, October 2015), real estate agents in Malta and Gozo generally reported an increase in sale and rental prices in 2015 when compared to prior years. Arguably, the Individual Investor Programme launched in 2014 has, to a noticeable extent, prompted further activity in the market and fuelled both sale and rental prices of property to the minimum thresholds, for the acquisition or rental of property in Malta by foreigners, as established by the same regulations.

The Sliema and St Julians area are the most sought for by prospective buyers and tenants. The barometer indicated that over 60% of the participating real estate agents consider these areas to be the most in demand, and have registered the highest increase in prices. Areas in central Malta and in the north of the island rank second and third respectively. Real estate agents anticipate that in the near months, property in Valletta will experience an increase in demand.

6. TREND INFORMATION & BUSINESS STRATEGY

The real estate market in Malta remains a particularly competitive one, in the context of existing and projected developments, particularly in the Sliema and St Julians area. The New Developments envisaged by the Group are intended to cater for a market which is not directly in competition, in terms of location, with the market for real estate in the Sliema and St Julians area. The strategy is to address the demand for a niche market of luxury apartments in other locations principally the north part of the island with views of both rural landscapes and seascapes. The target buyers, in the case of the Mellieha and Gharghur Developments are the medium to high end customers, both locals and foreigners, who are more interested in residential units away from the urban sprawl of the Sliema – St Julians area. As far as the Issuer is aware, there are currently no comparable projects Mellieha and Gharghur. The Directors believe that the New Developments should not face immediate direct competition from new residential developments in that area. The Group may however face new competition from developers who may enter this property market segment in the coming years.

The property market in Malta has been recovering from what can be termed a subdued last few years. The Directors believe that there is renewed and active demand for real estate in Malta, particularly in two segments namely first-time buyers and high-end residential property. The Directors have devised a pricing strategy that should allow them to successfully target these market segments with the diverse offerings through the Żebbuġ Development and the Qawra Development for the first segment and the Mellieha Development and the Gharghur Development for the latter market segment. The Directors are satisfied of having attained their target of sale of units on the Żebbuġ Development, which were placed on the market to date, and are confident that demand for the New Developments will be in line with expectations. As at the date of this report, sales results for apartments that have been placed on the market in the New Developments have exceeded internal targets.

Management has acquired considerable knowledge from similar projects, not only from the construction and development perspective, but also from a prospective buyer's point of view. The Group's offerings are based on this experience, and the units will therefore be finished to a high quality standard and will also incorporate new features.

PART 2 – GAP GROUP PERFORMANCE REVIEW

The Issuer was established in June 2016 and is the holding company of the Gap Group. Having no trading or operational activities of its own, the operating and financial performance of the Issuer is directly related to the financial and operating performance of the other Gap Group companies.

The companies that form part of the Gap Group as at the date of this report and which generated revenue during the financial years ended 31 December 2013 to 2015 include GPL, MHL and GDL. As such, the financial information reproduced hereunder relates to each of GPL, MHL and GDL, which has been extracted from the audited financial statements of each of GPL, MHL and GDL for the years ended 31 December 2013 to 2015.

The audited historical financial statements of each of GPL, MHL and GDL has been published and are available at the Issuer's registered office.

The audited financial statements of GDL contain an "emphasis of matter" in the auditor's report for the financial year ended 31 December 2015. That matter refers to a receivable of €3.0 million from Gap Group Holdings Limited, and that as auditors they have relied on a declaration by the directors and the unaudited financial statements of Gap Developments p.l.c. to determine that no impairment is required for the receivable.

The projected consolidated financial information for the years ending 31 December 2016 to 2018 of the Gap Group has been provided by management of the Issuer. The projected financial statements relate to events in the future and are based on assumptions which the Issuer believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

GAP Properties Limited	2013	2014	2015
Income Statement	Audited	Audited	Audited
for the year ended 31 December	(€'000)	(€'000)	(€'000)
Revenue	-	2,897	9,264
Cost of sales	-	(1,796)	(5,261)
Administrative expenses	(62)	(105)	(523)
EBITDA	(62)	996	3,480
Depreciation	(1)	(2)	(7)
Net finance costs	(27)	(295)	(1,036)
Profit/(loss) before tax	(90)	699	2,437
Taxation	33	(244)	(752)
Profit/(loss) for the year	(57)	455	1,685
Other comprehensive income			
Movement in fair value of financial assets	160	171	183
Total comprehensive income/(expense) for the year	103	626	1,868

GAP Properties Limited Cash Flow Statement for the year ended 31 December	2013 Audited (€'000)	2014 Audited (€'000)	2015 Audited (€'000)
Net cash from operating activities	(852)	2,931	13,008
Net cash from investing activities	5	(5)	(7)
Net cash from financing activities	23	(2,240)	(13,437)
Net movement in cash and cash equivalents	(824)	686	(436)
Cash and cash equivalents at beginning of year	860	36	722
Cash and cash equivalents at end of year	36	722	286

Gap Properties Limited Balance Sheet As at 31 December	2013 Audited (€'000)	2014 Audited (€'000)	2015 Audited (€'000)
ASSETS			
Non-current assets			
Property, plant and equipment	2	5	6
Loans and other receivables	2,449	2,621	2,804
Deferred income tax	67	-	-
	2,518	2,626	2,810
Current assets			
Stock	9,283	12,241	7,418
Trade and other receivables	176	1,056	1,704
Taxation	-	25	-
Cash and cash equivalents	36	722	286
	9,495	14,044	9,408
Total assets	12,013	16,670	12,218
EQUITY			
Capital and reserves			
Called up share capital	1	1	1
Retained earnings	(657)	(31)	1,837
	(656)	(30)	1,838
LIABILITIES			
Non-current liabilities			
Borrowings	10,500	8,521	-
	10,500	8,521	-
Current liabilities			
Bank overdrafts	-	-	-
Borrowings and other financial liabilities	978	3,362	6,306
Other current liabilities	1,191	4,817	4,074
	2,169	8,179	10,380
	12,669	16,700	10,380
Total equity and liabilities	12,013	16,670	12,218

During the years under review, GPL was involved in the development of the Zebbug project referred to in section 4.1 above. Sales commenced in FY2014 and aggregate revenue for FY2014 and FY2015 amounted to €12.2 million. In terms of profitability, GPL generated a profit after tax in each of FY2014 and FY2015 of €0.5 million and €1.7 million respectively.

As at 31 December 2015, units held as stock comprised 85 residential units (of which 37 units were subject to promise of sale agreements) and 144 garages (of which 17 units were subject to promise of sale agreements), which in aggregate amounted to €7.4 million. Outstanding borrowings and other financial liabilities as at 31 December 2015 amounted to €6.3 million (31 December 2014: €11.9 million).

Manikata Holdings Limited	2013	2014	2015
Income Statement	Audited	Audited	Audited
for the year ended 31 December	(€'000)	(€'000)	(€'000)
Revenue	-	1,150	2,130
Cost of sales	-	(891)	(1,642)
Administrative expenses	(47)	(9)	(12)
EBITDA	(47)	250	476
Depreciation	-	-	-
Net finance costs	3	(171)	(296)
Profit/(loss) before tax	(44)	79	180
Taxation	16	(28)	(141)
Profit/(loss) for the year	(28)	51	39
Other comprehensive income			
Movement in fair value of financial assets	53	57	61
Total comprehensive income/(expense) for the year	25	108	100

Manikata Holdings Limited	2013	2014	2015
Cash Flow Statement	Audited	Audited	Audited
for the year ended 31 December	(€'000)	(€'000)	(€'000)
Net cash from operating activities	(739)	2,730	1,344
Net cash from investing activities	3	-	-
Net cash from financing activities	226	(2,709)	(1,397)
Net movement in cash and cash equivalents	(510)	21	(53)
Cash and cash equivalents at beginning of year	542	32	53
Cash and cash equivalents at end of year	32	53	-

Manikata Holdings Limited	2013	2014	2015
Balance Sheet	Audited	Audited	Audited
As at 31 December	(€'000)	(€'000)	(€'000)
ASSETS			
Non-current assets			
Loans and other receivables	816	873	935
Deferred income tax	28	-	-
	<u>844</u>	<u>873</u>	<u>935</u>
Current assets			
Stock	5,276	5,815	4,004
Trade and other receivables	227	96	479
Taxation	-	80	105
Cash and cash equivalents	32	53	-
	<u>5,535</u>	<u>6,044</u>	<u>4,588</u>
Total assets	<u>6,379</u>	<u>6,917</u>	<u>5,523</u>
EQUITY			
Capital and reserves			
Called up share capital	1	1	1
Retained earnings	(224)	(116)	(16)
	<u>(223)</u>	<u>(115)</u>	<u>(15)</u>
LIABILITIES			
Non-current liabilities			
Borrowings	5,000	1,741	-
	<u>5,000</u>	<u>1,741</u>	<u>-</u>
Current liabilities			
Borrowings and other financial liabilities	281	1,161	1,565
Other current liabilities	1,321	4,130	3,973
	<u>1,602</u>	<u>5,291</u>	<u>5,538</u>
	<u>6,602</u>	<u>7,032</u>	<u>5,538</u>
Total equity and liabilities	<u>6,379</u>	<u>6,917</u>	<u>5,523</u>

During the years under review, MHL was involved in the development of 14 semi-detached villas in Manikata. The villas in Manikata were fully developed in FY2015. Sales commenced in FY2014 and aggregate revenue for FY2014 and FY2015 amounted to €3.3 million. In terms of profitability, MHL generated a profit after tax in each of FY2014 and FY2015 of €51,000 and €39,000 respectively.

As at 31 December 2015, MHL had 8 villas in stock, valued at €4.0 million, which were all subject to promise of sale agreements. Outstanding borrowings and other financial liabilities as at 31 December 2015 amounted to €1.6 million (31 December 2014: €2.9 million).

Geom Developments Limited	2013	2014	Y2015
Income Statement	Audited	Audited	Audited
for the year ended 31 December	(€'000)	(€'000)	(€'000)
Revenue	5,203	4,277	802
Cost of sales	(3,628)	(3,138)	(571)
Administrative expenses	(165)	(147)	(40)
EBITDA	1,410	992	191
Net finance costs	(357)	(113)	(180)
Profit/(loss) before tax	1,053	879	11
Taxation	(369)	(308)	(62)
Profit/(loss) for the year	684	571	(51)
Other comprehensive income			
Movement in fair value of financial assets	(53)	(57)	(835)
Total comprehensive income/(expense) for the year	631	514	(886)

Geom Developments Limited	2013	2014	2015
Cash Flow Statement	Audited	Audited	Audited
for the year ended 31 December	(€'000)	(€'000)	(€'000)
Net cash from operating activities	2,539	2,772	(3,397)
Net cash from investing activities	-	-	-
Net cash from financing activities	(2,891)	(2,511)	3,369
Net movement in cash and cash equivalents	(352)	261	(28)
Cash and cash equivalents at beginning of year	22	(330)	(69)
Cash and cash equivalents at end of year	(330)	(69)	(97)

Geom Developments Limited
Balance Sheet
As at 31 December

	2013	2014	2015
	Audited	Audited	Audited
	(€'000)	(€'000)	(€'000)
ASSETS			
Non-current assets			
Loans and other receivables	2,498	2,669	2,079
	<u>2,498</u>	<u>2,669</u>	<u>2,079</u>
Current assets			
Stock	3,228	842	2,576
Trade and other receivables	918	1,323	2,854
Taxation	8	-	-
Cash and cash equivalents	13	26	120
	<u>4,167</u>	<u>2,191</u>	<u>5,550</u>
Total assets	<u>6,665</u>	<u>4,860</u>	<u>7,629</u>
EQUITY			
Capital and reserves			
Called up share capital	1	1	1
Retained earnings	644	127	(760)
	<u>645</u>	<u>128</u>	<u>(759)</u>
LIABILITIES			
Non-current liabilities			
Bank loans	3,265	3,494	3,738
	<u>3,265</u>	<u>3,494</u>	<u>3,738</u>
Current liabilities			
Bank overdrafts	343	95	217
Borrowings and other financial liabilities	2,211	722	2,735
Other current liabilities	201	421	1,698
	<u>2,755</u>	<u>1,238</u>	<u>4,650</u>
	<u>6,020</u>	<u>4,732</u>	<u>8,388</u>
Total equity and liabilities	<u>6,665</u>	<u>4,860</u>	<u>7,629</u>

In FY2013, GDL was engaged in the development of two projects situated in Qawra and Gharghur (which are unrelated to the Qawra and Gharghur Developments described in sections 4.2 and 4.4 of this report). The former project comprised 32 residential units and 34 garages, and the latter project included 84 residential units and 75 garages. Both projects were completed during FY2013. In FY2015, development on the Qawra Development (which is co-owned by GDL and GHL) was initiated. This Project is described in section 4.2 above.

Total revenue generated by GDL from FY2013 to FY2015 amounted to €10.3 million, and principally related to the disposal of residential units and garages in the above-mentioned Qawra and Gharghur projects. By the end of 2015, practically all units of these two projects were sold.

GDL generated a profit after tax in FY2013 and FY2014 of €0.7 million and €0.6 million respectively, but incurred a loss in FY2015 of €51,000.

As at 31 December 2015, stock amounted to €2.6 million (31 December 2014: €0.8 million), primarily consisting of the land cost and construction works relating to Blocks A, B and C of the Qawra Development. Outstanding borrowings and other financial liabilities as at 31 December 2015 amounted to €6.7 million (31 December 2014: €4.3 million).

GAP Group p.l.c Group Income Statement	FY2016 Projection (€'000)	FY2017 Projection (€'000)	FY2018 Projection (€'000)
Revenue	9,193	8,228	27,770
Cost of sales	(8,377)	(7,512)	(22,352)
Administrative expenses	(910)	(233)	(239)
EBITDA	(94)	483	5,179
Net finance costs	(67)	(98)	(587)
Profit/(loss) before tax	(161)	385	4,592
Taxation	(723)	(652)	(2,216)
Profit/(loss) for the year	(884)	(267)	2,376
Other comprehensive income			
Movement in fair value of financial assets	89	108	113
Total comprehensive income/(expense) for the year	(795)	(159)	2,489

GAP Group p.l.c Cash Flow Statement	FY2016 Projection (€'000)	FY2017 Projection (€'000)	FY2018 Projection (€'000)
Net cash from operating activities	(11,446)	(3,937)	12,971
Net cash from investing activities	(9,593)	2,638	(8,775)
Net cash from financing activities	24,600	(909)	(1,592)
Net movement in cash and cash equivalents	3,561	(2,208)	2,604
Cash and cash equivalents at beginning of year	731	4,292	2,084
Cash and cash equivalents at end of year	4,292	2,084	4,688

GAP Group p.l.c
Group Balance Sheet

	31 Dec '16 Projection (€'000)	31 Dec '17 Projection (€'000)	31 Dec '18 Projection (€'000)
ASSETS			
Non-current assets			
Property, plant and equipment	6	6	6
Loans and other receivables	2,119	2,227	2,340
Deferred income tax	-	-	-
	<u>2,125</u>	<u>2,233</u>	<u>2,346</u>
Current assets			
Stock	41,306	49,083	34,202
Trade and other receivables	3,549	3,549	3,549
Sinking fund	730	2,728	11,704
Short-term investments	9,000	4,500	4,500
Cash and cash equivalents	4,292	2,084	4,688
	<u>58,877</u>	<u>61,944</u>	<u>58,643</u>
Total assets	<u>61,002</u>	<u>64,177</u>	<u>60,989</u>
EQUITY			
Capital and reserves			
Called up share capital	2,500	2,500	2,500
Other capital	5,001	4,092	2,500
Retained earnings	40	(406)	1,822
	<u>7,541</u>	<u>6,186</u>	<u>6,822</u>
LIABILITIES			
Non-current liabilities			
Debt securities	40,000	40,000	40,000
	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
Current liabilities			
Borrowings and other financial liabilities	7,259	7,016	5,582
Other current liabilities	6,202	10,975	8,585
	<u>13,461</u>	<u>17,991</u>	<u>14,167</u>
	<u>53,461</u>	<u>57,991</u>	<u>54,167</u>
Total equity and liabilities	<u>61,002</u>	<u>64,177</u>	<u>60,989</u>

Key Accounting Ratios	FY2016	FY2017	FY2018
Operating profit margin (EBITDA/revenue)	-1%	6%	19%
Interest cover (times) (EBITDA/net finance cost)	-1.40	4.93	8.82
Net profit margin (Profit(loss) after tax/revenue)	-10%	-3%	9%
Earnings per share (€) (Profit(loss) after tax/number of shares)	-0.35	-0.11	0.95
Return on equity (Profit(loss) after tax/shareholders' equity)	-12%	-4%	35%
Return on capital employed (EBITDA/total assets less current liabilities)	0%	1%	11%
Return on assets (Profit(loss) after tax/total assets)	-1%	0%	4%
Gearing ratio (Total net debt/net debt and shareholders' equity)	82%	87	84%

During the projected financial years (FY2016 - FY2018), the Gap Group will be principally involved in the construction and development of the following Projects:

- Qawra Development - completion is expected in the latter half of FY2017;
- Gharghur Development – completion is targeted for FY2018; and
- Mellieha Development – the initial phase is expected to be completed in Q2 FY2018.

The Gap Group is projecting revenue for FY2016 and FY2017 at €17.4 million (in aggregate) to be generated primarily from sales of the remaining units at Żebbuġ and Manikata (cash consideration has already been received by MHL). Furthermore, in the second half of FY2017, the Group is expected to commence entering into sales contracts for units of the Qawra Project. As for FY2018, revenue is forecasted at €27.8 million and is expected to be generated principally from the developments at Qawra (48%), Gharghur (17%) and Mellieha (30%).

As a consequence of the limited quantity of finished units available for disposal in both FY2016 and FY2017, the Gap Group is forecasting a loss of €0.9 million and €0.3 million in the respect years. However, in FY2018, the Group is anticipated to generate an EBITDA of €5.2 million and register a profit after tax of €2.5 million.

The balance sheet as at 31 December 2016 reflects the re-organisation of the Gap Group undertaken during the year, whereby the Issuer acquired the issued share capital of GML, GGL, GDL, GHL. As a result of such acquisitions, the Issuer indirectly obtained ownership of the New Developments, save for the site over which the Mellieha Development will be constructed that is the subject matter of a preliminary agreement. The purchase of the Mellieha site is expected to be completed after the Bond Issue, as a portion of Bond proceeds shall be partly allocated to the acquisition cost of the said site. Total assets of the Gap Group as at 31 December 2016 is projected at €61.0 million and primarily include stock representing real estate property held for resale (€41.3 million), and cash and liquid assets amounting to €13.4 million.

Other than equity (€7.5 million), the Gap Group is financed through debt securities (€40 million) and borrowings & other financial liabilities (€7.3 million). Other financial liabilities comprise an amount of €3.4 million being deposits received from customers pursuant to promise of sale agreements.

Reserve Account

In terms of the Prospectus, the Issuer is required to build a sinking fund, the value of which will by the redemption date of the bond be equivalent to 100% of the outstanding value of bonds. Below is a table outlining the balance expected to be held in the reserve account as at the end of the financial years 31 December 2016 to 31 December 2018.

**Contributions to Reserve Account
as at 31 December**

	2016 Projection €'000	2017 Projection €'000	2018 Projection €'000
4.25% Secured Bonds 2023	730	2,728	11,704
	730	2,728	11,704

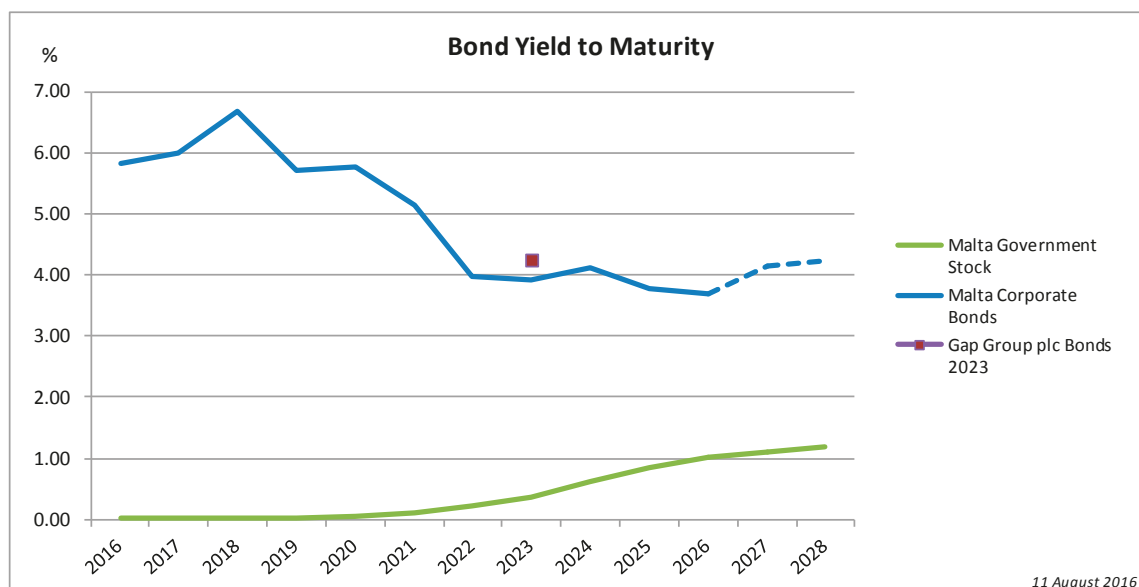
PART 3 – COMPARABLES

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

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
6.8% Premier Capital plc € Bond 2017-2020	24,641,000	5.99	4.58	72,208	17,739	64.59
6.6% Eden Finance plc 2017-2020	13,984,000	5.77	3.10	145,427	76,648	38.42
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	3.99	n/a	58,098	11,734	61.87
5.8% International Hotel Investments plc 2023	10,000,000	5.14	1.45	1,159,643	608,288	36.49
6% AX Investments Plc € 2024	40,000,000	4.41	2.88	206,038	111,482	36.65
6% Island Hotels Group Holdings plc € 2024	35,000,000	4.74	0.58	145,140	54,053	53.19
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	3.72	3.49	67,669	25,823	57.66
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	4.12	0.05	81,842	31,150	55.46
5.1% PTL Holdings plc Unsecured € 2024	36,000,000	4.16	2.32	70,543	6,592	86.78
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.48	1.50	90,867	26,315	71.30
4.0% MIDI plc Secured € 2026	50,000,000	3.64	2.64	187,462	71,248	37.55
4.25% Gap Group plc Secured € 2023	40,000,000	4.25	n/a	61,002	7,541	81.51

11 August '16

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



11 August 2016

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

PART 4 – EXPLANATORY DEFINITIONS

Income Statement

Revenue	Total revenue generated by the Issuer from its business activities during the financial year.
Cost of sales	Operating expenses include the cost of construction and other related expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Profit after tax	Profit after tax is the profit made by the Issuer during the financial year both from its operating as well as non-operating activities.

Profitability Ratios

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

Equity Ratios

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

Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Issuer.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Issuer.

Balance Sheet

Non-current assets	Non-current asset are the Issuer's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Issuer amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. Such assets include property, plant & equipment, and loans & other receivables.
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Current assets	Current assets are all assets of the Issuer, which are realisable within one year from the balance sheet date. Such amounts include development stock, accounts receivable, cash and bank balances.
Current liabilities	All liabilities payable by the Issuer within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Issuer's long-term financial obligations that are not due within the present accounting year. The Issuer's non-current liabilities include long-term borrowings and debt securities.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.

Financial Strength Ratios

Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.