

Securities Note

Dated 6 May 2014

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 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 and Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014. This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about the Issuer.



ISLAND HOTELS

GROUP HOLDINGS PLC

(a public limited liability company registered under the laws of Malta)

with registration number C44855)

In respect of an Issue of €35,000,000 6% Bonds 2024 of a nominal value of €100 per Bond issued at par

ISIN: MT0000481227

THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENTS ARE IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENT AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENT.

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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.

Winston V. Zahra

Director

Winston J. Zahra

Director

LEGAL COUNSEL

CAMILLERI PREZIOSI
ADVOCATES

LEAD SPONSOR



SPONSOR



MANAGER & REGISTRAR



JOINT MANAGER



IMPORTANT INFORMATION

THIS SECURITIES NOTE CONSTITUTES PART OF THE PROSPECTUS, CONTAINS INFORMATION ON ISLAND HOTELS GROUP HOLDINGS P.L.C. (THE "ISSUER"), ITS SUBSIDIARIES, AFFILIATES AND ITS GROUP BUSINESS. THE INFORMATION IS BEING MADE AVAILABLE IN CONNECTION WITH AN ISSUE BY THE ISSUER OF €35,000,000 BONDS 2024 OF A NOMINAL VALUE OF €100 EACH.

THE BONDS SHALL BE ISSUED AT PAR AND BEAR INTEREST AT THE RATE OF 6% PER ANNUM PAYABLE ANNUALLY ON 15 MAY OF EACH YEAR, UNTIL THE REDEMPTION DATE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON 15 MAY 2024.

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

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

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.

THIS PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR THE PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR THE 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 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 SECURITIES AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

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

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

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

STATEMENTS MADE IN THIS 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 THIS PROSPECTUS. ACCORDINGLY NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE BONDS.

THE ISSUER DISCLAIMS ALL RESPONSIBILITY FOR ANY DEALINGS MADE, REPRESENTATIONS GIVEN, PROCESSES ADOPTED, FUNDS COLLECTED OR APPLICATIONS ISSUED BY AUTHORISED FINANCIAL INTERMEDIARIES IN THEIR EFFORT TO PLACE OR RE-SELL THE BONDS SUBSCRIBED BY THEM.

ALL THE ADVISORS TO THE ISSUER NAMED IN THE PROSPECTUS UNDER THE HEADING "ADVISORS TO THE ISSUER" OF THE SECURITIES NOTE HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER 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 RISE OR FALL AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS.

TABLE OF CONTENTS

1	DEFINITIONS AND INTERPRETATION	66
2	RISK FACTORS	68
2.1	Forward Looking Statements	68
2.2	Risks Relating to the Bonds	69
2.2.1	<i>Limited liquidity of the Malta Stock Exchange</i>	69
2.2.2	<i>Value</i>	69
2.2.3	<i>Prior Ranking Charges</i>	69
2.2.4	<i>Exchange Rate Fluctuations</i>	69
2.2.5	<i>Amendment to Terms and Conditions</i>	69
2.2.6	<i>Status of Applicable Law</i>	69
3	PERSONS RESPONSIBLE	69
4	ADVISORS TO THE ISSUER	70
4.1	Sponsors	70
4.2	Legal Counsel	70
4.3	Managers and Registrar	70
5	CONSENT REQUIRED IN CONNECTION WITH THE USE OF THE PROSPECTUS DURING THE ISSUE PERIOD BY THE AUTHORISED FINANCIAL INTERMEDIARIES	70
6	ESSENTIAL INFORMATION	71
6.1	Interest of any Natural and Legal Persons Involved in the Issue	71
6.2	Reasons for the Issue and Use of Proceeds	71
6.3	Expenses	72
6.4	Issue Statistics	72
7	INFORMATION ABOUT THE BONDS	73
7.1	Legislation under which the Bonds are created	73
7.2	Registration, Form, Denomination and Title	73
7.3	Currency of the Bonds	73
7.4	Status of the Bonds	73
7.5	Rights Attached to the Bonds	74
7.6	Redemption and Purchase	74
7.7	Interest and Yield	74
7.8	Negative Pledge	74
7.9	Payments	75
7.10	Events of Default	75
7.11	Transferability of the Bonds	76
7.12	Further Issues	76
7.13	Meetings of Bondholders	76
7.14	Authorisations and Approvals	77
7.15	Issue Date	77
7.16	Bonds held Jointly	77
7.17	Governing Law and Jurisdiction	77
7.18	Notices	77
7.19	Plan of Distribution and Allotment	77
7.20	Private Placement Agreements	78
7.21	Allocation	78
8	TAXATION	78
8.1	Maltese Taxation on Interest	78
8.2	Maltese Taxation on Capital Gains on Transfer of the Bonds	79
8.3	Duty on Documents and Transfers	79
8.4	European Union Savings Directive	79
9	EXPECTED TIMETABLE OF THE BOND ISSUE	79
10	TERMS AND CONDITIONS OF APPLICATION	79

11	ADMISSION TO TRADING AND DEALING ARRANGEMENTS	82
12	THIRD PARTY INFORMATION AND EXPERTS' STATEMENTS	82
13	DOCUMENTS ON DISPLAY	82

1 DEFINITIONS AND INTERPRETATION

In this Securities Note the following words and expressions shall bear the following meanings except where the context otherwise requires:

Act	the Companies Act (Cap. 386 of the laws of Malta);
Applicant	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 Bonds made by an Applicant(s) by completing an Application Form(s) and delivering same to any one of the Sponsors or to any of the other Authorised Financial Intermediaries;
Application Form	The form of application for subscription for Bonds, a specimen of which is contained in Annex II of this Securities Note;
Authorised Financial Intermediaries	the licensed stockbrokers and financial intermediaries listed in Annex III of this Securities Note;
Bond(s)	the €35,000,000 6% Bonds due 2024 of a face value of €100 per bond, redeemable at their nominal value on the Redemption Date, bearing interest at the rate of 6% per annum issued pursuant to this Prospectus;
Bondholder(s)	the persons registered in the Issuer's register as being the holders of the Bonds;
Bond Issue	the issue of the Bonds;
Bond Issue Price	the price of €100 per Bond;
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;
CSD	the Central Securities Depository of the Malta Stock Exchange established pursuant to Chapter 4 of the Malta Stock Exchange Bye-Laws, having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063, Malta;
Current Bonds in Issue	the €14,000,000 6.5% Bonds 2017-2019 issued by the Issuer pursuant to a prospectus dated 28 August 2009;
Cut-Off Date	means close of business 9 May 2014;
Directors or Board	the directors of the Company whose names and addresses are set out in Section 3.1 ("Directors") of the Registration Document;
Euro, EUR or €	the lawful currency of the Republic of Malta;
Existing Shareholder	means a holder of one or more shares in the issued share capital of the Issuer as at the Cut-Off Date;
Group	shall have the meaning assigned to it in the Registration Document;
IHGH Group Employees	employees who provide their services to companies forming part of the Group as at the Cut-Off Date;
Interest Payment Date	annually on 15 May of each year between and including 2015 and 2024, 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;
Issuer or Company	Island Hotels Group Holdings p.l.c. a public limited liability company incorporated under the laws of Malta with company registration number C44855 and with registered office at Radisson Blu Resort St. Julians, Louis V. Farrugia Street, St. George's Bay, St. Julians, STJ 3391, Malta;
Issue Period	26 May 2014 to 30 May 2014, both days included, during which the Bonds are on offer;
Listing Authority	the Malta Financial Services Authority, as appointed in terms of the Financial Markets Act (Cap. 345 of the laws of Malta);
Listing Rules	the listing rules, issued by the Listing Authority;
Malta Stock Exchange or MSE	the 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 C42525;
Memorandum and Articles of Association or M&As	the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus;
MFSA	the Malta Financial Services Authority, incorporated in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);

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;
Private Placement Agreement	the agreement between the Sponsors and the Issuer to subscribe to Bonds in accordance with Section 7.20 of this Securities Note for the purpose of distributing to or placing with their underlying customers any portion of the Bonds;
Prospectus	collectively the Registration Document, Summary Note and this Securities Note, as such documents may be amended, updated, replaced and supplemented from time to time;
Prospectus Directive	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 and amending Directive 2001/34/EC, as may be amended from time to time;
Redemption Date	15 May 2024;
Redemption Value	the nominal value of each Bond;
Registration Document	the registration document issued by the Issuer dated 6 May 2014, 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 a prospectus and dissemination of advertisements, as amended by: Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities and 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 text with EEA relevance;
Securities Note	this document in its entirety;
Sponsors	means the sponsors referred to in Section 4.1 of this Securities Note;
Subsidiaries	each of:- (a) Island Hotels Group Limited, a limited liability company registered under the laws of Malta with company registration number C19442 and with registered office at Radisson Blu Resort St. Julians, Louis V. Farrugia Street, St. George's Bay, St. Julians, STJ 3391, Malta; (b) Bay Point Hotel Limited, a limited liability company registered under the laws of Malta with company registration number C13170 and with registered office at Radisson Blu Resort St. Julians, Louis V. Farrugia Street, St. George's Bay, St. Julians, STJ 3391, Malta; (c) Island Resorts International Limited, a BVI business registered under the BVI Business Companies Act, 2004 with company number 294368 and with registered office at Akara Building 24, De Castro Street, Wickhams Cay I, Tortola, BVI; (d) Island Caterers Limited, a limited liability company registered under the laws of Malta with company registration number C9377 and with registered office at Radisson Blu Resort St. Julians, Louis V. Farrugia Street, St. George's Bay, St. Julians, STJ 3391, Malta; (e) Bay Point Properties Limited ¹ , a limited liability company registered under the laws of Malta with company registration number C47131 and with registered office at Radisson Blu Resort St. Julians, Louis V. Farrugia Street, St. George's Bay, St. Julians, STJ 3391, Malta; and (f) Bay Point Collection Limited, a company registered under the laws of the British Virgin Islands with company registration number 1743963 and with registered office at Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, BVI (" Bay Point Collection ");
Summary Note	the summary note issued by the Issuer dated 6 May 2014, forming part of the Prospectus;
Terms and Conditions	the terms and conditions relating to the Bonds as contained in this Prospectus, in particular Section 7 of this Securities Note.

2 RISK FACTORS

THE VALUE OF INVESTMENTS, INCLUDING BONDS, CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE.

THE NOMINAL VALUE OF THE BONDS IS REPAYABLE IN FULL UPON MATURITY. THE ISSUER SHALL REDEEM THE BONDS ON THE REDEMPTION DATE. AN INVESTMENT IN THE BONDS STILL INVOLVES CERTAIN RISKS INCLUDING THOSE DESCRIBED BELOW.

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

IF ANY OF THE RISKS DESCRIBED WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE ISSUER'S FINANCIAL RESULTS, TRADING PROSPECTS AND THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES.

THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE THAT THE DIRECTORS BELIEVE TO BE MATERIAL, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE ISSUER FACES. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE ISSUER'S DIRECTORS ARE NOT CURRENTLY AWARE OF OR DO NOT DEEM MATERIAL, MAY WELL RESULT IN A MATERIAL IMPACT ON THE FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE OF THE ISSUER THAT COULD LEAD TO A DECLINE IN VALUE OF THE SECURITIES.

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

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

2.1 Forward Looking Statements

This Securities Note and the documents incorporated therein by reference or annexed thereto include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Issuer and/or the Directors concerning, amongst other things, the Issuer's strategy and business plans, results of operations, financial condition, liquidity, prospects and dividend policy of the Issuer and the markets in which the Group operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The Group's actual results of operations, financial condition, liquidity, dividend policy and the development of its strategy may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Issuer are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to, changes in economic conditions generally and in Malta, hotel markets specifically, legislative/regulatory changes, changes in taxation regimes, the availability and cost of capital for future investments and the availability of suitable financing.

Potential investors are advised to read this document together with the Registration Document in its entirety and, in particular, the heading of each of these documents entitled "Risk Factors" for a further discussion of the factors that could affect the Issuer's future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur. All forward-looking statements contained in this document are made only as at the date hereof. Subject to its legal and regulatory obligations (including under the Listing Rules), the Issuer and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

2.2 Risks Relating to the Bonds

2.2.1 Limited liquidity of the Malta Stock Exchange

The existence of an orderly and liquid market for the Bonds depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Issuer's Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell or otherwise trade in the Bonds at or above the Bond Issue Price or at all.

2.2.2 Value

The value of investments can rise or fall, and past performance is not necessarily indicative of future performance. If in need of advice, you should consult a licensed stockbroker or an investment adviser licensed under the Investment Services Act (Cap. 370 of the laws of Malta).

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

2.2.3 Prior Ranking Charges

The Bonds constitute general, direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu*, without any priority or preference, with all other present and future unsecured and unsubordinated obligations of the Issuer.

2.2.4 Exchange Rate Fluctuations

A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference, if different.

2.2.5 Amendment to Terms and Conditions

In the event that the Issuer wishes to amend any of the Terms and Conditions of Issue of the Bond it shall call a meeting of Bondholders in accordance with the provisions of Section 7.13 of this Securities Note. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

2.2.6 Status of Applicable Law

The Terms and Conditions of the Bond Issue are based on Maltese law 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 the Prospectus.

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 and the Bonds. All the Directors of the Issuer, whose names appear under Section 3.1 of the Registration Document "*Directors*", are the persons responsible for the information contained in this Securities Note. The current directors of the Issuer are:

Winston V. Zahra	Chairman
Winston J. Zahra	Chief Executive Officer
Trevor Zahra	Non-Executive Director
William Hancock	Independent, Non-Executive Director
Gary Alexander Neville	Independent, Non-Executive Director
John L. Bonello	Independent, Non-Executive Director
Michael C. Bonello	Independent, Non-Executive Director

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.

4 ADVISORS TO THE ISSUER

4.1 Sponsors

Lead Sponsor

Name: Curmi & Partners Ltd.
Address: Finance House
Princess Elizabeth Street
Ta' Xbiex, XBX 1102
Malta

Sponsor

Name: Rizzo, Farrugia & Co (Stockbrokers) Ltd.
Address: Airways House, Third Floor
High Street
Sliema, SLM 1549
Malta

4.2 Legal Counsel

Name: Camilleri Preziosi
Address: Level 3, Valletta Buildings
South Street
Valletta, VLT 1103
Malta

4.3 Managers and Registrar

Manager & Registrar

Name: Bank of Valletta p.l.c.
Address: BOV Centre
Cannon Road
Santa Venera, SVR 9030
Malta

Joint Manager

Name: HSBC Bank Malta p.l.c.
Address: 233, Republic Street
Valletta, VLT 1116
Malta

5 CONSENT REQUIRED IN CONNECTION WITH THE USE OF THE PROSPECTUS DURING THE ISSUE PERIOD BY THE AUTHORISED FINANCIAL INTERMEDIARIES

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

- (a) in respect of Bonds subscribed for through the Authorised Financial Intermediaries listed in Annex III of this Securities Note during the Issue Period;
- (b) to any resale or placement of Bonds subscribed for as aforesaid taking place in Malta; and

- (c) to any resale or placement of Bonds subscribed for as aforesaid taking place within the period of 60 days from the date of the Prospectus.

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

Other than as set out above, neither the Issuer nor any of the Sponsors has authorised (nor do they authorise or consent to the use of the Prospectus in connection with) the making of any public offer of the Bonds by any person in any circumstances. Any such unauthorised offers are not made on behalf of the Issuer or any of the Sponsors and neither the Issuer nor any of the Sponsors 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 he/she can rely on the Prospectus and/or who is responsible for its contents, the investor should obtain legal advice.

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

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

Any resale, placement or offering of Bonds to an investor by an Authorised Financial Intermediary will be made in accordance with any terms and other arrangements in place between such Authorised Financial Intermediary and such investor including as to price, allocations and settlement arrangements. Where such information is not contained in the Prospectus, it will be the responsibility of the applicable Authorised Financial Intermediary at the time of such resale, placement or 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 the Prospectus in connection with a resale or placement of Bonds subsequent to the Bond Issue shall, limitedly for the period of 60 days from the date of the Prospectus, publish on its website a notice to the effect that it is using the Prospectus for such resale and placement in accordance with the consent of the Issuer and the conditions attached thereto. The consent provided herein shall no longer apply following the lapse of such period.

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

6 ESSENTIAL INFORMATION

6.1 Interest of any Natural and Legal Persons Involved in the Issue

Save for the subscription for Bonds by the Authorised Financial Intermediaries (which includes Curmi & Partners Ltd., Rizzo, Farrugia & Co (Stockbrokers) Ltd., the Manager & Registrar and the Joint Manager) and any fees payable to Curmi & Partners Ltd. and Rizzo, Farrugia & Co (Stockbrokers) Ltd. respectively as Lead Sponsor and Sponsor in connection with the Bond Issue, and to Bank of Valletta p.l.c. and HSBC Bank Malta p.l.c. respectively as Manager and Registrar and Joint Manager, so far as the Issuer is aware no person involved in the Issue has an interest material to the Bond Issue.

6.2 Reasons for the Issue and Use of Proceeds

The proceeds from the Bond Issue, which net of expenses are expected to amount to approximately €34,350,000 will be used by the Issuer for the ensuing purposes, in the following order of priority:

- (a) approximately €20,000,000 of the proceeds from the Bond Issue will be used as follows:
 - (i) approximately €16,000,000 of the proceeds from the Bond shall be advanced to Bay Point Hotel Limited, a limited liability company registered under the laws of Malta with company registration number C13170 and with registered office at Radisson Blu Resort St. Julians, Louis V. Farrugia Street, St. George's Bay, St. Julians, STJ 3391, Malta ("BPH"), a wholly owned indirect subsidiary of the Issuer, for the purpose of carrying out the following at the Radisson® Blu Resort St. Julians, as described in Section 6 "Strategy and Trend Information - Radisson® Blu Resort St. Julians" of the Registration Document:
 - refurbishment works;
 - construction and finishing two additional storeys; and
 - construction and finishing works in relation to a conference centre;
 - (ii) approximately €4,000,000 of the proceeds will be used to for the development and operation of the

COSTA® Coffee brand in the East Coast of Spain, the Balearic Islands and the Canary Islands;

- (b) The remaining balance of the net proceeds from the Bond Issue will be used for general corporate funding purposes, including the early repayment of some bank loans and in particular the reduction in the Group's overdraft balance.

Private Placement and Minimum Amount

The Sponsors have already agreed to subscribe to €10,000,000 in value of Bonds pursuant to the Private Placement Agreements as referred to in Section 7.20 of the Securities Note. Should Applications for at least another €20,000,000 of the remaining portion of the Bond Issue not be received, for a total of €30,000,000 subscription (the **"Minimum Amount"**), no allotment of the Bonds shall be made, the Applications shall be deemed not to have been accepted by the Issuer and all money received from Applicants shall be refunded accordingly.

In the event that the Minimum Amount is reached but the Bond Issue is still not fully subscribed, the Issuer will proceed with the listing of the amount of Bonds subscribed.

6.3 Expenses

Professional fees, costs related to publicity, advertising, printing, listing and registration, a one per cent selling commission, as well as sponsor, management, registrar fees and other miscellaneous expenses in connection with this Bond Issue, are estimated not to exceed €650,000 (excluding VAT) and shall be borne by the Issuer.

6.4 Issue Statistics

Issuer:	Island Hotels Group Holdings p.l.c. a public limited liability company incorporated under the laws of Malta with company registration number C44855 and with registered office at Radisson Blu Resort St. Julians, Louis V. Farrugia Street, St. George's Bay, St. Julians, STJ 3391, Malta;
Amount:	€35,000,000;
Form:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD;
Denomination:	Euro (€);
ISIN:	MT0000481227
Minimum Amount per Subscription:	Minimum of €2,000 and integral multiples of €100 thereafter;
Redemption Date:	15 May 2024;
Plan of Distribution:	The Bonds are open for subscription by all categories of investors, including Authorised Financial Intermediaries either for their own account or on behalf of clients and the general public;
Bond Issue Price:	At par (€100 per Bond);
Status of the Bonds:	The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves and with other unsecured debt, if any;
Listing:	Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List;
Application Forms Available:	12 May 2014;
Private Placement Agreement:	The Issuer has entered into private placement agreements with the Sponsors for a total amount of €10,000,000 in value of Bonds;
Closing Date for Application Forms:	30 May 2014;
Issue Period:	26 May 2014 to 30 May 2014, both days included;
Interest:	6% per annum;
Interest Payment Date:	Annually, 15 May;
First Interest Payment Date:	15 May 2015;
Redemption Value:	At par (€100);
Events of Default:	Refer to Section 7.10 of this Securities Note;
Manager and Registrar:	Bank of Valletta p.l.c.;
Joint Manager:	HSBC Bank Malta p.l.c.;
Lead Sponsor:	Curmi & Partners Ltd.;
Sponsor:	Rizzo, Farrugia & Co (Stockbrokers) Ltd.;

Underwriting:	The Bonds are not underwritten. Should subscriptions for a total of at least €30,000,000 ² (the “ Minimum Amount ”) not be received no allotment of the Bonds shall be made, the Applications shall be deemed not to have been accepted by the Issuer and all money received from Applicants shall be refunded accordingly; In the event that the Minimum Amount is reached but the Bond Issue is still not fully subscribed, the Issuer will proceed with the listing of the amount of Bonds subscribed;
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.

7 INFORMATION ABOUT THE BONDS

7.1 Legislation under which the Bonds are created

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

7.2 Registration, Form, Denomination and Title

Certificates will not be delivered to Bondholders in respect of the Bonds given that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at 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 Malta Stock Exchange account numbers of the Bondholders and particulars of the Bonds held by them respectively and a copy of such register will, at all reasonable times during business hours, be open to the inspection of the Bondholders at the registered office of the Issuer.

Upon request by the Bondholder, the CSD will issue a statement of holdings to Bondholders evidencing their entitlement to Bonds held in the register kept by the CSD.

The Bonds will be issued in fully registered form, without interest coupons, in minimum subscriptions of €2,000 and thereafter in integral multiples of €100.

Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments) as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under Section 7.11 of this Securities Note “*Transferability of the Bonds*”.

Subject to the admission to listing of the Bonds to the Official List of the Malta Stock Exchange, the Bonds are expected to be assigned the following ISIN code: MT0000481227.

7.3 Currency of the Bonds

The currency of the Bonds is Euro (€).

7.4 Status of the Bonds

The Bonds constitute the general, direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank equally and rateably without any priority or preference among themselves and with other unsubordinated or unsecured debt. The obligations of the Issuer under the Bonds bind the Issuer to pay to Bondholders interest on each Interest Payment Date and the nominal value of the Bonds on the Redemption Date.

The indebtedness of the Issuer as at 31 October 2013 amounted to €41,472,625, and includes bank loans, corporate bonds and other borrowings from related companies. The bank borrowings as at 31 October 2013 amounting to €10,834,652 are secured by:

- (a) a first general hypothec for an aggregate of €11,141,811 over the Issuer’s present and future assets; and
- (b) a pledge on two ordinary shares held by the Issuer in Island Resorts International Limited, a business registered under the Business Companies Act, 2004 of the British Virgin Islands (“**BVI**”) with company number 294368 and with registered office at Akara Building 24, De Castro Street, Wickhams City Cay I, Tortola, BVI,

and therefore the indebtedness being created by the Bonds, together with that of the Current Bond in Issue, ranks after all these bank borrowings. In addition, the Bonds would also rank after any future debts which are privileged or otherwise secured.

Subject to Section 7.8 of this Securities Note “*Negative Pledge*”, the Issuer may incur further borrowings or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future, undertaking, assets or revenues (including uncalled capital).

7.5 Rights Attached to the Bonds

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

- (a) payment of capital;
- (b) payment of interest;
- (c) the right to attend, participate and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond; and
- (d) enjoy all such other rights attached to the Bond emanating from this Securities Note.

7.6 Redemption and Purchase

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

Subject to the provisions of this Section 7.6, the Issuer may at any time purchase Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.

All Bonds so purchased will be cancelled forthwith and may not be re-issued or re-sold. Any purchase by tender shall be made available to all Bondholders alike.

7.7 Interest and Yield

The Bonds shall bear interest at the rate of 6% per annum payable annually on the 15 May of each year. Interest is expected to accrue as from 16 June 2014 as set out in Section 9 of this Securities Note ("*Expected Timetable of this Bond Issue*"). The first Interest Payment Date following the issuance of this Prospectus shall be 15 May 2015. 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.

Each Bond will cease to bear interest from and including its due date of redemption unless upon due presentation, payment of the principal in respect of the Bond is improperly withheld or refused or an Event of Default (as defined herein) occurs.

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of a 360 day year consisting of 12 months of 30 days each, and, in the case of an incomplete month, the number of days elapsed.

The gross yield calculated on the basis of the interest, the Bond Issue Price and the redemption value of the Bonds at Redemption Date is 6%.

7.8 Negative Pledge

The Issuer undertakes, for as long as any principal or interest under the Bonds or any of the Bonds remains outstanding, not to create or permit to subsist any Security Interest (as defined below), other than a Permitted Security Interest (as defined below), upon the whole or any part of its present or future assets or revenues to secure any Financial Indebtedness (as defined below) of the Issuer, unless at the same time or prior thereto the Issuer's indebtedness under the Bonds, is secured equally and rateably therewith, and the instrument creating such Security Interest so provides.

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

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

"Permitted Security Interest" means (A) any Security Interest arising by operation of law; (B) any Security Interest securing bank loans; (C) any other Security Interest (in addition to (A) and (B) above) securing Financial Indebtedness of the Issuer, in an aggregate outstanding amount not exceeding eighty per cent (80%) of the difference between the value of the unencumbered assets of the Issuer and the aggregate principal amount of Bonds outstanding at the time.

Provided that the aggregate Security Interests referred to in (B) and (C) above ("*Permitted Security Interest*") do not result in the unencumbered assets of the Issuer being less than one hundred and six point five per cent (106.5%) of the aggregate principal amount of the Bonds still outstanding;

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

7.9 Payments

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

In terms of article 2156 of the Civil Code (Cap. 16 of the laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Bonds is barred by the lapse of five years.

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

Upon payment of the Redemption Value, the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD, provided that where the Bondholder's bank account number is not known, the principal amount shall be retained by the Issuer for collection by the Bondholder or remittance when the bank account number of the said Bondholder is made known to the Issuer. In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment, the Issuer and/or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.

Payment of interest on a Bond will be made in Euro to the person in whose name such Bond is registered as at the close of business 15 days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate from time to time. Such payment shall be effected within seven 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 Bonds are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable fiscal or other laws and regulations. In particular, but without limitation, all payments by the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed or levied by or on behalf of the Government of Malta or authority thereof or therein having power to tax.

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

7.10 Events of Default

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

- (a) the Issuer shall fail to pay any interest on any Bond when due and such failure shall continue for 60 days after written notice thereof shall have been given to the Issuer by any Bondholder; or
- (b) the Issuer shall fail duly to perform or shall otherwise be in breach of any other material obligation contained in the Terms and Conditions of the Bonds and such failure shall continue for 60 days after written notice thereof shall have been given to the Issuer by any Bondholder; or
- (c) an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer; or
- (d) the Issuer stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or ceases or threatens to cease to carry on its business or a substantial part of its business; or
- (e) the Issuer is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent; or
- (f) there shall have been entered against the Issuer a final judgment by a court of competent jurisdiction from which no appeal may be or is taken for the payment of money, which payment of money has a material impact on the balance sheet of the Issuer and 90 days shall have passed since the date of entry of such judgment without its having been satisfied or stayed; or
- (g) any default occurs and continues for 90 days under any contract or document relating to any Financial Indebtedness (as defined above) of the Issuer which has a material impact in the Statement of Financial Position of the Issuer.

7.11 Transferability of the Bonds

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

7.11.2 Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD, a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered, he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.

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

7.11.4 The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer.

7.11.5 The Issuer will not register the transfer or transmission of Bonds for a period of 15 days preceding the due date for any payment of interest on the Bonds.

7.12 Further Issues

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further bonds, notes, debentures or any other debt securities ranking *pari passu* in all respects with the Bonds.

7.13 Meetings of Bondholders

The Terms and Conditions relating to the Bonds may be amended by the Issuer with the approval of Bondholders at a meeting called for that purpose in accordance with the terms hereunder.

7.13.1 The Issuer may from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting.

7.13.2 A meeting of Bondholders shall be called by the Directors by giving all Bondholders listed on the register of Bondholders as at a date being not more than 30 days preceding the date scheduled for the meeting, not less than 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 7.13 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

7.13.3 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, including any of the Terms and Conditions, may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.

7.13.4 A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose at least two 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 30 minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven days, and not later than 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.

7.13.5 Any person who in accordance with the Memorandum and Articles of Association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.

7.13.6 Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting, the directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that

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

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

7.13.8 The proposal placed by the Issuer before a meeting of Bondholders shall only be considered approved if a majority 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.

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

7.14 Authorisations and Approvals

7.14.1 The Board of Directors of the Issuer authorised the issue of Bonds pursuant to a board of directors' resolution passed on 23 April 2014.

7.14.2 The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 5 May 2014.

7.14.3 Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to this Prospectus to be listed and traded on the Official List of the Malta Stock Exchange.

7.14.4 The Bonds are expected to be admitted to the Malta Stock Exchange with effect from 16 June 2014, and trading is expected to commence on 17 June 2014.

7.15 Issue Date

The issue date of the Bonds is expected to be 16 June 2014.

7.16 Bonds held Jointly

In respect of a Bond held jointly by several persons, the joint holders shall nominate one of their number as their representative and his/her name will be entered in the register with such designation. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond so held. In the absence of such nomination and until such nomination is made, the person first named on the register in respect of such Bond shall, for all intents and purposes, be deemed to be the registered holder of the Bond so held.

7.17 Governing Law and Jurisdiction

The Bonds are governed by and shall be construed in accordance with Maltese law.

Any suit, action or proceeding against the Issuer with respect to a Bond shall exclusively be brought against it in the Maltese Courts.

7.18 Notices

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of 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.

7.19 Plan of Distribution and Allotment

The Bonds are open for subscription to all categories of investors. In each case, subscription amounts shall be in integral multiples of €100, subject to a minimum subscription amount of €2,000.

It is expected that an allotment advice to Applicants will be dispatched within five Business Days of the announcement of the allocation policy. The registration advice and other documents and any monies returnable to Authorised Financial Intermediaries may be retained pending clearance of the remittance and any verification of identity as required by the Prevention of Money Laundering Act, 1994 (and regulations made thereunder). Such monies will not bear interest while retained as aforesaid.

Dealing shall commence on the first business day following the admission to trading of the Bonds by the MSE, and subsequent to the above mentioned notification.

7.20 Private Placement Agreements

The Issuer has entered into Private Placement Agreements with the Sponsors for the subscription of €10,000,000 in value of Bonds.

In terms of each Private Placement Agreement entered into with the Sponsors, the Issuer bound itself to issue, and the Sponsors bound themselves to subscribe for €5,000,000 in value of Bonds each subject to:

- (a) the Prospectus being approved by the Listing Authority;
- (b) the Minimum Amount being subscribed; and
- (c) the Bonds being admitted to trading on the Official List of the Malta Stock Exchange.

In terms of the Private Placement Agreement, the Sponsors subscribing for Bonds may do so for their own account or for the account of underlying customers, including retail customers, and shall in addition be entitled to either:

- (i) distribute to the underlying customers any portion of the Bonds subscribed for upon commencement of trading; or
- (ii) instruct the Issuer and the Registrar to allocate a portion of the Bonds subscribed by them directly to their underlying customers.

7.21 Allocation

Following the allocation of €10,000,000 of the Bonds pursuant to the Private Placement Agreements referred to in Section 7.20 above, the Issuer shall allocate the remaining Bonds on the basis of the following policy and order of priority:

- (i) Up to an aggregate amount of €2,500,000 of the Bonds shall first be allocated to Existing Shareholders and IHG Group Employees applying for Bonds by submitting Application Form "B";
- (ii) Following the allocations referred to in paragraph (i) hereof, any remaining Bonds shall be allocated to Applications submitted by the general public without priority or preference and in accordance with the allocation policy as determined by the Issuer and the Registrar by submitting Application Form "A".

8 TAXATION

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 investors 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.

8.1 Maltese Taxation 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, 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, 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. However, where the Bondholder is a Maltese resident individual, he or she is still entitled to declare the gross interest in the tax return and the tax so deducted shall be available as a credit against that individual's tax liability or for a refund as the case may be.

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.

8.2 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.

8.3 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, as is the MSE, redemptions and transfers of the Bonds are exempt from Maltese duty on documents and transfers.

8.4 European Union Savings Directive

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 Malta Commissioner of Inland Revenue 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 EU Savings Directive 2003/48/EC.

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.

9 EXPECTED TIMETABLE OF THE BOND ISSUE

Availability of Application Forms	12 May 2014
Private Placement Date	23 May 2014
Opening of Subscription Lists	26 May 2014
Closing of Subscription Lists	30 May 2014
Announcement of basis of acceptance	6 June 2014
Expected dispatch of allotment advices and refunds of unallocated monies	13 June 2014
Expected date of admission of the Bond to the listing and Commencement of interest	16 June 2014
Expected date of commencement of trading in the Bonds	17 June 2014

The Issuer reserves the right to close the issue of Bonds before 30 May 2014 in the event of over-subscription, in which case, the events set out in steps 5 to 8 above shall be brought forward, although the number of workings days between the respective events shall not also be altered.

10 TERMS AND CONDITIONS OF APPLICATION

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

10.2 If the Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have bound his principal, or the relative corporation, corporate entity, or association of persons and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such intermediary may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Registrar.

10.3 In the case of joint Applications, reference to the Applicant in these terms and conditions is a reference to each Applicant, and liability therefore is joint and several. In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed, *vis-à-vis* the Issuer, to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner.

10.4 The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.

10.5 No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.

10.6 It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

10.7 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 Bondholders at his registered address and posted. Save where the context requires otherwise, terms defined in the Prospectus bear the same meaning when used in the Application Form and in any other document issued pursuant to the Prospectus.

10.8 The Bonds will be issued as EUR Bonds. The amount of the Bond Issue is €35,000,000. The Bonds have been assigned the following ISIN MT0000481227.

10.9 The subscription lists during the Issue Period will open at 08.30 hours on 26 May 2014 and will close as soon thereafter as may be determined by the Issuer but in any event no later than 12.00 hours on 30 May 2014. Any person, whether natural or legal, shall be eligible to submit an Application, and any one person, whether directly or indirectly, should not submit more than one Application Form. In the case of corporate Applicants or Applicants having separate legal personality, the Application Form must be signed by a person authorised to sign and bind such Applicant. It shall not be incumbent on the Issuer or the Registrar to verify whether the person or persons purporting to bind such an Applicant is or are in fact authorised.

10.10 Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents/legal guardian/s signing the Application Form until such time as the minor attains the age of 18 years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of 18 years. In the case of joint Applications, the joint holders shall nominate one of their number as their representative and his/her name will be entered in the register with such designation. The person whose name shall be inserted in the field entitled "*Applicant*" on the Application Form, or first named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "*Additional Applicants*" in the Application Form or joint holders in the register as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

10.11 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.

10.12 If any Application is not accepted, or if any Application is accepted for fewer Bonds than those applied for, the Application monies or the balance of the amount paid on Application will be returned by the Issuer without interest by direct credit into the Bondholder's bank account as indicated by the Bondholder on the Application Form. The Issuer shall not be responsible for any loss or delay in transmission.

10.13 The Bonds will be issued in multiples of €100. The minimum subscription amount of Bonds that can be subscribed for is €2,000.

10.14 The completed Application Forms are to be lodged with any of the sponsors or any of the Authorised Financial Intermediaries.

10.15 All Application Forms must be accompanied by the full price of the Bonds applied for in EUR. Payment may be made either in cash or by cheque payable to "The Registrar – 2014 IHGH Bonds". In the event that cheques accompanying Application Forms are not honoured on their first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application.

10.16 Within 5 Business Days from the closing of the subscription lists, the Issuer shall announce the results of the Issue and determine and announce the basis of acceptance of applications and the allocation policy to be adopted by means of an announcement in the media.

10.17 For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2003 as amended from time to time, all appointed Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the "Code of Conduct for Members of the Malta Stock Exchange" appended as Appendix IV to Chapter 3 of the Malta Stock Exchange Bye-Laws, irrespective of whether the said appointed Authorised Financial Intermediaries are Malta Stock 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 Malta Stock Exchange Data Protection Policy as published from time to time.

10.18 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 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, and any verification of identity as required by the Prevention of Money Laundering Act 1994 (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 Curmi & Partners Ltd. and Rizzo, Farrugia & Co (Stockbrokers) Ltd will not, in their respective capacity of Lead Sponsor and Sponsor respectively, treat the Applicant as its respective customer by virtue of such Applicant making an Application for the Bonds, and that Curmi & Partners Ltd. and Rizzo, Farrugia & Co (Stockbrokers) Ltd respectively will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their appropriateness and 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; and

- (m) warrants that the information given for the purpose of completing such Appropriateness Test was not incorrect or misleading.

11 ADMISSION TO TRADING AND DEALING ARRANGEMENTS

Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List. The Conditions contained herein shall be read in conjunction with the Bye-Laws of the MSE applicable from time to time.

12 THIRD PARTY INFORMATION AND EXPERTS' STATEMENTS

Save for the valuation reports prepared in relation to the sites referred to in Section 16 of the Registration Document "*Property Valuation Reports*" and referred to in Section 13 below "*Documents on Display*" and the financial analysis summary set out as Annex I of this Securities Note, the Prospectus does not contain any statement or report attributed to any person as an expert.

The financial analysis summary has been included and the valuation reports have been put on display, in the form and context in which they appear with the authorisation of Curmi & Partners Ltd. and iAS - Innovative Architectural Structures Limited, which have given and have not withdrawn their respective consent to the inclusion or display of such reports. Curmi & Partners Ltd. and iAS - Innovative Architectural Structures Limited do not have any material interest in the Issuer.

The Issuer confirms that the information sourced from third parties or referred to and contained in this Prospectus, has been accurately reproduced in the Prospectus 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.

13 DOCUMENTS ON DISPLAY

For the duration period of the Prospectus the following documents shall be available for inspection at the registered office of the Company:

- (a) Memorandum and Articles of Association of the Company;
- (b) the Historical Consolidated Financial Information of the Issuer for each of the financial years ended 31 October 2011, 2012 and 2013;
- (c) the Historical Financial Information of:
 - (i) each to the Subsidiaries (other than Bay Point Collection) for each of the financial years ended 31 October 2011, 2012 and 2013;
 - (ii) Bay Point Collection for financial year ended 31 October 2013;
- (d) the letter of confirmation drawn up by Deloitte Audit Limited dated 25 April 2014; and
- (e) independent expert's property valuation reports prepared at the Issuer's request in respect of the sites referred to in Section 16 of the Registration Document "*Property Valuation Reports*" prepared by Arch. Peter Zammit of iAS - Innovative Architectural Structures Limited dated 15 April 2014.

Annex I - Financial Analysis Summary

Island Hotels Group Holdings p.l.c.
Financial Analysis Summary

06 May 2014

The Directors
Island Hotels Group Holdings p.l.c.
Radisson Blu Resort
Louis V. Farrugia Str,
St George's Bay,
St Julians. STJ 3391.
Malta

Dear Sirs

Island Hotels Group Holdings p.l.c. – 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. A copy of this report is also attached to this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Island Hotels Group Holdings p.l.c. ("the Issuer"). The data is derived from various sources, as disclosed, or is based on our own computations as follows:

- (i) Historical financial data for the three years ended 31 October 2011, 31 October 2012 and 31 October 2013 have been extracted from the Issuer's audited statutory financial statements for the three years in question.
- (ii) The forecast data for the financial year ending 31 October 2014 and the projected data for the year ending 31 October 2015 have been extracted from the Issuer's financial projections as prepared by the directors of the Issuer.
- (iii) Our commentary on the results of the Issuer and on its financial position is based on the explanations set out by the Issuer in the Prospectus.
- (iv) The ratios quoted in the following pages have been computed by us applying the definitions set out in Part 6 of the Analysis.
- (v) The principal relevant market players listed in Part 5 of the Financial Analysis Summary have been identified by ourselves. The relevant financial data in respect of such companies has been sourced from publicly available information, mainly the companies' financial statements.

The Analysis in the following pages is meant to assist potential investors by summarising the more important financial data set out in the Prospectus. The Analysis does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. Nor does the Analysis constitute an endorsement by our firm of the proposed Bond Issue and should not be interpreted as a recommendation to invest in the Bonds. We shall not accept any liability for any loss or damage arising out of the use of the analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. As with all investments, potential investors are encouraged to seek professional advice before investing in the Bonds.

Yours sincerely



David Curmi

Table of Contents

1. OVERVIEW OF THE GROUP	2
1.1 History and Development	2
1.2 Shareholding	4
1.3 Organisational Structure	4
1.4 Key Activities	5
1.4.1 Hospitality and Vacation Ownership	5
1.4.2 Catering	6
1.5 Directors	7
2. MAJOR ASSETS OF THE GROUP	8
2.1 Bay Point	8
2.2 Golden Sands	10
2.3 Coastline	11
2.4 Island Caterers	12
2.4.1 Montekristo Estates Limited	13
2.5 Buttigieg Holdings Ltd	14
2.6 Costa Coffee	15
2.7 Valuations of Land and Buildings	16
3. PROPOSED BOND ISSUE AND SALE OF COASTLINE	17
4. PERFORMANCE AND FINANCIAL POSITION OF THE GROUP	18
4.1 Statements of Profit or Loss and Other Comprehensive Income	18
4.2 Statements of Cash Flows	20
4.3 Statements of Financial Position	22
4.4 Borrowings and Securities in Issue	24
4.5 Evaluation of Performance and Financial Position	25
5. COMPARABLES	30
6. GLOSSARY	32

1. OVERVIEW OF THE GROUP

1.1 History and Development

Island Hotels Group Holdings p.l.c. (“Issuer” or “Company”), is a public limited liability company that was established in 2008 for the purpose of acquiring the businesses of the subsidiaries and the affiliates that today form part of the Island Hotels Group (“IHG” or “the Group”). The Issuer is the holding company of the Group. It acts as an investment vehicle, investing in a number of subsidiaries and affiliates through which Group operations are performed.

The business of IHG mainly relates to the ownership, management and operation of five-star hotels in Malta, the operation of a vacation ownership marketing business, the operation of a retail and event catering business, and the development and operation of Costa Coffee outlets in Malta and certain parts of Spain. IHG also owns a plot of land measuring 83,000m², located next to the Golden Bay, Mellieha, with permits to develop this land into a luxury tourist complex.

Established in 1987 with a single 200-bed hotel and employing twenty personnel, the Group developed over the last 27 years to become a leading player in the leisure, and hospitality and catering industry in Malta, managing a bed stock in excess of 1,450 beds across 2 hotel properties and employing just under 1,000 personnel (including part time equivalents) in its core hotel and catering operations.

Key historical developments include the following:

1987	Commencement of operations with the 200-bed hotel, Bugibba Holiday Complex, through the formation of a partnership between T.M.C. Limited and Vassallo Builders Group
1992	Island Caterers Ltd. (“Island Caterers”) was set up to provide event catering services, quickly becoming established as a premier caterer and events planner in Malta.
1994	The Group opened its first fully-owned hotel, the 207-room four-star Coastline Hotel (“Coastline”) in Salina Bay on a site acquired two years earlier.
1997	The Radisson Blu Resort, St Julians (“Bay Point”), opened its doors in May 1997 as a deluxe, five-star hotel located in Malta’s premier leisure and entertainment area of St Julian’s.

2005	The Radisson Blu Resort & Spa, Golden Sands (“Golden Sands”) commenced operations when it hosted the Commonwealth Heads of Government Meeting. The 330-room hotel developed as a luxury five-star hotel and vacation ownership resort in collaboration with Mayfair Overseas Holdings Limited (“Mayfair”), a company specialising in upscale vacation ownership. This resort operates under a franchise agreement with the Rezidor Hotel Group.
2008	The Group sold the Bugibba Holiday Complex.
2009	Offer of a total of 17,200,600 ordinary shares to the general public and listing of the shares of the Issuer on the Malta Stock Exchange. Issue of a total of 140,000 6.5% Island Hotels Group Holdings plc € bonds 2017-2019
2009	The Issuer was the sole tenderer for the development of land and property situated at Hal-Ferh, in response to a tender issued by the Government of Malta. In December 2009, the transaction was completed pursuant to which the Issuer acquired the perpetual emphyteusis over a tract of land adjacent to Golden Sands.
2011	In June 2011 Island Caterers acquired 50% of the share capital of Buttigieg Holdings Limited (“Buttigieg Holdings”), a company operating mainly in the retail and contract catering sector under the brand of Papillon Caterers.
2012	Buttigieg Holdings, entered into a franchise agreement with Costa International Limited granting exclusive development and operating rights for the Costa Coffee brand in Malta. The Coffee Company Malta Ltd, opened its first Costa Coffee outlet at Malta’s International Airport. During this year, Island Caterers also acquired 50% of Montekristo Estates Limited, the operator of Montekristo Estates.
2013	The Malta Environment and Planning Authority (“MEPA”) approved the application that had been submitted for the project of Oasis at Golden Sands. The site will be developed through the Issuer’s affiliate, The Heavenly Collection Limited.
2014	Following an international tender, the Group was awarded the right to develop the Costa Coffee brand in the East Coast of Spain, the Balearic Islands and the Canary Islands. The group sold its 100% equity holding in Coastline Hotel Limited to Claret Holdings Limited, a language school operator.

1.2 Shareholding

The authorised share capital of the Company is €40,000,000 divided into 40,000,000 ordinary shares of a nominal value of €1 each share. The issued share capital of the Company is €36,583,660 divided into 36,583,660 ordinary shares of €1 each share. The Issuer's ordinary shares were first admitted to the Official List of the MSE on the 7th October 2009, and trading commenced on the 8th October 2009.

More than 8% of the Issuer's authorised share capital remains unissued. However, in terms of the Issuer's Memorandum and Articles of Association, the Issuer may not issue shares which would dilute a substantial interest without the approval of the shareholders in a general meeting.

The following are the major shareholders:

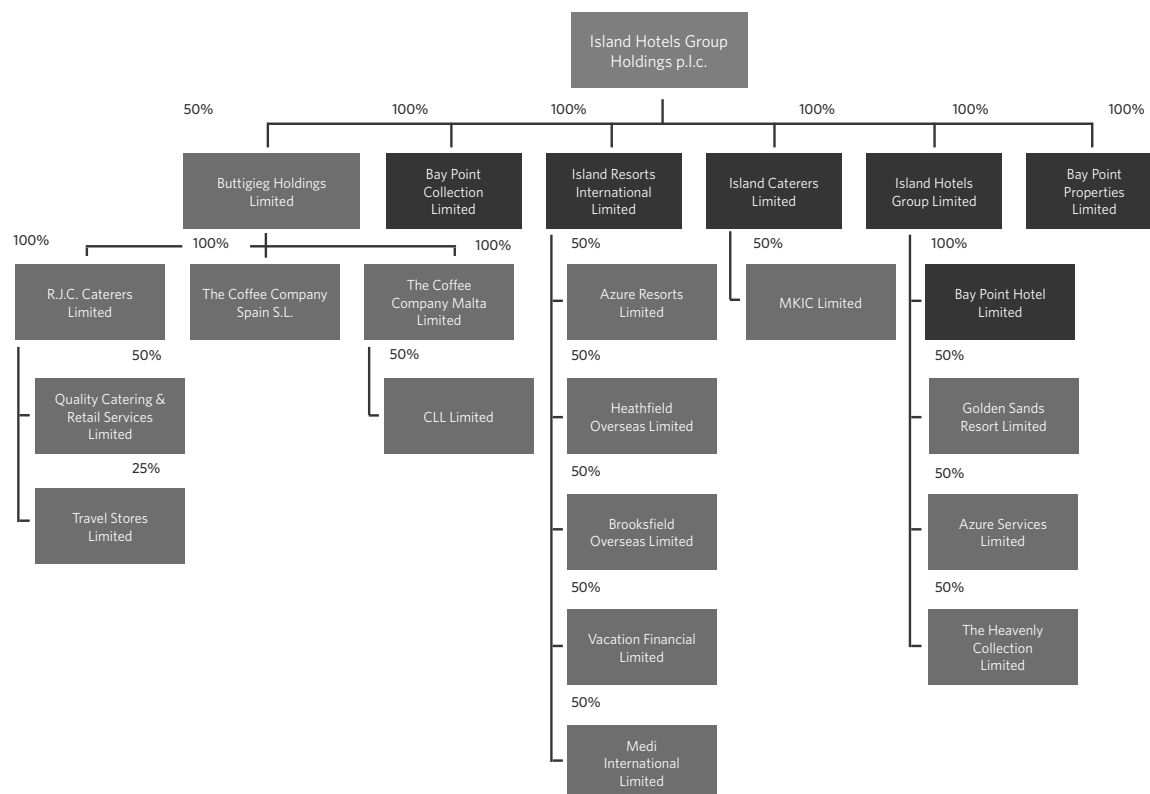
Shareholder	Number of shares	%
T.M.C. Limited (C6720)	17,634,600	48.20
Double You Limited (C25234)	4,408,650	12.05
T Limited (C25235)	4,408,650	12.05

The above shareholders are controlled by members of the Zahra family as follows:

T.M.C. Limited	Winston V & Doris Zahra 60%; Double You Limited 20%; T Limited 20%
Double You Limited	Winston J Zahra 100%
T Limited	Trevor E Zahra 100%

1.3 Organisational Structure

The organisational structure of the Group is illustrated in the diagram below. As the holding company of the Group, the Issuer is ultimately dependent upon the operations and performance of its subsidiaries, affiliates and their respective operations.



1.4 Key Activities

IHG's activities may be grouped into two broad categories: hospitality (including vacation ownership) and catering.

1.4.1 Hospitality and Vacation Ownership

The activities of the Group in the hospitality sector consist of the ownership, management and operation of five-star hotels in Malta, and the operation of a vacation ownership business.

Five-star hotels

The main focus in the five-star hotel sector is to reposition the Radisson Blu Resort, St Julian's to be aligned with the top performers within its segment. In this respect, the Group is planning a total investment of €16 million into this property.

Plans for the hotel involve the construction of a stand-alone conference centre adjacent to the hotel, and the construction of two additional floors increasing the number of guest rooms to 290. This project is scheduled to start in November 2014 and is intended to be completed within eight months for the refurbished property to re-open in summer 2015. Construction will take place throughout the winter period, with the objective of minimising the negative impact of closing the property.

IHG's other principal five-star asset is the Radisson Blu Resort & Spa, Golden Sands, which is a high end luxury property. The Group will continue to invest in the upkeep of this asset in order to ensure it retains its current position. Management believes that the business model used at Golden Sands, with a mix of vacation ownership and traditional hotel business has worked well over the first eight years of operation. It is expected that this model will continue to be used in the foreseeable future.

In 2013, the Group obtained development permits for the 83,000m² adjacent to the Golden Sands Resort. Plans are for the construction of 176 units and 12 pavilions covering approximately 20% of the site's footprint with over 80% of the site being dedicated to landscaping.

Vacation Ownership

The vacation ownership sector continues to be a pivotal part of the Group's income stream and will continue to be developed within the five-star properties of the Group. As the travel agent and tour operating arm for Radisson Blu Golden Sands Resort & Spa, Azure Limited is expected to retain focus on its main target market, the U.K. Azure will expand the sales and marketing operation to other jurisdictions, particularly in the European continent, only if it is clear that opportunities arise in those jurisdictions.

The group is also selling vacation ownership units at the Radisson Blu Resort St Julians under a newly incorporated company, The Bay Point Collection. Plans are to convert a total of 45 rooms to be allocated under the vacation ownership concept which are expected to add to the returns of this property over the coming years.

1.4.2 Catering

Event Catering Business

The Group, through Island Caterers, operates a successful event catering business and has over the years been implementing a strategy of offering innovative food products and events at high quality unique venues. Since inception, clients have included many international blue chip companies, local corporates, and heads of state. Island Caterers caters at a variety of events including weddings, receptions, and conference and incentive events. It has pioneered

the use of local historical sites such as the Mediterranean Conference Centre, Villa Bologna and the Saluting Battery in Valletta, and also manages the venues located within the Group's hotels. Going forward, management expects to remain a leading operator in this segment.

The Group will also continue to build on the work done to develop the Montekristo Estates, a complex near the villages of Luqa and Siggiewi, into the most sought after event and exhibition centres on the island. This is being done through its 50% joint venture with Montekristo Estates Limited.

Retail Catering Business

IHG has been targeting growth in the catering sector also by expanding into contract and retail catering. The acquisition of 50% of the share capital of Buttigieg Holdings in 2011 reflected this Group objective. Buttigieg Holdings is the main shareholder of R.J.C. Caterers Limited, which operates the Papillon catering and retail outlets including a concession at the Malta International Airport, Luqa and Mater Dei Hospital at Tal-Qroqq.

As part of the Group's vision of securing an internationally recognised retail catering brand, Buttigieg Holdings signed a 10-year agreement with Costa Coffee International Limited for the development of Costa Coffee retail outlets in Malta. Since this agreement was signed, the Group has opened 5 retail outlets and has plans to open a further 5 outlets by 2015.

In line with its strategy of expansion overseas, earlier this year the Group signed an agreement with Costa International Limited for the development and roll out of the Costa Coffee outlets in the East Coast of Spain, the Balearic Islands and the Canary Islands. IHG plans to open 3 outlets in Spain before the end of the year, and another seven in 2015. Furthermore the Group plans to reach 58 outlets in these regions by 2019. The full development agreement allows for up to 75 outlets to be opened in the region. However, currently Costa Spain projections envisage the opening of 58 outlets over a 5-year period. Similarly to the business model adopted in Malta, the Group will be leasing premises for the outlets and is not expecting to acquire any properties for this business, allowing for greater operational and financial flexibility.

1.5 Directors

The board of directors of the Company consists of seven directors who are entrusted with setting the overall direction and strategy of the Company.

As at the date of this Financial Analysis Summary, the Board of Directors of the Issuer is constituted as follows:

Winston V. Zahra	Chairman
Winston J. Zahra	Chief Executive Officer
Trevor Zahra	Non-Executive Director
William Hancock	Non-Executive Director
Gary Alexander Neville	Non-Executive Director
John L. Bonello	Non-Executive Director
Michael C. Bonello	Non-Executive Director

The Group currently employs just under 1,000 employees (including part-time equivalents).

2. MAJOR ASSETS OF THE GROUP

2.1 Bay Point

The major asset of Bay Point Hotel Limited is the Bay Point in St Julian's, which it fully owns. This is a five-star hotel offering accommodation and services to a wide range of guests, including leisure, conference and incentive travel groups. Facilities include a business club, conference facilities, and a ballroom. Whilst Bay Point has a good standing in the corporate hospitality trade, there have been ongoing efforts over recent years to expand conference amenities.

Bay Point	2011	2012	2013	2014	2015
<i>Financial highlights (€000) - 31st October</i>	Actual	Actual	Actual	Forecast	Projection
Revenue	9,402	9,157	10,026	10,859	5,861
EBITDA	1,801	1,782	2,162	2,264	1,598

Source: Management; Due Diligence Report

The operating performance of Bay Point during the period 2011-2013 was relatively consistent, generating Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") of €1.8 million or above, in each of the years under review. Revenues decreased in 2012, even though EBITDA was basically unchanged for that year. A decrease in Food and Beverage ("F&B") sales was mainly attributable to the lower margin component of the F&B business. Additionally, there was a proportionate decrease in staff costs, enabling Bay Point to preserve margins. During 2013, all business areas achieved growth, with results significantly enhanced by the additional contribution of vacation ownership sales. EBITDA increased by more than 20% to €2.2 million.

Bay Point will undergo a complete refurbishment commencing in late 2014. This will result

in the addition of another 2 floors, containing 45 new rooms. Of the new rooms, 28 will be allocated to vacation ownership, expanding the total vacation ownership complement to 45 rooms. Additionally, the refurbishment will significantly enhance conference facilities. In turn, this is expected to attract more interest from the international events and conferences segment, which generates better margins. Due to the refurbishment works, the hotel will be closed for 8 months between 1st November 2014 and 30th June 2015. The MEPA application for the additional two floors at Bay Point is in process and management expects full approval within the coming months.

Revenues and EBITDA are expected to rise to €10.9 million and €2.3 million respectively during 2014, primarily driven by an increasing contribution of vacation ownership. The hotel is expected to reopen by summer 2015, thus capturing flows during the busiest time of the year for the industry. Additionally, management expects that most excess staff during the closure period will contribute to the refurbishment process, with these wages being capitalised.

Bay Point	2011	2012	2013	2014	2015
<i>KPIs</i>	Actual	Actual	Actual	Forecast	Projection
Benchmark Performance					
Occupancy level	71%	72%	72%		
Average Achieved Room Rate (AARR) (€)	101	105	111		
Revenue per available room (RevPAR) (€)	118	123	130		
Bay Point Performance					
Available rooms	252	252	252	245	290
Occupancy	71%	69%	69%	72%	74%
AARR - Hotel (€)	84.9	86.4	90.4	90.7	132.0
AARR - Vacation ownership (€)	n/a	n/a	n/a	43.9	43.9
AARR - Fly Buys (€)	n/a	n/a	n/a	n/a	55.0
Overall AARR (€)	84.9	86.4	90.4	89.6	117.5
Non-accomm Revenue per occupied room (RevPOR) (€)	60.1	57.9	60.5	59.1	56.7
Total REVPOR (€)	145.0	144.2	150.9	148.8	174.2
RevPAR (including Vacation ownership sales) (€)	103	100	109	121	164

Source: Management; Due Diligence Report

Bay Point's occupancy and room rate levels achieved over the review period are below its competitive set - the five-star sector in the Sliema/St Julian's area. Whilst occupancy was only slightly below peers during the last three years, the underperformance of the hotel in terms of the average room rate is more evident. Management expects the refurbishment of this asset to increase achievable rates significantly, and to raise it closer to the upper quartile for the five-star sector in its region. It is expected that the enhancement to the physical premises will provide a further boost to the already well-established reputation in terms of customer services and F&B quality. The investment will also establish conference facilities, and this is expected to improve the business mix offered at Bay Point. On this basis, both the Average Achieved Room Rate ("AARR") and Revenue per Available Room ("RevPAR") are expected to increase following the refurbishment.

2.2 Golden Sands

The Radisson Blu Resort & Spa, Golden Sands, is owned and operated by Golden Sands Resort Ltd. It is a deluxe, five-star property in Golden Bay, Ghajn Tuffieha. The resort contains 329 rooms and suites, with facilities including extensive leisure and conference amenities. Golden Sands also incorporates upscale vacation ownership accommodation.

A proportion of all occupied rooms are allocated on the basis of the vacation club model. This mix of rooms would normally be 80% timeshare guests and 20% attending a promotional tour. The vacation ownership business, including both sales and maintenance fees, accounted for 67% of total revenues in 2013.

Golden Sands	2011	2012	2013	2014	2015
<i>Financial highlights (€000) - 31st October</i>	Actual	Actual	Actual	Forecast	Projection
Revenue	23,591	25,301	27,079	27,226	28,034
EBITDA	5,199	5,440	7,177	7,413	7,698

Source: Management; Due Diligence Report

Golden Sands achieved growth in both revenues and EBITDA throughout the period 2011-2013. During 2012, in addition to growth in vacation ownership sales, a shift towards increased conference business boosted also F&B revenue due to the higher average spending of guests. A particularly strong year in terms of vacation ownership sales drove growth in 2013, with revenue rising to €27.1 million. Margins also improved, boosted by cost cutting efforts. Revenue is expected to reach €27.2 million in 2014, with vacation ownership sales projected to decrease slightly in 2014. The expected lower vacation ownership costs for 2014 reflect the full year impact of initiatives implemented in 2013.

In the overview of Golden Sands' performance a distinction is made between the "pure" hotel accommodation business and the vacation ownership business, where relevant. The occupancy benchmark is compared to the overall hotel occupancy, with the AARR comparison only taking into account the hotel component since vacation ownership usage is not comparable using this measure. Due to the lack of five-star hotels in the same area of Golden Sands, the asset's results are compared to the benchmark of all five-star hotels in Malta.

Golden Sands	2011	2012	2013	2014	2015
<i>KPIs</i>	Actual	Actual	Actual	Forecast	Projection
Benchmark Performance					
Occupancy level	68%	68%	69%		
Average Achieved Room Rate (AARR) (€)	100	104	110		
Revenue per available room (RevPAR) (€)	113	117	124		
Golden Sands Performance					
Available rooms	330	329	329	329	329
Overall occupancy	68%	66%	68%	68%	68%
AARR- Hotel (€)	100.9	109.4	110.4	111.7	114.5
AARR - Vacation ownership (€)	79.6	80.0	74.2	78.9	83.8
AARR - Fly Buys (€)	95.1	112.9	64.9	67.1	68.8
Overall AARR (€)	82.3	84.7	84.9	88.1	91.8
Non-accomm Revenue per occupied room (RevPOR) (€)	60.6	65.6	63.8	70.4	72.2
Total REVPOR (€)	142.9	150.3	148.7	158.5	164.0
RevPAR (excluding Vacation ownership sales) (€)	97	100	101	107	111
RevPAR (including Vacation ownership sales) (€)	196	210	226	227	233

Source: Management; Due Diligence Report

During recent years, overall occupancy has generally kept up with industry average. The hotel AARR increased and was generally slightly above the average of the five-star market. The overall RevPAR, including the contribution from vacation ownership, was considerably higher than industry average. Vacation ownership sales are expected to decrease slightly in 2014 and increase annually at 2.5% thereafter, whilst occupancy levels are projected to remain flat going forward.

2.3 Coastline

In February 2014 the Group announced that it entered into a promise of sale agreement for the sale of the Coastline Hotel for €14 million to a language school operator. The sale agreement was signed on the 2nd May 2014. This divestment is in line with the strategy to focus on the five-star segment within the local hotel industry.

This four-star, 207-room hotel was the first fully-owned hotel in the Group's portfolio. The group leisure sector was the core market for the Coastline. In recent years, Coastline's results were negatively impacted by the economic situation in the UK and by rises in staff costs reflecting diseconomies of scale. On the basis of these trends, occupancy decreased and the hotel reported an erosion of EBITDA and operating profit.

Coastline	2011	2012	2013	2014
<i>Financial highlights (€000) - 31st October</i>	Actual	Actual	Actual	Forecast
Revenue	4,024	3,661	3,734	1,289
EBITDA	762	644	572	(350)

Source: Management; Due Diligence Report

The projections reflect the disposal of the Coastline by end April 2014. Whilst the Group is expected to retain a food and beverage service agreement with Coastline post-disposal, management has assumed that such agreement would be at break-even and has not factored in the revenue and costs from such operation beyond March 2014. Management commented that the sale of this asset is in line with the Group's current strategy to focus its hospitality efforts on the higher end segment of the market. The proceeds of the sale will be used to contribute to the continued development of the group in this area as well as the other core activities of the group including vacation ownership, high-end event catering and the development of the Costa Coffee brand locally and internationally.

Coastline	2011	2012	2013	2014
<i>KPIs</i>	Actual	Actual	Actual	Forecast
Benchmark Performance				
Occupancy level	75%	72%	72%	
Average Achieved Room Rate (ARR) (€)	38	41	43	
Revenue per available room (RevPAR) (€)	53	48	55	
Coastline Performance				
Available rooms	207	207	207	
Occupancy	63%	54%	54%	
AARR (€)	47.0	50.9	48.1	
Non-accomm REVPOR (€)	37.5	39.0	43.8	
Total REVPOR (€)	84.5	89.9	91.9	
RevPAR (€)	53.3	48.3	49.4	

Source: Management; Due Diligence Report

2.4 Island Caterers

Island Caterers is a leading caterer and events planner. Since inception in 1992, it has serviced more than 10,000 events, ranging from large-scale international conferences to small corporate functions and family gatherings. The company also acts as an event planner, operating as a one-stop solution to event planning and hosting in addition to the catering.

Island Caterers' leading market position is reflected in its role as an exclusive caterer at several prominent venues. These include Razzett l-Abjad, Fondazjoni Wirt Artna, the Mediterranean Conference Centre, Montekristo Estates, Ta' Frenc in Gozo, in addition to the Golden Sands, Bay Point, and Coastline.

This business has been relatively stable in terms of revenue during the review period, driven by the weddings sector. During 2013, revenue amounted to €4.2 million. However, cost savings by corporate clients is leading to pressures on revenues from the business sectors. Price competition has become more intense and staff costs have risen. These trends have put margins under pressure.

Revenue in 2014 is expected to be in line with last year, with a slight shift in the sales mix towards more weddings and Destination Management Company (“DMC”) business offsetting a decrease in other revenue streams. With operating costs expected to rise more gradually than revenues, margins are generally expected to recover going forward.

Island Caterers	2011	2012	2013	2014	2015
<i>Financial Highlights (€000) - 31st October</i>	Actual	Actual	Actual	Forecast	Projection
Revenue	4,246	4,012	4,162	4,176	4,304
EBITDA	289	156	149	367	386

Source: Management; Due Diligence Report

2.4.1 Montekristo Estates Limited

Island Caterers Ltd owns 50% of Montekristo Estates Limited. This company handles the operation at Montekristo Estates in Luqa. These premises include vineyards, a winery, and a number of indoor and outdoor venues covering an area of over 300,000m². Services include wedding receptions, private and corporate events including Conference and Incentive Travel (“CIT”) and DMC events, and a pizzeria.

The venue was taken over in mid-2012 and in its initial years of operation it has sustained losses as a result of a low level of activity. However, management is of the view that the Montekristo Estates have significant upside potential. This is a relatively new site and significant improvements have been implemented. It is expected to establish itself as a new venue for fairs and exhibitions. Management expects the asset to gain momentum and sales for 2014 are budgeted at €2.3 million resulting in a break-even EBITDA position.

2.5 Buttigieg Holdings Ltd

In June 2011 IHG announced the acquisition of 50% of the share capital of Buttigieg Holdings Limited, a company operating mainly in the retail and contract catering sector. The objective is to increase revenue levels by exploiting market opportunities more effectively, both locally and overseas, and to take advantage of synergies from combined resources. This combination is also enabling the Group to access new market segments, mainly the retail catering and the contract catering markets. Apart from increasing revenues and profitability, Buttigieg Holdings provided a central production unit, further streamlining the food production process.

Management is expecting that the Issuer will exercise its option to acquire the remaining 50% of Buttigieg Holdings Limited in May 2014, thereby obtaining full ownership of the Buttigieg Holdings group. The acquisition is expected to amount to €2.5 million including taxes and related costs and the Group's share of the overdraft, to be funded from operating cash flows. This investment reflects IHG's commitment towards the development of the retail catering segment through the expansion of the Costa business.

Buttigieg Holdings' major operations include:

- Coffee Company Malta Ltd: a wholly owned subsidiary that operates the Costa Coffee franchise in Malta. The Group is in the process of setting up a new company in Spain to operate the franchise in certain parts of the country
- Mater Dei Hospital: catering contract
- A central processing unit ("CPU") selling pre-packed foods and confectionery within the group (mainly supplying the Mater Dei and Costa outlets). With respect to the Mater Dei Hospital catering operation, the contract was renewed in 2013 and will expire in 2017. Following termination of the contract, management projects that the released capacity in the Group's CPU will be used in order to increase third party sales. This is expected to effectively replace the lost revenue from expiry of the hospital contract. However, the projections do factor in a reduction in profitability from the projected shift in business following the expiry of the Mater Dei contract unless the contract is renewed

Projections for 2014 include 50% of Buttigieg Holdings' results (excluding Costa Spain) for the first 6 months, and 100% of the results for the second 6 months of the year.

Buttigieg Group (including Costa Malta)	2011	2012	2013	2014	2015
<i>Financial Highlights (€000) - 31st October</i>	<i>Actual (4m)</i>	<i>Actual</i>	<i>Actual</i>	<i>Forecast</i>	<i>Projection</i>
Revenue - Costa		599	2,108	2,750	3,825
Revenue - other	2,063	5,624	4,335	3,547	3,635
Revenue	2,063	6,223	6,442	6,297	7,460
EBITDA	251	243	328	742	934

Source: Management; Due Diligence Report

2.6 Costa Coffee

Costa Coffee was founded by Italian brothers Sergio and Bruno Costa in London in 1971 and is today considered one of the top five coffee shop chains globally. In 1995, the business was acquired by Whitbread, an English company and has since grown to over 2,000 stores in 25 countries.

In 2012, Buttigieg Holdings entered into a franchise agreement with Costa International Limited granting exclusive development and operating rights for the Costa Coffee brand in Malta. The Coffee Company Malta Ltd, a subsidiary of Buttigieg Holdings opened the first outlet located at the check-in lounge of Malta's International Airport.

The Group operated 4 outlets in 2013 including three at the airport and one at The Point shopping complex in Sliema which opened during the summer of 2013. A fifth outlet was opened in December 2013 to replace Papillion Balzan. Total revenue generated by the local Costa Coffee business amounted to €2.1 million during the year ended 31st October 2013.

Management's projections relating to Costa Malta assume the introduction of 2 outlets per year increasing from the current 5 outlets to 10 by the end of 2016. Average revenues are expected to increase at 2% per annum from current levels. Margins are projected to improve. In fact, economies of scale from the larger number of outlets is expected to increase the Group's purchasing power, and payroll costs as a proportion of sales are projected to decrease.

Following an international tender issued by Costa International Limited, the development of the Costa Coffee brand in Eastern Spain, the Balearic Islands and the Canary Islands ("Costa Spain"), was entrusted to The Coffee Company Malta Ltd. The agreement allows the company to open and develop 75 Costa Coffee shops in Spain over the next five years.

The Group has set up a detailed business plan for the Costa Spain venture. Management is confident of achieving its objectives, even with projections that are more conservative than the original business plan. Progressive growth in Costa Spain is expected to be driven by the increase in the number of stores opened each year, commencing with 3 stores towards the end of calendar year 2014 and 7 stores in 2015. Average revenues and margins are expected to be in line with those of the Maltese Costa Coffee business.

Costa Spain	2014	2015
<i>Projections</i>		
Number of outlets	3	7
Revenue (€000)	375	3,315
EBITDA (€000)	59	526

Source: Management; Due Diligence Report

2.7 Valuations of Land and Buildings

Land and buildings of the Group mainly comprise the three hotel properties of Bay Point, Coastline and 50% of the Golden Sands resort, as can be seen in the table below. In 2009 the group acquired land in Hal-Ferh for the purposes of development. The land is not being depreciated since the asset is in the course of construction and all related interest costs arising from specific borrowings undertaken to finance the asset are being capitalised. The group's share amounts to 50% of the asset. Other land and buildings also include 50% of assets held by Buttigieg Holdings Limited.

The Issuer commissioned a firm of architects, iAS – Innovative Architectural Structures Limited, to issue a property valuation report in relation to major properties. The following are the valuations as at 15th April 2014:

Property Valuations as at 15th April 2014	€'000
Radisson Blu Resort St.Julians	49,000
Radisson Blu Golden Sands Resort and Spa, Golden Bay	115,000
The Oasis Resort, Golden Bay	30,000

Source: Property valuation report

All properties are held on a leasehold basis. The lease contract for Bay Point Hotel expires in 2067. Both of these properties are held under temporary emphyteusis. The property of the Golden Sands Resort & Spa is held under a temporary utile dominium title which expires in 2114.

The Oasis is on a perpetual emphyteusis and the CPU, which is held by Buttigieg Holdings, is freehold.

3. PROPOSED BOND ISSUE AND SALE OF COASTLINE

The Issuer will be issuing an aggregate bond of €35 million (“Bond” or “Bond Issue”), with a nominal value of €100 each, and which will be issued at par. The proceeds from the Bond, net of commissions and expenses are expected to amount to around €34.4 million. The Bond will be redeemed on the 15th May 2024, and interest payment dates will be the 15th May of each year.

The Bond will constitute a general, direct, unconditional, unsecured and unsubordinated obligation of the Issuer and will rank *pari passu*, without any priority or preference, with all other present and future unsecured and unsubordinated obligations of the Issuer.

The sponsors (Curmi & Partners Ltd. and Rizzo, Farrugia & Co (Stockbrokers) Ltd.) have already agreed to subscribe to €10 million of the Bond Issue through private placement agreements. Should applications for at least another €20 million of the remaining balance of the Bond Issue not be received, for a total of €30 million subscription (“Minimum Amount”), no allotment shall be made. The applications shall be deemed not to have been accepted by the Issuer and all money received from applicants will be refunded accordingly.

The forecasts and projections in this report, assume that the bonds will bear interest at the rate of 6.0% payable annually, for the purpose of its impact on the financial results of the Issuer.

The Group has also entered into a promise of sale agreement for the sale of the Coastline Hotel for €14 million. Through this asset disposal and the Bond Issue, the Group’s objective is to refinance its debt obligations and undertake investments that are expected to enhance profitability and cash flow generation in the years ahead.

The proceeds from the Bond Issue are expected to amount to €34.4 million, which will be used by the Group for the following purposes:

- (i) Approximately €20 million of the proceeds will be used as follows:
 - a. Refurbishment of the Radisson Blu St Julians including the construction of a conference centre and two additional floors, with expected total project costs amounting to €16 million. Annual projected cash outlays are projected as follows: 2014 €3 million; 2015 €7 million; 2016 €6 million
 - b. Roll-out of Costa Coffee franchise in Spain. The projections assume €4 million over a four year period to cover initial capital expenditure for the expansion of Costa Coffee business in Spain.
- (ii) The remaining balance of the net proceeds from the Bond Issue will be used for general corporate funding purposes, including the early repayment of some bank loans and in particular the reduction in the Group’s overdraft balance

4. PERFORMANCE AND FINANCIAL POSITION OF THE GROUP

This document makes reference to the financial statements of the Issuer for the financial years ended 31st October 2011, 31st October 2012, and 31st October 2013. The financial statements referred to have been audited by Deloitte Audit Limited. This section also includes reference to projected financial statements for 2014 and 2015. These forecasts and projections are based on certain assumptions. Events and circumstances may differ from expectations, and therefore actual results may vary considerably from the projections.

4.1 Statements of Profit or Loss and Other Comprehensive Income

Island Hotels Group Holdings p.l.c.	2011	2012	2013	2014	2015
<i>Statements of comprehensive income (€000) - 31st October</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Forecast</i>	<i>Projection</i>
Revenue	30,254	33,086	35,280	34,872	36,129
Staff costs	(11,861)	(13,190)	(13,490)	(12,815)	(12,025)
Food and beverage costs	(3,462)	(4,169)	(4,289)	(4,486)	(5,538)
Other operating costs	(9,427)	(10,300)	(10,968)	(10,570)	(11,201)
EBITDA	5,504	5,427	6,532	7,000	7,365
Depreciation and Amortisation	(3,212)	(3,331)	(3,207)	(3,352)	(3,290)
Operating Profit	2,292	2,097	3,326	3,648	4,076
Share of losses of associates	-	(1)	(25)	-	-
Investment income	151	18	61	20	136
Finance costs	(3,041)	(2,948)	(2,916)	(2,564)	(3,494)
(Loss) / Profit before tax	(598)	(834)	445	1,104	718
Income tax credit / (expense)	355	(155)	110	(293)	(150)
(Loss) / Profit for year from continuing operations	(242)	(989)	555	812	568
Discontinued operations					
Loss for the year from discontinued operation	-	-	-	(421)	-
(Loss) / profit for the year	(242)	(989)	555	391	568
(Loss) / profit for the year	(242)	(989)	555	391	568
Other comprehensive income					
Exchange differences on translating foreign operations	135	1,279	(820)	-	-
Total comprehensive income/(expense) for year	(107)	290	(266)	391	568
Total comprehensive income/(expense) for year attributable to the owners of the holding co.	(107)	290	(266)	391	568

Source: Island Hotels Group Holdings p.l.c. annual reports; Management; Due Diligence Report
 Some items may not sum to total due to rounding variances

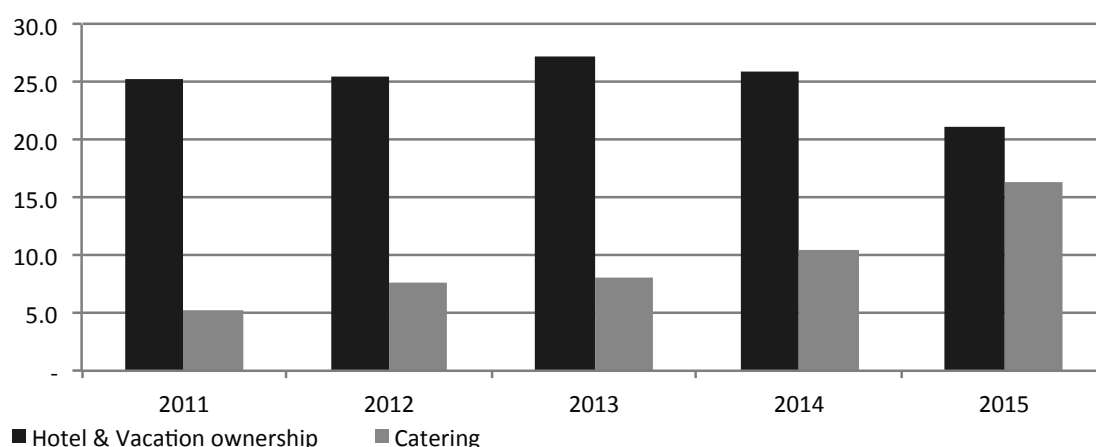
During 2011, Group revenue totalled €30.3 million. The Group's performance was generally in line with national benchmarks, in a year in which the industry could have been impacted by turmoil in the Eastern Mediterranean and North Africa. Catering revenues were boosted by the acquisition of a 50% holding in Buttigieg Holdings. On the other hand, income from the vacation ownership business was under pressure, particularly due to the subdued economic situation in the UK.

A substantial rise in food and beverage costs, reflecting the growth in the catering business from the acquisition of Buttigieg Holdings, contributed to the slight decreases in EBITDA and operating profit to €5.5 million and €2.3 million respectively in 2011. The pre-tax loss in 2011 amounted to €0.6 million, with finance costs totalling €3 million.

Group revenues increased by 9% to €33.1 million in 2012. Results from the hotel business reflected a relatively stable performance compared to the previous year, with hotel and vacation ownership revenues totalling €25.5 million. There was particularly strong growth in non-hotel catering revenues, driven by the first full year of the Group's share of Buttigieg Holdings revenues. The increased revenues from this business contributed significantly to the overall growth of the Group.

During 2012, increases in various operating costs had a negative impact on the generation of operating profit and EBITDA. There was a considerably high increase in costs related to the vacation ownership business, reflecting a considerable marketing effort in this area to counter the difficult economic climate. Whilst the catering businesses drove growth at the revenue level, acquisition-related costs and proportionately high labour expenses negatively impacted margins. Overall EBITDA decreased slightly to €5.4 million in 2012, with group operating profit decreasing by 9% to €2.1 million. There was a loss before tax of €0.8 million.

Island Hotels Group Holdings p.l.c. - Revenue Breakdown (€000)



Source: Island Hotels Group Holdings annual reports

Last year was positive for the Group, with growth in both revenues and EBITDA. Revenues increased by 7% to €35.3 million. There was a particularly strong increase in vacation ownership sales, contributing to growth at Bay Point and to a further improved performance of Golden Sands. On the other hand, stable revenue and cost inflation had a negative impact on the contribution from the core hotel accommodation and catering businesses. The growth

in EBITDA to €6.5 million was in fact driven by the vacation ownership sector. The Group undertook a cost cutting exercise in this business, with a major focus on restructuring commission fees and staff costs. Last year's overall improved performance was reflected in the bottom line, with the Group achieving a turnaround in profit before tax compared to the previous two years, with profit amounting to €0.6 million.

The disposal of the Coastline Hotel and the closure of Bay Point for eight months will result in decreases in revenues for 2014 and 2015 in the hotel segment, with substantial growth achieved thereafter. Total revenue is expected to amount to €34.9 million in 2014. The loss from discontinued operations of Coastline, accumulated between November 2013 and April 2014, is expected to amount to €0.4 million.

On the other hand, it is relevant to note that the profitability of the hotel business in terms of EBITDA generation is expected to continue improving even during the closure period of Bay Point, which will occur during the slower winter period. This is primarily due to decreased labour costs. The expected growth in the catering sector will be driven by the increase the number of Costa Coffee outlets in Malta from 5 to 10 by 2016, whilst Costa Spain is expected to open 58 outlets over a 5-year period. Overall Group EBITDA and operating profit for 2014 are expected to reach €7 million and €3.7 million respectively. Profit before tax is expected to amount to €1.1 million.

4.2 Statements of Cash Flows

Island Hotels Group Holdings p.l.c.	2011	2012	2013	2014	2015
<i>Statements of cash flows (€000) - 31st October</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Forecast</i>	<i>Projection</i>
Net cash flows from operating activities	2,649	3,839	4,235	(2,585)	725
Net cash flows from investing activities	(5,891)	(1,473)	(5,088)	6,127	(10,398)
Net cash flows from financing activities	1,165	(2,968)	737	19,249	(3,369)
Net movement in cash and cash equivalents	(2,077)	(602)	(116)	22,791	(13,042)
Cash and cash equivalents at beginning of year	(7,521)	(9,677)	(10,267)	(10,403)	12,388
Effect of foreign exchange rate changes	(80)	12	(20)	-	-
Cash and cash equivalents at end of year	(9,677)	(10,267)	(10,403)	12,388	(654)

Source: Island Hotels Group Holdings p.l.c. annual reports; Management; Due Diligence Report
Some items may not sum to total due to rounding variances

Net cash flows generated from operating activities amounted to €2.7 million in 2011. There was a considerable impact from working capital movements, with an increase in trade and other payables contributing to an inflow of more than €2 million. Investing and financing activities primarily reflect flows relating to loans with jointly controlled entities. Additionally, repayment of bank loans amounted to €3.4 million.

During 2012, the Group generated an amount of €3.8 million in net cash flows from operating activities. As in the previous year, cash inflows related to working capital movements generated more than €2 million. Investment outflows excluding the movement in loans were almost unchanged on the previous year, with capital expenditure amounting to €1.4 million.

In 2013 net cash flows generated from operating activities amounted to €4.2 million. The increase in EBITDA compensated for the lower cash inflows from working capital movements, down €1.3 million. Investment outflows increased to more than €5 million, reflecting the substantial capital expenditures implemented during 2013. These include refurbishment works at Bay Point totalling €1.6 million, and expenses related to the land at Hal-Ferh amounting to €1.3million.

Net cash outflows from operating activities are expected to amount to €2.6 million during 2014. This outflow is driven by working capital movements, and mainly reflects the repayment of operating creditors amounting to €6 million. After recovering to €0.7 million in 2015, operating cash flows are expected to rise substantially when the Group's operations will fully benefit from the refurbished Bay Point and from the expansion of the Costa Coffee business.

Overall investment outflows are expected to reach €10.4 million in 2015, reflecting the sizeable expenditures. The total capital investment between 2014 and 2016 is expected to consist of €16 million on the Bay Point refurbishment and €4 million expansion of Costa Coffee in Spain. On the other hand, the disposal of the Coastline for €14 million is expected to result in a net investment inflow of €6.1 million for the current year. The Group is expected to transfer a further €1 million towards the sinking fund in the period 2014-2015.

The net cash flows from financing activities are projected to amount to an inflow of €19.2 million in 2014. This reflects the net impact from the €35 million Bond Issue and the repayment of €15.8 million in bank debt. The refinancing of the Group's obligations is expected to proceed in 2015, with repayment of bank loans amounting to around €3.4 million.

It is expected that in 2014 and 2015 no dividends will be distributed due to the closure for refurbishment of Bay Point. Thereafter, projections assume dividend distributions at 30% of post-tax profits of the previous year, in line with the Group's policy of a 30%-50% pay-out.

4.3 Statements of Financial Position

Island Hotels Group Holdings p.l.c.	2011	2012	2013	2014	2015
<i>Statements of financial position (€000) - 31st October</i>	Actual	Actual	Actual	Forecast	Projection
ASSETS					
Non-current assets					
Goodwill	32,683	33,950	33,147	30,470	30,470
Other intangible assets	597	749	726	2,930	2,565
Property, plant and equipment	87,038	85,025	86,010	74,635	81,771
Other financial assets	2	0.2	0.2	500	1,000
Loans and receivables	8,146	8,169	8,970	8,947	8,947
Deferred tax assets	-	-	-	-	-
	128,466	127,893	128,854	117,482	124,754
Current assets					
Inventories	1,139	1,212	1,225	1,404	1,403
Trade and other receivables	8,094	8,674	10,179	10,646	10,638
Current taxation	32	26	218	-	-
Cash and cash equivalents	904	1,014	665	12,388	-
	10,168	10,925	12,287	24,438	12,040
Total assets	138,634	138,817	141,141	141,920	136,794
EQUITY AND LIABILITIES					
Equity attributable to the owners of the holding company					
Share capital	36,340	36,340	36,584	36,584	36,584
Currency translation reserve	(204)	906	85	85	85
Retained earnings / (Accumulated losses)	43	(777)	(466)	(75)	493
Total equity	36,179	36,469	36,203	36,594	37,162
Non-current liabilities					
Bank loans	23,472	26,823	25,222	11,980	7,741
Other financial liabilities	23,913	23,555	25,725	60,091	59,705
Trade and other payables	1,358	4,211	4,738	3,296	1,795
Deferred tax liabilities	11,850	11,918	11,815	8,632	8,606
	60,593	66,506	67,500	83,999	77,848
Current liabilities					
Trade and other payables	18,328	17,602	19,200	16,502	15,402
Bank overdrafts and loans	21,348	15,472	15,772	3,369	4,890
Current taxation	58	3	45	(61)	(24)
Other financial liabilities	2,127	2,765	2,420	1,517	1,517
	41,862	35,842	37,437	21,327	21,784
Total liabilities	102,455	102,349	104,938	105,327	99,632
Total equity and liabilities	138,634	138,817	141,141	141,920	136,794

Source: Island Hotels Group Holdings p.l.c. annual reports; Management; Due Diligence Report
 Some items may not sum to total due to rounding variances

The Group's total assets as at 31st October 2011 amounted to €138.6 million, with Property, plant and equipment totalling €87 million. Of these assets, leasehold land and buildings on balance sheet were just above €70 million. During this year, the Group acquired 50% of Buttigieg Holdings to expand capacity in retail and contract catering. Trade and other receivables amounted to €8.1 million.

In 2011, share capital increased by just over €1 million. The Company issued 1,070,960 ordinary shares of €1 each fully paid up by way of the capitalisation of amounts due by the company to the shareholders of the Buttigieg Holdings. This reflected the acquisition of the 50% equity interest in Buttigieg Holdings. Loans and receivables increased by €4.5 million, with total liabilities increasing by €5.9 million to over €100 million. These flows mainly related to balances due to and from the joint venture with Mayfair Overseas Holdings Limited which cannot be netted off under IFRS rules.

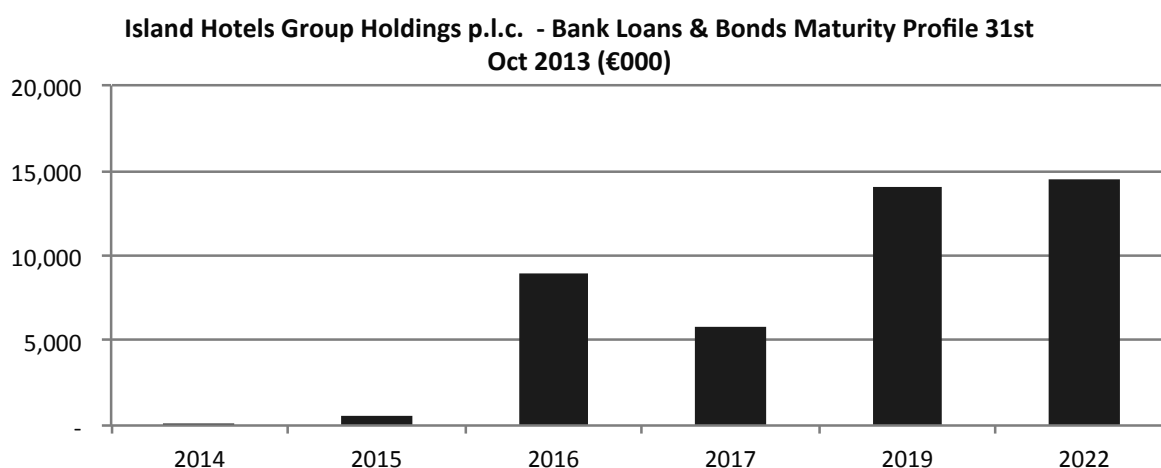
In 2012, the Group's assets were basically unchanged over the previous year. On the funding side, there was an extension of the debt maturity profile. Non-current liabilities increased by €5.9 million to €66.5 million, with current liabilities decreasing by approximately the same amount. The Group converted a bank overdraft into a bank loan repayable in equal instalments by 2017, and renegotiated repayment terms of certain bank loans advanced to subsidiaries and jointly controlled entities. Whilst accumulated losses amounted to €0.8 million, total equity was basically unchanged on the previous year at €36.5 million, due to the compensating impact of the currency translation reserve.

The Group's asset base grew to €141.1 million during the year ending 31st October 2013. Non-current assets rose by €1 million, mainly from an increase in furniture, fittings and equipment. Current assets increased by €1.4 million to €12.3 million, primarily driven by growth in trade and other receivables, including amounts due from related companies. On the funding side, the overdraft facility amounted to €11.2 million as at 31st October 2013. Equity share capital increased slightly to €36.6 million during the year. By virtue of a directors' resolution in July 2013, the Company issued 243,500 ordinary shares of €1 each fully paid up by way of the capitalisation of amounts due by the Issuer to the previous shareholders of Buttigieg Holdings. This additional allotment was a result of Buttigieg Holdings securing the extension of one of its concessions, and was based on the original framework agreement.

Total non-current assets are expected to decrease to €117.5 million by year end 31st October 2014, compared to the previous year. This reduction in capital employed will reflect the disposal of the Coastline Hotel. As the Group invests in the Bay Point refurbishment and in the expansion of the Costa Coffee business in the coming years, the balance sheet is expected to increase again to around €151 million by 2016. Other financial assets, amounting to €0.5 million in 2014, includes the amounts transferred to the sinking fund reserves. The Group is depositing such amounts with a trustee for the benefit of the holders of the outstanding 6.5%

Island Hotels Group Holdings plc € 2017-2019 securities. This is in line with the Combined Securities note dated 28th August 2009 for the building of a sinking fund. By redemption date, the value of the sinking fund is expected to amount to 50% of the value of this bond, €7 million. Outstanding debt securities will increase to €49 million during 2014, reflecting the Bond Issue. On the other hand, outstanding bank loans and overdrafts are expected to decrease to €15.4 million, following the repayment of a portion of these facilities. Shareholders' equity, is expected to amount to €36.6 million in 2014, and is projected to increase in line with improved profitability going forward.

4.4 Borrowings and Securities in Issue



Source: Island Hotels Group Holdings p.l.c.; Management; Due Diligence Report; Curmi & Partners

Debt securities in issue

Security ISIN	Security Name	Amount €
MT0000481219	6.5% Island Hotels Group Holdings plc € 2017-2019	14,000,000

Other listed securities - Equity

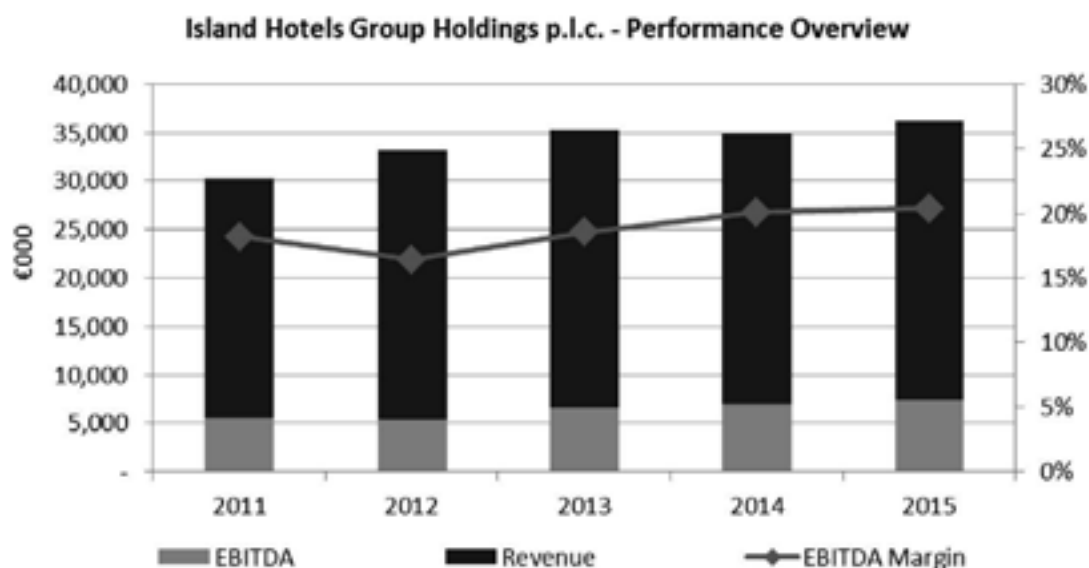
Security ISIN	Security Name	Number of shares
MT0000480104	Island Hotels Group Holdings p.l.c. Ord €1.00	36,583,660
	P/E ratio (25th April 2014)	56

Source: Island Hotels Group Holdings p.l.c. annual reports; Malta Stock Exchange; Curmi & Partners



Source: Malta Stock Exchange; Curmi & Partners

4.5 Evaluation of Performance and Financial Position



Source: Island Hotels Group Limited annual reports; Management; Due Diligence Report; Curmi & Partners

The Group was successful in achieving top-line growth during the period 2011-2013, with revenues rising every year. However, the challenging operating conditions and elevated expenditure levels are reflected in pressure on operating and EBITDA margins. This was particularly the case in 2012. There was an evident improvement during the year ending 31st October 2013.

In terms of guest nights and revenues generated, both 2011 and 2012 could be considered relatively stable years. However, margins were impacted by cost pressures that include rises in fuel costs and the absorption of increases in Value Added Tax (“VAT”). Additionally, whilst the catering business expanded on the back of the acquisition of Buttigieg Holdings in 2011, the considerable rise in related food and beverage expenses had a negative effect on operating profitability. In the vacation ownership sector, marketing costs were higher than expected.

Island Hotels Group Holdings p.l.c.	2011	2012	2013	2014	2015
<i>Profitability Ratios - 31st October</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Forecast</i>	<i>Projection</i>
Operating Profit margin (Operating Profit / Revenue)	7.6%	6.3%	9.4%	10.5%	11.3%
EBITDA margin (EBITDA / Revenue)	18.2%	16.4%	18.5%	20.1%	20.4%
Interest coverage (EBITDA / Net Finance Costs)	1.9x	1.9x	2.3x	2.8x	2.2x
Return on assets (Operating Profit / Average Total Assets)	1.7%	1.5%	2.4%	2.6%	2.9%
Return on capital employed (Operating Profit / Average Capital Employed)	2.0%	1.8%	2.9%	3.2%	3.6%
Net Profit margin (Profit for the year / Revenue)	-0.8%	-3.0%	1.6%	1.1%	1.6%
Return on equity (Profit attributable to owners / Average equity attributable to owners)	-0.7%	-2.7%	1.5%	1.1%	1.5%

Source: Island Hotels Group Holdings p.l.c. annual reports; Management; Curmi & Partners

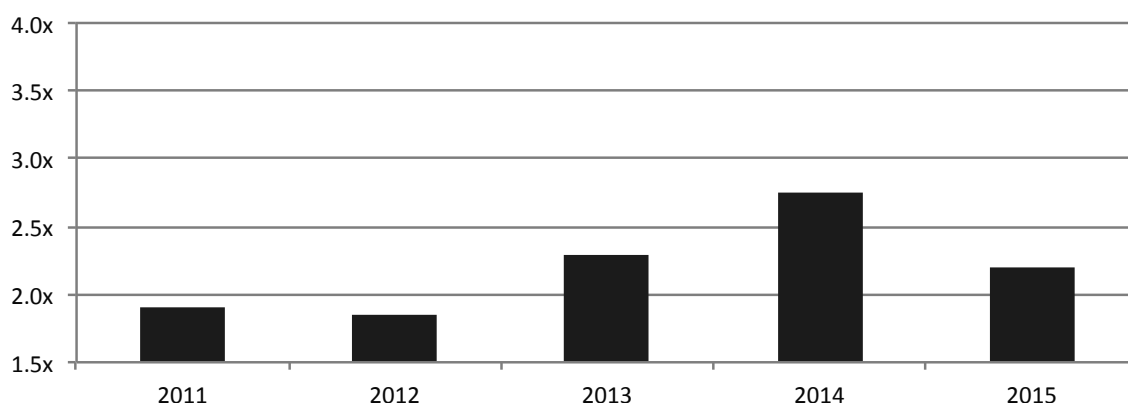
The improved performance during 2013 was driven by continued growth in revenues, in particular an additional contribution from timeshare sales, coupled with slower increases, or reductions, in costs compared to recent years. These trends resulted in an increase in the EBITDA margin to 19%, with the operating margin increasing to 9%.

Return on Capital Employed (“ROCE”) and Return on Assets (“ROA”), hereby estimated on the basis of operating profit, also improved in 2013. Interest coverage, expressed in terms of EBITDA, was just below 2x during 2011 and 2012, rising to 2.3x in 2013. As reflected in the

net profit margins and Return on Equity (“ROE”), the Group earned a profit before tax in 2013, following two years of losses.

The investments being undertaken and the refinancing of the balance sheet are expected to further improve margins and profitability in the years ahead. In 2014 and 2015, whilst revenue is expected to decrease due to the disposal of the Coastline and the closure of Bay Point, operating margins are expected to improve. This primarily reflects the fact that Bay Point will close during the low season and non-productive labour costs will be capitalised as part of the refurbishment project cost. The net profit margin and interest coverage are also expected to increase in 2014, before deteriorating slightly in 2015 due to increased financial costs. However, even during this period interest cover is expected to decrease only slightly to 2.2x. Ratios are expected to improve steadily thereafter following completion of the works.

Island Hotels Group Holdings p.l.c. - Interest Coverage Ratio



Source: Island Hotels Group Limited annual reports; Management; Curmi & Partners

Liquidity ratios for the Group are below 1x, with current liabilities exceeding current assets. This would be considered typical for the industry, with cash inflows from sales mainly received in advance, compared to delayed outflows related to suppliers and expenses. Going forward, management expects a decrease in negative working capital balances. This will be driven by a significant reduction in net trade creditors and is expected to result in projected cash outflows from working capital movements.

Island Hotels Group Holdings p.l.c.	2011	2012	2013	2014	2015
<i>Statements of Financial Position Ratios - 31st October</i>	Actual	Actual	Actual	Forecast	Projection
Current Ratio (Current Assets / Current Liabilities)	0.2x	0.3x	0.3x	1.1x	0.6x
Quick Ratio (Current Assets less Inventories / Current Liabilities)	0.2x	0.3x	0.3x	1.1x	0.5x
Gearing Ratio ^(a) (Net Borrowings / {Total Equity + Net Borrowings})	63.6%	63.3%	63.8%	61.3%	63.6%
Gearing Ratio ^(b) (Net Borrowings / Total Equity)	1.7x	1.7x	1.8x	1.6x	1.7x
Net Leverage Ratio (Net Borrowings / Ebitda)	11.5x	11.6x	9.8x	8.3x	8.8x
Free Cash Flow to Debt (Free cash flow / Borrowings)	5.3%	3.8%	3.5%	-4.8%	-6.0%

Source: Island Hotels Group Holdings p.l.c. annual reports; Management; Curmi & Partners

The Group's level of net borrowings to total capital, or gearing ratio, has remained stable at around 64%. This is considered relatively high even within the context of the hotel industry, in which elevated capital expenditure requirements typically result in higher debt levels. As at end year 2014, this ratio is expected to decrease to 61%. Following a slight increase in 2015, IHG's gearing is expected to reduce progressively, declining to around 50% by 2019. Access to bank financing is expected to remain an important part of the Group's funding strategy.

Net leverage in terms of the level of net borrowings to EBITDA, is also relatively high, particularly in 2011 and 2012. The substantial increase in EBITDA during 2013 improved this ratio, and further improvements are projected going forward as IHG is expected to benefit from its investment plans.

Free cash flow, hereby estimated by adjusting EBITDA for capital expenditures, changes in working capital and taxes paid, was positive throughout the period 2011-2013. There were no major capital outlays in this period, whilst working capital flows were also positive. The major capital expenditures in 2014 and 2015 are expected to result in negative free cash flows.

On the other hand, IHG expects these investments to enhance cash flow generation and profitability over the long term by improving its market positioning and product offering, particularly in higher margin areas.

It is also relevant to note that, with respect to the Oasis project, the strategy of the Group is to undertake this project with a solid equity base and is currently seeking an international equity investment in order to move ahead with the project. The proceeds obtained through the sale of Coastline and the new financing raised through the bond issue are not intended to be used

for the development of the Oasis. This project will be financed separately and development will commence only when there is appropriate equity capital in place.



Source: Island Hotels Group Holdings p.l.c. annual reports; Management; Due Diligence Report; Curmi & Partners

5. COMPARABLES

The table below compares a selection of ratios of the Issuer to those of other issuers operating in the local hotel and entertainment industry. It is relevant to note that there could be variances in the mix of operations undertaken by these groups. Additionally, other differences could include characteristics of the specific debt instrument.

However, the below comparison of basic credit metrics could be considered a useful indication of the relative financial performance and debt servicing capability of the Issuer.

On this basis, IHG's gearing ratio would be considered weak compared to its peers. However, management is committed to improving the financial position of the Group in the years ahead, and the Group's current investments and strategic focus are expected to contribute towards the achievement of this objective. The interest cover ratio is relatively healthy.

Issuer / Group	Gearing	Interest Coverage	Net Debt / EBITDA
Island Hotels Group Holdings p.l.c *	64%	2.3x	9.8x
AX Holdings Limited	35%	2.9x	6.3x
International Hotel Investments p.l.c.	37%	1.5x	11.9x
Tumas Group Company Limited	59%	3.3x	4.6x

** It is relevant to consider that the Group maintains a prudent policy in terms of the reflecting property revaluations. A less conservative policy, with the balance sheet fully reflecting revalued amounts (particularly of the land at Hal-Ferh) could result in a lower gearing ratio.*

Source: Island Hotels Group Holdings p.l.c FY 2013; AX Holdings Limited FY 2013; Tumas Group Company Limited FY 2012; International Hotel Investments p.l.c.FY 2012; Curmi & Partners

The table below illustrates ratios for international hotel groups. It is relevant to consider that most major international operators tend to operate with a relatively large focus on the management, rather than the ownership, of hotel properties, or are shifting towards more of an "asset-light" business model. This is likely to be reflected in improved financial ratios.

Issuer	Gearing	Interest Coverage	Net Debt / EBITDA
NH Hoteles	44%	2.1x	6.1x
Melia Hotels International	58%	2.2x	4.8x
Starwood Hotels & Resorts Worldwide	33%	12.6x	0.7x
Accor	47%	9.4x	4.4x
InterContinental Hotels Group	107%	9.7x	1.5x

Source: Q4 2013 and FY 2013 Group financial statements; Bloomberg; Curmi & Partners

6. GLOSSARY

Non-current assets	Non-current assets are long-term investments, the full value of which will not be realised within the accounting year.
Current assets	Current assets are all assets that are realisable within one year from the statement of financial position date. Such amounts include trade receivables, inventory, cash and bank balances.
Current liabilities	Current liabilities are liabilities payable within a period of one year from the statement of financial position date, and include trade payables and short-term borrowings.
Non-current liabilities	Long-term financial obligations or borrowings that are not due within the present accounting year. Non-current liabilities include long-term borrowings, bonds and long-term lease obligations.
Total Equity	Total equity includes share capital, reserves, retained earnings and minority interests. It relates to the capital and reserves that are attributable to owners of the company.
Cash flow from operating activities	Cash flow from operating activities illustrates the cash-generating abilities of a company's core activities, and includes cash inflows and outflows that are related to operating activities.
Cash flow from investing activities	Cash flows from investing activities reflect the change in cash position resulting from investments and divestments.
Cash flow from financing activities	Cash flows from financing activities shows the cash inflows and outflows related to financing transactions with providers of funding, owners and the creditors.
Free Cash Flow	A measure of the ability to generate the cash flow necessary to maintain operations. It is the balance after all cash flows for operating activities, fixed asset net investments, working-capital expenditures. The definition of free cash flow may vary; for this purpose it was based on Ebitda adjusting for net investments, working capital and tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation (EBITDA) is a measure of operating profitability. It excludes

	depreciation and amortisation, and is viewed as measure of a company's core profitability and cash generating ability.
Operating and Financial Ratios	
AARR	Average Achieved Room Rate (AARR) is the average price of each room sold during a particular period of time. It is calculated by dividing accommodation revenue by the number of rooms sold.
RevPAR	Revenue per available room (RevPAR). It is calculated by dividing the hotel's total revenue by the number of rooms available and the number of days in the period under consideration.
RevPOR	Revenue per occupied room (RevPOR) is calculated by dividing total revenue generated (including accommodation, F&B) by the number of occupied rooms.
Current ratio	The current ratio measures the ability to pay short term debts over the next 12 months. It compares a company's current assets to its current liabilities.
Quick ratio	Similarly to current ratio the quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets. It excludes inventories from current assets.
Gearing or leverage ratio	The gearing or leverage ratio indicates the relative proportion of borrowings and equity used to finance a company's assets. It is estimated by dividing total borrowings by total borrowings plus total equity, or as the ratio of total borrowings to total equity.
Interest Coverage ratio	Interest coverage ratio is generally calculated by dividing a company's EBITDA, or EBIT (operating profit) of one period by the company's interest expense of the same period. It measures the ability of the borrower to service the finance costs related to borrowings.
Net Debt to EBITDA	This ratio compares financial borrowings and EBITDA as a metric for estimating debt sustainability, financial health and liquidity position of an entity. It compares the financial obligations to the actual cash profits.

Gross Profit Margin	Gross profit margin is the ratio of gross profit to revenue. It is the percentage by which gross profits exceed cost of sales, and is a measure of profitability at the most fundamental level.
Operating Profit Margin	Operating margin is a measure of profitability that measures the proportion of revenue that is left over after paying for all costs of production incurred in ordinary operations.
EBITDA Margin	Similarly to operating margin, EBITDA margin is a measure of profitability that measures the proportion of revenue that is left over after paying for all costs of production incurred in ordinary operations.
Net Profit Margin	Net profit margin is the ratio of profit for the period to revenues, and is a measure of how much of revenues is converted into bottom line profits.
Return on Assets (ROA)	Return on assets is the ratio of profit for the period or operating profit to average total assets for the period. It measures efficiency in using its assets to generate income.
Return on Capital Employed (ROCE)	Similarly to ROA, this ratio measures efficiency in generating income but takes into consideration the sources of financing. Profit for the period or operating profit is divided by the capital employed (fixed assets plus working capital or total assets less current liabilities)
Return on Equity	Measures the profitability in terms of how much profit is generated in relation to owners' investment.

Annex II - Application Form A



ISLAND HOTELS
GROUP HOLDINGS PLC

Island Hotels Group Holdings p.l.c.
€35,000,000
6% BONDS 2024
APPLICATION FORM 'A'

Please read the notes overleaf before completing this Application Form. Mark 'x' if applicable.

APPLICANT (see notes 2 to 7)			
<input type="checkbox"/> Non-Resident	<input type="checkbox"/> Minor (under 18)	<input type="checkbox"/> Body Corporate/ Body of Persons	<input type="checkbox"/> CIS-Prescribed Fund
A TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME / REGISTERED NAME	
ADDRESS			
			POSTCODE
MSE A/C NO. (if applicable)	I.D. CARD / PASSPORT / COMPANY REG. NO.	TEL. NO.	MOBILE NO.
C ADDITIONAL (JOINT) APPLICANTS (see note 3) <small>(please use additional Application Forms if space is not sufficient)</small>			
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME	
		I.D. CARD/PASSPORT NO.	
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME	
		I.D. CARD/PASSPORT NO.	
D MINOR'S PARENTS / LEGAL GUARDIAN/S (see note 4) <small>(to be completed ONLY if the Applicant is a minor)</small>			
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME	
		I.D. CARD/PASSPORT NO.	
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME	
		I.D. CARD/PASSPORT NO.	
E I/WE APPLY TO PURCHASE AND ACQUIRE (see notes 8 & 9):			
AMOUNT IN FIGURES €		AMOUNT IN WORDS	
Island Hotels Group Holdings p.l.c. 6% Bonds 2024 (minimum €2,000 and in multiples of €100 thereafter) at the Bond Issue Price (at par), as defined in the Prospectus dated 6 May 2014 (the 'Prospectus'), payable in full upon application under the Terms and Conditions as defined in the said Prospectus.			
F RESIDENT - WITHHOLDING TAX DECLARATION (see note 10) <small>(to be completed ONLY if the Applicant is a Resident of Malta)</small>			
<input type="checkbox"/> I/We elect to have Final Withholding Tax deducted from my/our interest.			
<input type="checkbox"/> I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).			
G NON-RESIDENT - DECLARATION FOR TAX PURPOSES (see note 12) <small>(to be completed ONLY if the Applicant is a Non-Resident)</small>			
TAX COUNTRY		CITY OF BIRTH	
T.I.N. (Tax Identification Number)		COUNTRY OF BIRTH	
PASSPORT/NATIONAL I.D. CARD NUMBER		COUNTRY OF ISSUE	ISSUE DATE
<input type="checkbox"/> I/We am/are NOT resident in Malta but I/we am/are resident in the European Union			
<input type="checkbox"/> I/We am/are NOT resident in Malta and I/we am/are NOT resident in the European Union			
H INTEREST, REFUND AND REDEMPTION MANDATE (see note 11) <small>Completion of this panel is MANDATORY</small>			
BANK		IBAN	
I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions as contained therein which I/we fully accept.			
Signature/s of Applicant/s <small>(Parent/s or legal guardian/s are/is to sign if Applicant is a minor) (All parties are to sign in the case of a joint Application)</small>		Date	
AUTHORISED FINANCIAL INTERMEDIARY'S STAMP		AUTHORISED FINANCIAL INTERMEDIARY'S CODE <div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>	APPLICATION NUMBER

Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 6 May 2014

1. This Application is governed by the Terms and Conditions of Application contained in Section 10 of the Securities Note dated 6 May 2014 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 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).**
4. 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.
5. 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.
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 THE 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 - 2014 IHGH Bonds'.
10. Only Applicants who hold an 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 he/she will be obliged to declare interest so received on his/her tax return. 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 8.1 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 at the rate of 15% of the gross amount of interest, pursuant to Article 33 of the Income Tax Act.
11. 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.
12. European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments requires all payers established in the EU which pay interest to an individual resident in another EU Member State, to report the interest payment to the tax authorities of the Member State in which the payor is established. If the Applicant's permanent residential address is in an EU Member State or in another country to which the said Directive applies (called a "specified territory") then the interest paid will be reported.
13. Subscription lists will open at 08:30 hours on 26 May 2014 and will close as soon thereafter as may be determined by the Issuer, but not later than 12.00 hours on 30 May 2014. The Issuer reserves the right to close the Bond Issue before 30 May 2014, in the event of over-subscription. The Issuer reserves the right to refuse any Application which appears to be in breach of the terms and conditions of the Bonds as contained in the Prospectus. Any Applications received by the Registrar after the subscription lists close will be rejected. Completed Application Forms are to be delivered to any of the Authorised Financial Intermediaries listed in Annex III of 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)):
 - a. acknowledge that 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. acknowledge that the Issuer may process such personal data for all purposes necessary for and related to the 6% Bonds 2024 applied for; and
 - c. acknowledge that 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 6% Bonds 2024 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 - Application Form B



ISLAND HOTELS

GROUP HOLDINGS PLC

Island Hotels Group Holdings p.l.c.

€35,000,000

6% BONDS 2024

APPLICATION FORM 'B'

Please read the notes overleaf before completing this Application Form. Mark 'x' if applicable.

APPLICANT (see notes 2 to 7)

A	<input type="checkbox"/> Existing Shareholder	<input type="checkbox"/> IHGH Group Employee	<input type="checkbox"/> Non-Resident
B	TITLE (Mr/Mrs/Ms/...) FULL NAME AND SURNAME / REGISTERED NAME ADDRESS POSTCODE MSE A/C NO. (if applicable) I.D. CARD / PASSPORT / COMPANY REG. NO. TEL. NO. MOBILE NO.		

C ADDITIONAL (JOINT) APPLICANTS (see note 3) (please use additional Application Forms if space is not sufficient)

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

D MINOR'S PARENTS / LEGAL GUARDIAN/S (see note 4) (to be completed ONLY if the Applicant is a minor)

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

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

AMOUNT IN FIGURES €	AMOUNT IN WORDS
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Island Hotels Group Holdings p.l.c. 6% Bonds 2024 (minimum €2,000 and in multiples of €100 thereafter) at the Bond Issue Price (at par), as defined in the Prospectus dated 6 May 2014 (the 'Prospectus'), payable in full upon application under the Terms and Conditions as defined in the said Prospectus.

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

<input type="checkbox"/> I/We elect to have Final Withholding Tax deducted from my/our interest.
<input type="checkbox"/> I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).

G NON-RESIDENT - DECLARATION FOR TAX PURPOSES (see note 12) (to be completed ONLY if the Applicant is a Non-Resident)

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

H INTEREST, REFUND AND REDEMPTION MANDATE (see note 11) Completion of this panel is MANDATORY

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

Date

AUTHORISED FINANCIAL INTERMEDIARY'S STAMP

AUTHORISED FINANCIAL INTERMEDIARY'S CODE

APPLICATION NUMBER

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Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 6 May 2014

1. This Application is governed by the Terms and Conditions of Application contained in Section 10 of the Securities Note dated 6 May 2014 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 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).**
4. 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.
5. 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.
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 THE 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 - 2014 IHGH Bonds'.
10. Only Applicants who hold an 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 he/she will be obliged to declare interest so received on his/her tax return. 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 8.1 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 at the rate of 15% of the gross amount of interest, pursuant to Article 33 of the Income Tax Act.
11. 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.
12. European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments requires all payers established in the EU which pay interest to an individual resident in another EU Member State, to report the interest payment to the tax authorities of the Member State in which the payor is established. If the Applicant's permanent residential address is in an EU Member State or in another country to which the said Directive applies (called a "specified territory") then the interest paid will be reported.
13. Subscription lists will open at 08:30 hours on 26 May 2014 and will close as soon thereafter as may be determined by the Issuer, but not later than 12.00 hours on 30 May 2014. The Issuer reserves the right to close the Bond Issue before 30 May 2014, in the event of over-subscription. The Issuer reserves the right to refuse any Application which appears to be in breach of the Terms and Conditions of the Bonds as contained in the Prospectus. Any Applications received by the Registrar after the subscription lists close will be rejected. Completed Application Forms are to be delivered to any of the Authorised Financial Intermediaries listed in Annex II of 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)):
 - a. acknowledge that 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. acknowledge that the Issuer may process such personal data for all purposes necessary for and related to the 6% Bonds 2024 applied for; and
 - c. acknowledge that 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 6% Bonds 2024 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 III - Authorised Financial Intermediaries

Members of the Malta Stock Exchange	Tel	Fax	Web
Bank of Valletta p.l.c. BOV Centre, Cannon Road, St Venera, SVR 9030	2275 1732	2275 1733	www.bov.com
Calamatta Cuschieri & Co Ltd Fifth Floor, Valletta Buildings, South Street, Valletta, VLT 1103	2568 8688	2568 8256	www.cc.com.mt
Charts Investment Management Service Ltd Valletta Waterfront, Vault 17, Pinto Wharf, Floriana, FRN 1913	2122 4106	2124 1101	www.charts.com.mt
Curmi & Partners Ltd Finance House, Princess Elizabeth Street, Ta' Xbiex, XBX 1102	2342 6000	2134 7333	www.curmiandpartners.com
Financial Planning Services Ltd 4, Marina Court No. 1, G. Cali Street, Ta' Xbiex, XBX 1421	2134 4244	2134 1202	www.bonellofinancial.com
FINCO Treasury Management Ltd Level 5, The Mall Complex, The Mall, Floriana, FRN 1470	2122 0002	2124 3280	www.fincotrust.com
GlobalCapital Financial Management Ltd Testaferrata Street, Ta'Xbiex, XBX 1403	2134 2342	2133 3100	www.globalcapital.com.mt
Hogg Capital Investments Ltd Regent House, Suite 33, Bizazza Street, Sliema, SLM 1641	2132 2872	2134 2760	www.hoggcapital.com
Jesmond Mizzi Financial Advisors Ltd 67/3, South Street, Valletta, VLT 1105	2122 4410	2212 3810	www.jesmondmizzi.com
Lombard Bank Malta p.l.c. 67, Republic Street, Valletta, VLT 1117	2558 1114	2558 1815	www.lombardmalta.com
Rizzo, Farrugia & Co (Stockbrokers) Ltd Airways House, Third Floor, High Street, Sliema, SLM 1549	2258 3000	2258 3001	www.rizzofarrugia.com.mt
Investment Services Providers			
APS Bank Ltd Investment Services Unit, APS Centre Level 2, Tower Street, B'Kara, BKR 4012	2560 3192	2560 3001	www.apsbank.com.mt
Crystal Finance Investments Ltd 10, First Floor, City Gate, Valletta, VLT101	2122 6190	2122 6188	www.crystal.com.mt
Fexserv Investment Services Ltd Alpine House, Naxxar Road, San Gwann, SGN 9032	2576 2001	2137 8869	-
Growth Investments Ltd Customer Service Centre, Pjazza Giovanni XXIII Floriana, FRN 1420	2590 9356	2122 6429	www.growthinvestmentsonline.com
HSBC Bank Malta p.l.c. 116, Archbishop Street, Valletta, VLT 1444	2380 2381	23806046	www.hsbc.com.mt
Maltese Cross Financial Services Ltd 242, Fleur-de-lys Road, B'Kara BKR 9060	2144 7600	-	www.maltesecrossfinancial.eu
Joseph Scicluna Investment Services Ltd Bella Vista Court, Level 3, Gorg Borg Olivier Street, Victoria, Gozo, CT 2517	2156 5707	2156 5706	-
Mercieca Financial Investment Services Ltd Mercieca', John F. Kennedy Square, Victoria Gozo VCT 2580	2155 3892	-	-
Michael Grech Financial Investment Services Ltd The Brokerage, Level OA, St Marta Street, Victoria, Gozo, VCT 2550	2155 4492	2155 9199	www.michaelgrechfinancial.com
MZ Investment Services Ltd 55, MZ House, St Rita Street Rabat, RBT 1523	2145 3739	2145 3407	www.mzinvestments.com
MFSP Financial Management Ltd 220, Immaculate Conception Street Msida MSD1838	21332200	21322190	www.mfsp.com.mt

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