

SECURITIES NOTE

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

Dated 5 May 2014

Securities Note

In respect of an issue of:

€15,000,000 5.5% Secured Bonds 2020

of a Par Value of €100 per Bond issued at par

ISIN: MT0000791203

(the “Series I Bonds”)

and

€27,000,000 6% Secured Bonds 2022

of a Par Value of € 100 per Bond issued at par

ISIN: MT0000791211

(the “Series II Bonds”)

PENDERGARDENS DEVELOPMENTS P.L.C.

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

For a description of the security in respect of the Bonds, see the section entitled “Creating the Security” in Section 4.3.1 of the Registration Document.

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.

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

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

Legal Counsel
to the Sponsor & Manager

Legal Counsel
to the Issuer

Security Trustee

Sponsor
& Manager

Registrar

CAMILLERI PREZIOSI
ADVOCATES

VZM VELLA ZAMMIT McKEON
ADVOCATES

EQUINOX INTERNATIONAL
LISTING

CHARTS
WEALTH MANAGEMENT • CORPORATE BROKING


BORŻA TA' MALTA
MALTA STOCK EXCHANGE

IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY PENDERGARDENS DEVELOPMENTS PLC (THE “ISSUER”) OF TWO SERIES OF BONDS, NAMELY:

- A. €15,000,000 SECURED BONDS 2020 OF A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 5.5% PER ANNUM PAYABLE ANNUALLY ON 31 MAY OF EACH YEAR. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON THE REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION (THE “**SERIES I BONDS**”);

AND

- B. €27,000,000 SECURED BONDS 2022 OF A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR (THE “**SERIES II BONDS**”). THE SERIES II BONDS SHALL BEAR INTEREST AT THE RATE OF 6% PER ANNUM PAYABLE ANNUALLY ON 31 JULY OF EACH YEAR. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON THE REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION.

THIS SECURITIES NOTE:

- A. 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;

AND

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

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

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO

SUBSCRIBE FOR 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 BONDS AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRY OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

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

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

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

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

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

ALL THE ADVISORS TO THE ISSUER NAMED IN THE PROSPECTUS UNDER THE HEADING "**IDENTITY OF DIRECTORS, SENIOR MANAGEMENT, ADVISORS AND AUDITORS**" UNDER SECTION 3 OF THE REGISTRATION DOCUMENT 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 GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS.

TABLE OF CONTENTS

Important Information	68
1. Definitions	71
2. Risk Factors	74
2.1 General	74
2.2 Forward-Looking Statements - Cautionary Statement	75
2.3 Risks Relating to the Bonds	75
3. Persons Responsible	76
3.1 Consent for Use of Prospectus	76
4. Essential Information	77
4.1 Reasons for the Issue and Use of Proceeds	77
4.2 Expenses	78
4.3 Issue Statistics – Series I Bonds	78
4.4 Issue Statistics – Series II Bonds	79
4.5 Interest of Natural and Legal Persons Involved in the Issue	80
4.6 Security	80
5. Information Concerning The Securities to be Issued and Admitted to Trading	81
5.1 General	81
5.2 Ranking of the Bonds	81
5.3 Rights attaching to the Bonds	82
5.4 Interest – Series I Bond	82
5.5 Interest – Series II Bond	83
5.6 Yield	83
5.7 Registration, Form, Denomination and Title	83
5.8 Payments	83
5.9 Redemption and Purchase	84
5.10 Events of Default	84
5.11 Transferability of the Bonds	86
5.12 Further Issues	86
5.13 Meetings of Bondholders	86
5.14 Authorisations and Approvals	87
5.15 Notices	87
6. Taxation	88
7. Terms and Conditions of the Bond Issue	89
7.1 Expected Timetable of the Bond Issue	89
7.2 Terms and Conditions of Application	89
7.3 Plan of Distribution and Allotment	92
7.4 Placing Agreement	93
7.5 Pricing	93
7.6 Allocation Policy	93
7.7 Admission to Trading	93
Annex I - Specimen Application Form	94
Annex II – Financial Analysis Summary	96

1. DEFINITIONS

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

Act	the Companies Act (Cap. 386 of the Laws of Malta);
Applicant/s	a person or persons who subscribe/s for Secured Bonds through Charts or other financial intermediaries;
Application Form	the forms of application of subscription for Bonds, a specimen of which is contained in Annex I of the Securities Note;
Application/s	the application to subscribe for Bonds made by an Applicant/s (including an Existing Noteholder) through Charts or other financial intermediaries;
Bond Issue or Offer	the issue of the Secured Bonds;
Bond Issue Price	the price of €100 per Bond in the case of both the Series I Bond and the Series II Bond;
Bondholder/s	a holder of Secured Bonds;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
Charts	Charts Investment Management Service Limited (C 7944) of Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913, an authorised financial intermediary licensed by the MFSA and a Member of the MSE;
Collateral or Security Interests	<ul style="list-style-type: none"> i. the first-ranking general hypothec to be constituted by the Company in favour of the Trustee, over all its assets present and future for the amount of €42 million (forty two million euro), interest thereon and any other amounts due under the Bonds; ii. the first-ranking special hypothec to be constituted by the Company in favour of the Trustee over the Hypothecated Property for the amount of €42 million (forty two million euro), interest thereon and any other amounts due under the Bonds; and iii. the pledge on the proceeds of insurance covering the replacement value of the Project;
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;
Cut-Off Date	close of business of 5 May 2014;
Deed of Hypothec	a deed to be entered into by and between the Trustee and the Issuer in the acts of Notary Pierre Attard whereby <i>inter alia</i> the Issuer constitutes the Collateral in favour of the Trustee;
Directors or Board	the directors of the Issuer whose names are set out under the heading “ Identity of Directors, Senior Management, Advisors and Auditors ” in the Registration Document;
Euro or €	the lawful currency of the Republic of Malta;

Existing Note	the Global Note issued by the Issuer in favour of Equinox International Limited (the “ Existing Note Trustee ”) representing the amount due by the Issuer to the Existing Note Trustee and creating, acknowledging and representing the indebtedness of the Issuer to the Existing Note Trustee in accordance with the terms and conditions set out in the Global Note issued pursuant to a prospectus dated 6 February 2013; which Global Note has a final maturity on 13 January 2019 but with optional redemption dates on any day falling between (and including) 15 January 2015 and 13 January 2019, at the sole option of the Issuer, on which the Issuer shall be entitled to prepay all or part of the principal amount of the Global Note and all interests accrued up to the date of prepayment, by giving 30 days prior written notice of such prepayment between 15 January 2015 and 13 January 2019 (both days included) and “ Early Redemption of the Existing Note ” shall be construed accordingly;
Existing Noteholder	a holder of Existing Notes as at the Cut-Off Date;
Group	PVL and its subsidiaries Pendergardens Limited (C 41880), PCL and the Issuer;
Hypothecated Property	<p>the immovable property described hereunder, namely:</p> <ol style="list-style-type: none"> the plot of land together with the improvements made, and to be made, thereon situated within Pendergardens, having a superficial area of approximately 1,379m² and earmarked for the construction of Block 16 of Pendergardens, consisting of residential apartments, commercial outlets and underlying car park spaces, as detailed in Section 4.2 of the Registration Document to be better shown as on a plan attached to the notarial deed published in the records of Notary Pierre Attard on 8 January 2013; the plot of land together with any improvements made, and to be made, thereon situated within Pendergardens, having a superficial area of approximately 1,926m² and earmarked for the construction of Block 17 of Pendergardens, consisting of residential apartments, commercial outlets and underlying car park spaces, as detailed in Section 4.2 of the Registration Document to be better shown as on a plan attached to the notarial deed to be published in the records of Notary Pierre Attard; the plot of land together with the improvements made, and to be made, thereon situated within Pendergardens, having a superficial area of approximately 1,291m² and earmarked for the construction of Towers I & II of Pendergardens, consisting of residential apartments, offices, commercial outlets and underlying car park spaces, as detailed in Section 4.2 of the Registration Document and to be better shown on a plan to be attached to the notarial deed to be published in the records of Notary Pierre Attard;
Interest Payment Date	31 May of each year between and including each of the years 2015 and the year 2020 in the case of the Series I Bonds, and 31 July of each year between and including each of the years 2015 and the year 2022 in the case of the Series II Bonds, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Issue Date	5 June 2014;
Issuer or Company	Pendergardens Developments p.l.c., a public limited liability company duly registered and validly existing under the laws of Malta with company registration number C 58098 and with its registered office at GB Buildings, Watar Street, Ta’Xbiex XBX 1301, Malta;
Listing Authority	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta) by virtue of L.N. 1 of 2003;
Listing Rules	the listing rules of the Listing Authority;
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta, and bearing company registration number C 42525;

MFSA	Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
New Developments	the construction and development of each of Block 17 and Towers I & II;
Nominal Value or Par Value	€100 per Bond;
Offer Period	the period between 12 May 2014 to 26 May 2014 during which the Bonds are on offer;
Official List	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
Pender Contracting Limited or PCL	Pender Contracting Limited, a private limited liability company duly registered and validly existing under the laws of Malta with company registration number C 38017 and having its registered office at GB Buildings, Watar Street, Ta' Xbiex XBX 1301, Malta;
Pender Ville Limited or PVL	Pender Ville Limited, a private limited liability company duly registered and validly existing under the laws of Malta with company registration number C 36675 and having its registered office at GB Buildings, Watar Street, Ta' Xbiex XBX 1301, Malta;
Placement Agreement	the agreement between Charts and the Issuer, as detailed in Section 7.4 of this Securities Note;
Pendergardens	the mixed use residential and commercial development to be constructed on a site measuring 18,500m ² in Pender Place, St Andrew's Road, St Julians, part of which has already been completed as at the date of this Prospectus as detailed in Section 4.2 of the Registration Document;
Project or Phase II	<p>the construction and development of:</p> <ul style="list-style-type: none"> i. Block 16 - consisting of 46 residential apartments, 971m² of commercial space and 4 levels of underlying car park spaces; ii. Block 17 - comprising 2 floors of commercial space and a further 7 floors of residential apartments (43 units), 4 levels of underground car park spaces and an adjacent swimming pool at level 1; and iii. Towers I & II - consisting of an 18-floor tower and a 16-floor tower connected by a single common core. The first seven floors of both towers are earmarked for office space, whilst the remaining floors will be developed into residential apartments (30 units). Towers I & II will also include retail space at ground level and 4 levels of underlying car park spaces. <p>Phase II is described in further detail in Section 4.2 of the Registration Document;</p>
Prospectus	collectively, the Registration Document, this Securities Note and the Summary Note;
Redemption Date	31 May 2020 in the case of the Series I Bonds and 31 July 2022 in the case of the Series II Bonds;
Redemption Value	the Nominal Value of each Bond;
Registration Document	the registration document issued by the Issuer dated 5 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 prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; and Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 as regards to regulatory technical standards for publication of supplements to the Prospectus;
Secured Bond(s) or Bond(s)	the Series I Bonds and the Series II Bonds;
Securities Note	this document in its entirety;
Security Interests	see Collateral;
Security Trustee or Trustee	Equinox International Limited having its registered office at 9, Level 2, Valletta Buildings, South Street, Valletta VLT 1103;
Series I Bonds	the €15 million Secured Bonds due 2020 of a face value of €100 per bond, redeemable at their Nominal Value on the Redemption Date, bearing interest at the rate of 5.5% per annum, as detailed in this Securities Note;
Series II Bonds	the €27 million Secured Bonds due 2022 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, as detailed in this Securities Note;
Sponsor	Charts;
Summary Note	the summary note issued by the Issuer dated 5 May 2014, forming part of the Prospectus;
Terms and Conditions	the terms and conditions of each of: (a) the Series I Bond as contained in this Securities Note; and (b) the Series II Bond as contained in this Securities Note;
Trust Deed	the trust deed signed between the Company and the Security Trustee dated 30 April 2014;
Trust Property	the rights attaching to and emanating from the Trust Deed and the benefit of the security created by virtue of the Security Interests for the benefit of Bondholders.

2 RISK FACTORS

2.1 General

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

THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY ON THE REDEMPTION DATE UNLESS THE BONDS ARE PREVIOUSLY RE-PURCHASED AND CANCELLED.

AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS INCLUDING THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE

FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES.

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

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

2.2 FORWARD-LOOKING STATEMENTS - CAUTIONARY STATEMENT

This document includes 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 Prospectus and include statements regarding the intentions, beliefs or current expectations of the Company and/or the respective Directors concerning, amongst other things, its strategies and business plans, results of operations, financial condition, liquidity, prospects and the markets in which it 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 actual results of operations, financial condition, liquidity, dividend policy and the strategic development of the Issuer may differ materially from the forward-looking statements contained in this Prospectus. In addition, even if the results of operations, financial condition, liquidity and dividend policies of the Issuer are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include:

- (i) continued, sustained or worsening global economic conditions and in particular economic weakness in the areas in which the Issuer operates;
- (ii) increased competition;
- (iii) increased regulation;
- (iv) failure to complete the Project under development on time and within budget or at all;
- (v) over-supply of similar or competing accommodation.

Potential investors are advised to read the Prospectus in its entirety, and in particular “Risk Factors” detailed in Section 2 of the Registration Document 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. The Company 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.

2.3 RISKS RELATING TO THE BONDS

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

- **Subsequent Changes in Interest Rates**
The Bonds have a fixed interest rate. Accordingly, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds and their transferability.
- **Currency Risk**
Any investor whose currency of reference is not the Euro shall bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference.
- **Changes in Circumstances**
No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time. If such changes take place they could have an adverse effect on the market price for the Bonds.
- **Security Interests**
Notwithstanding that the Bonds constitute the general, direct, unconditional and secured obligations of the Issuer, and shall, subject to what is stated below, rank with preference and priority, over any unsecured debt of the Issuer, if any, there can be no guarantee that privileges accorded by law in specific situations will not arise during the course of the Issuer's business which may rank with priority or preference to the Security Interests.
- **Changes to Terms and Conditions**
In the event that the Issuer wishes to amend any of the Terms and Conditions of Issue of the Bonds or of either of the Series I Bond or Series II Bond it shall call a meeting of Bondholders in accordance with the provisions of Section 5.13 of this Securities Note. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.
- **Changes in Law**
The Terms and Conditions of this Bond Issue are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.
- **Future Public Offerings**
No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.

3 PERSONS RESPONSIBLE

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

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

3.1 CONSENT FOR USE OF PROSPECTUS

Consent required in connection with the use of the Prospectus during the Offer Period by Charts and/or any other financial intermediary:

The Issuer has entered into the Placement Agreement with Charts (See Section 7.4 below). It is the intention of Charts that during the Offer Period it shall accept subscriptions for the Bonds from other financial intermediaries and customers. For the purposes of any subscription for Bonds through Charts and/or any other financial intermediary during the Offer Period and any subsequent resale, placement or other offering of Bonds by Charts and/or any other financial intermediary 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:

- i. in respect of Bonds subscribed for through Charts and/or any other financial intermediary during the Offer Period;
- ii. to any resale or placement of Bonds taking place in Malta;
- iii. to any resale or placement of Bonds taking place within the period of 60 days from the date of the Prospectus.

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

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

If the investor is in doubt as to whether it can rely on the Prospectus and/or who is responsible for its contents, it should obtain legal advice.

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

In the event of a resale, placement or other offering of Bonds by Charts and/or any financial intermediary, Charts and/or any financial intermediary will provide information to investors on the terms and conditions of the resale, placement or other offering at the time such is made. Where such information is not contained in the Prospectus, it will be the responsibility of Charts and/or any applicable financial intermediary, at the time of such offer to provide the investor with that information. The Issuer has undertaken in favour of Charts and financial intermediaries that it shall keep Charts and financial intermediaries informed of any changes to information that may be relevant and which was not known as at the date of this document through the publication of such information by way of a company announcement through the MSE.

Any resale, placement or other offering of Bonds to an investor by Charts and/or any financial intermediary will be made in accordance with any terms and other arrangements in place between Charts and/or any 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 Charts and/or the applicable financial intermediary at the time of such resale, placement or other offering to provide the investor with that information and neither the Issuer nor the Sponsor has any responsibility or liability for such information, save for the obligation of the Issuer to provide Charts and/or any financial intermediary with any relevant information which is not known as at the date of this document.

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

4 ESSENTIAL INFORMATION

4.1 REASONS FOR THE ISSUE AND USE OF PROCEEDS

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €41,250,000, will be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

- 4.1.1 a maximum amount of €12 million of the proceeds from the Series II Bond will be used to finance the redemption of the outstanding amount of Existing Notes, which the Issuer intends to redeem at the first Early Redemption Date, that is on 15 January 2015;

- 4.1.2 the aggregate amount of €8.95 million shall be paid to PVL for the cash settlement of the purchase consideration for the land over which the Project (with the exception of Block 16) shall be developed and to PCL for the settlement of works in progress executed on the said land; and
- 4.1.3 the remaining balance of the net Bond Issue proceeds equivalent to *circa* €20 million from the Series I Bond and the Series II Bond shall be applied towards the costs of construction and development of the Project. The outstanding amount of €26.1 million required to complete the Project shall be generated from net sales of Phase II residential and commercial units.

All proceeds from the Bond Issue shall be held by the Security Trustee pending the constitution of the Collateral to secure the Bonds. Subject to the satisfaction of the conditions precedent set out in Section 7.4 of this document, the Bonds shall be fully subscribed pursuant to the Placement Agreement (see Section 7.4 below) and Existing Note Transfers (see Section 7.2 below). In the event that either of the conditions precedent is not satisfied the Security Trustee shall return Bond proceeds received back to investors and no Existing Note Transfers shall take effect.

4.2 EXPENSES

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €750,000. There is no particular order of priority with respect to such expenses.

4.3 ISSUE STATISTICS - SERIES I BONDS

Amount:	€15 million;
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:	MT0000791203;
Minimum amount per subscription:	Minimum of €2,000 and multiples of €100 thereafter;
Redemption Date:	31 May 2020;
Plan of Distribution:	The Series I Bonds have been conditionally placed with Charts pursuant to the Placement Agreement. Charts intends to re-sell the Bonds, in whole or in part to underlying customers and to other financial intermediaries;
Preferred Allocations:	There are no preferred allocations except pursuant to the Placement Agreement entered into with Charts;
Bond Issue Price:	At par (€100 per Bond);
Status of the Bonds:	Save for any short to medium term indebtedness created by the Issuer to make up for cash flow shortfalls resulting from the proceeds from the sale of units and garage spaces in the Project which may rank <i>pari passu</i> with the Bonds (see Section 5.12 below), the Bonds, as and when issued and allotted, shall constitute the general, direct, unconditional and secured obligations of the Issuer, and shall rank <i>pari passu</i> with Series II Bonds, but with priority or preference over all other unsecured indebtedness of the Issuer, if any;

Listing:	The Listing Authority has approved the Series I Bonds for admissibility to listing and subsequent trading on the Official List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List;
Placement Agreement:	The Issuer has entered into a conditional placement agreement with Charts whereby the Series I Bonds have been made available for subscription by Charts on 26 May 2014 (See also Section 7.4 below);
Date of Offer Closing:	26 May 2014;
Offer Period:	12 May 2014 to 26 May 2014, both days included;
Interest:	5.5% per annum on the Nominal Value of each Series I Bond;
Interest Payment Date(s):	Annually on 31 May as from 31 May 2015 (the first interest payment date);
Governing Law of Bonds:	The Bonds are governed by and shall be construed in accordance with Maltese law;
Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

4.4 ISSUE STATISTICS - SERIES II BONDS

Amount:	€27 million;
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:	MT0000791211;
Minimum amount per subscription:	Minimum of €2,000 and multiples of €100 thereafter;
Redemption Date:	31 July 2022;
Plan of Distribution:	The Issuer has retained the amount of €12 million in Series II Bonds available for subscription by Existing Noteholders who shall have first preference for subscribing to Series II Bonds against the surrender of the Existing Notes (See “ Preferred Allocations ” below). The remaining €15 million in Bonds, together with any Series II Bonds reserved for Existing Noteholders, not subscribed for as at the close on 21 May 2014, shall be subscribed for by Charts (See “ Placement Agreement ” below);
Preferred Allocations:	The allocation of Bonds shall be made with preference to those Applicants who, as Existing Noteholders, indicate their agreement to settle the consideration due for the Bonds applied for by surrendering in the Issuer’s favour Existing Notes of an equivalent nominal value (as described in Section 7.2 below). The full amount currently invested in the Existing Note shall be applied to the payment of the Series II Bond;
Placement Agreement:	The Issuer has entered into a conditional placement agreement dated 30 April 2014 with Charts for a minimum subscription of Series II Bonds of €15 million together with any Series II Bonds remaining available in the event that the €12 million in Series II Bonds reserved for Existing Noteholders are not taken up in full (See also Section 7.4 below);
Bond Issue Price:	The principal amount or Par Value of the Bond;

Status of the Bonds:	Save for any short to medium term indebtedness created by the Issuer to make up for cash flow shortfalls resulting from the proceeds from the sale of units and garage spaces in the Project which may rank <i>pari passu</i> with the Bonds (see Section 5.12 below), the Bonds, as and when issued and allotted, shall constitute the general, direct, unconditional and secured obligations of the Issuer, and shall rank <i>pari passu</i> with Series I Bonds, but with priority or preference over all other unsecured indebtedness of the Issuer, if any;
Listing:	The Listing Authority has approved the Series II Bonds for admissibility to listing and subsequent trading on the Official List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List;
Closing date for Applications:	21 May 2014 in the case of Existing Noteholders;
Offer Period:	12 May 2014 to 26 May 2014, both days included;
Interest:	6% per annum on the Nominal Value of each Series II Bond;
Interest Payment Date(s):	Annually on 31 July as from 31 July 2015 (the first interest payment date);
Governing Law of Bonds:	The Bonds are governed by and shall be construed in accordance with Maltese law;
Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

4.5 INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

So far as the Issuer is aware no person involved in the Bond Issue has an interest material to the Issue.

4.6 SECURITY

Each of the Series I Bond and the Series II Bond shall be issued and allotted as secured and Bondholders shall benefit from the following security:

- (a) a first ranking general hypothec over all the assets of the Issuer;
- (b) a first ranking special hypothec over the Hypothecated Property; and
- (c) a pledge on insurance policy proceeds.

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

The Issuer has entered into a Trust Deed with the Security Trustee which consists of the covenants of the Issuer to pay the principal amount under the Bonds on the respective Redemption Dates and interests thereon, the hypothecary rights under the Deed of Hypothec, the rights under the pledge on the insurance policy proceeds and all the rights and benefits under the Trust Deed. The Security Interests will be vested in the Security Trustee for the benefit of the Bondholders in proportion to the holding of Bonds. Pursuant to the provisions of the Trust Deed, the Security Trustee shall retain all proceeds from the Bonds until such time as the Security Interests shall have been duly constituted in favour of the Trustee. No Bonds shall be issued and allotted until the Security Interests have been duly constituted and the Malta Stock Exchange admits the Bonds to trading as listed instruments.

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

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

5.1 GENERAL

- 5.1.1 Each Series I Bond forms part of a duly authorised issue of 5.5% Secured Bonds 2020 of a Par Value of €100 per Bond issued by the Issuer at par up to the principal amount of €15 million (except as otherwise provided under Section 5.12 “Further Issues and Further Indebtedness”).
- 5.1.2 Each Series II Bond forms part of a duly authorised issue of 6% Secured Bonds 2022 of a Par Value of €100 per Bond issued by the Issuer at par up to the principal amount of €27 million (except as otherwise provided under Section 5.12 “Further Issues and Further Indebtedness”).
- 5.1.3 The currency of the Bonds is Euro (€).
- 5.1.4 Subject to admission to listing of the Bonds to the Official List of the MSE, the Bonds are expected to be assigned ISIN: MT0000791203 for the Series I Bond and ISIN: MT0000791211 for the Series II Bond.
- 5.1.5 Unless previously purchased and cancelled, the Bonds shall be redeemable at par on their respective Redemption Dates.
- 5.1.6 The issue of the Bonds is made in accordance with the requirements of the Listing Rules, the Act, and the Regulation.
- 5.1.7 The Offer Period of the Bonds is between 12 May 2014 and 26 May 2014, both days included.
- 5.1.8 Save for the placement arrangements entered into with Charts, the Bond Issues are not underwritten.

5.2 RANKING OF THE BONDS

The Bonds shall, as and when issued, constitute the general, direct, unconditional and secured obligations of the Issuer, and will rank with first priority and preference over all other present and future obligations of the Issuer. In addition, the payment of the principal under the Bonds and interests thereon shall be secured by a first-ranking general hypothec over all the Company’s assets, present and future, as well as a first-ranking special hypothec over the Hypothecated Property which the Company has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders. The Bonds shall rank *pari passu* as between themselves.

During the course of construction of the Project, situations may arise whereby the contractors or suppliers may become entitled by law to register a special privilege over the Hypothecated Property, thereby obtaining a priority in ranking over the Security Trustee. In this respect the Issuer has entered into an agreement with PCL, the principal contractor, whereby PCL has, *inter alia* waived its right to register any special privilege over the Hypothecated Property until such time that the Security Interest granted in favour of the Security Trustee and referred to in this Prospectus has been settled and repaid in full. This is intended to minimise the possibility that any real rights are created over the Hypothecated Property that would have the effect of diminishing the value of the Security Interest registered in favour of the Trustee.

As at 31 December 2013, the Company’s only borrowings included an amount of €12 million in the Existing Notes. The Issuer has no bank borrowings made available to it. The land and improvements constructed thereon known as Block 16, and forming part of the project are encumbered by a special hypothec in favour of the Existing Note Trustee as trustee for the Existing Noteholders. The Existing Note Trustee and the Issuer have entered into an agreement pursuant to which the Existing Note Trustee has irrevocably undertaken to cancel all its hypothecary rights arising in its favour for the benefit of the Existing Noteholders against: (a) all the Existing Notes being fully redeemed; (b) all of the Existing Notes being surrendered to the Issuer as a form of payment for the Bonds; or (c) part of the Existing Notes being surrendered as a form of payment for the Series II Bonds and the nominal value of outstanding Existing Notes and interest thereon up to and including 15 January 2015 being deposited with the Existing Note Trustee for the latter to pay out to remaining Existing Noteholders upon the Early Redemption of the Existing Note.

Agreement has also been reached between PVL and Bank of Valletta p.l.c. (“BOV”) for the latter to waive all hypothecary rights registered in its favour as security for advances made available to PVL. The hypothecary rights in favour of BOV are registered over the land where each of Block 17 and Towers I & II are to be developed. The release and waiver of the hypothecary rights

arising in favour of BOV shall take place after the close of the Offer Period and upon receipt by BOV of the amount of €5 million. Out of the proceeds of the Bond Issue the Issuer shall pay to PVL the consideration due for the acquisition of the land, which PVL shall delegate the Security Trustee to pay directly to BOV against the release by the latter of all security interests it holds over the Hypothecated Property.

The Hypothecated Property shall thereafter be unencumbered and without any charges registered over the Hypothecated Property. Pursuant to the Trust Deed, the Issuer has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders as beneficiaries ("**Registered Beneficiaries**"), a special hypothec over the Hypothecated Property and a general hypothec over all its assets, present and future.

The hypothec will secure the claim of the Trustee, for the benefit and in the interest of Registered Beneficiaries, for the repayment of the principal and interest under the Bonds by a preferred claim over the Hypothecated Property. In addition, the general hypothec will also grant to the Trustee, as additional and further security for the repayment of the Bonds, a preferred and prior ranking claim over all the assets present and future of the Issuer.

Accordingly, following the issue of the Bonds and application of the proceeds as set out above, the Trustee for the benefit of the Registered Beneficiaries will have the benefit of a special hypothec over the Hypothecated Property for the full amount of €42 million and interests thereon in addition to the general hypothec over all the assets, present and future of the Company for the full amount of €42 million.

The Issuer has reserved the right to create further indebtedness which may rank *pari passu* with the Bonds, provided that such indebtedness is created on a short to medium term and for the purpose of bridging any cash flow shortfalls that may arise from the sale of units or garage spaces forming part of the Project (see Section 5.12 below).

Furthermore, PCL being the principal contractor engaged to construct and develop the Project has undertaken to waive its right to inscribe a special privilege in its favour.

5.3 RIGHTS ATTACHING TO THE BONDS

This Securities Note in its entirety contains the terms and conditions of issue of the Bond and creates the contract between the Issuer and a Bondholder. A Bondholder shall have such rights as are, pursuant to this Securities Note, attached to the Bonds, including:

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

No Bonds shall be issued and allotted to investors before the conditions precedent set out in Section 7.2.6 have been duly satisfied.

5.4 INTEREST - SERIES I BOND

5.4.1 The Bonds shall bear interest from and including 27 May 2014 at the rate of 5.5% per annum on the Nominal Value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 31 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. 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.

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

5.5 INTEREST - SERIES II BOND

- 5.5.1 The Bonds shall bear interest from and including 27 May 2014 at the rate of 6% per annum on the Nominal Value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 31 July 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. 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.
- 5.5.2 When interest is required to be calculated for any period of less than a full year, it shall be calculated on the basis of a three hundred and sixty (360) day year consisting of twelve (12) months of thirty (30) days each, and in the case of an incomplete month, the number of days elapsed.
- 5.5.3 An Existing Note Transfer (as defined in Section 7.2.1 below) shall be without prejudice to the rights of the holders of Existing Notes to receive interest on the Existing Notes up to and including 15 January 2015 (being the first early redemption date applicable to the outstanding Existing Notes in terms of the prospectus dated 6 February 2013). The Issuer intends to settle the difference between the interest rates applicable to the Existing Notes (7%) and the interest rate of 6% applicable to the Bonds, from 27 May 2014 up to 15 January 2015 to all persons holding Existing Notes who would have submitted their Application Forms by not later than 21 May 2014 and, consequently, exercising their option to subscribe for Series II Bonds and settle the consideration for Series II Bonds applied for by transferring and surrendering their Existing Notes to the Issuer as mentioned above.

5.6 YIELD

The gross yield calculated on the basis of the interest, the Bond Issue Price and the Redemption Value of:

- (a) The Series I Bonds at Redemption is 5.5%;
- (b) The Series II Bonds at Redemption is 6%.

5.7 REGISTRATION, FORM, DENOMINATION AND TITLE

- 5.7.1 Certificates will not be delivered to Bondholders in respect of the Bonds. The entitlement to Bonds will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of bondholders held at the CSD for the purpose of inspecting information held on their respective account.
- 5.7.2 The CSD will issue, upon a request by a Bondholder, a statement of holdings to such Bondholder evidencing his/her/its entitlement to Bonds held in the register kept by the CSD.
- 5.7.3 The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of €100 in the case of both the Series I Bonds and the Series II Bonds, provided that on subscription, the Bonds will be issued for a minimum of €2,000 in the case of both the Series I Bonds and the Series II Bonds, per individual Bondholder. Financial intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 to each underlying client.
- 5.7.4 Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under the heading “**Transferability of the Bonds**” in Section 5.11 of this Securities Note.

5.8 PAYMENTS

- 5.8.1 Payment of the principal amount of Bonds will be made in Euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank

account as the Bondholder may designate from time to time, provided such bank account is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Redemption Date. The Issuer shall not be responsible for any loss or delay in transmission. Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD.

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

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

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

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

5.9 REDEMPTION AND PURCHASE

5.9.1 Unless previously purchased and cancelled, the Series I Bonds will be redeemed at their Nominal Value (together with interest accrued to the date fixed for redemption) on 31 May 2020.

5.9.2 Unless previously purchased and cancelled, the Series II Bonds will be redeemed at their Nominal Value (together with interest accrued to the date fixed for redemption) on 31 July 2022.

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

5.9.4 All Bonds repurchased by the Issuer shall be cancelled forthwith and may not be re-issued or re-sold.

5.10 EVENTS OF DEFAULT

Pursuant to the Trust Deed, the Security Trustee may in its absolute and uncontrolled discretion, and shall upon the request in writing of not less than seventy five per cent (75%) in value of the Registered Beneficiaries, by notice in writing to the Issuer declare the Bonds, or either the Series I Bond or the Series II Bond to have become immediately due and payable upon the happening of any of the following events:

5.10.1 the Issuer fails to effect the payment of interest under the Bonds on an Interest Payment Date and such failure continues for a period of sixty (60) days after written notice thereof by the Security Trustee to the Issuer;

5.10.2 the Issuer fails to pay the principal amount of a Bond on the date fixed for its redemption; and such failure continues for a period of sixty (60) days after written notice thereof by the Security Trustee to the Issuer;

5.10.3 the Issuer fails duly to perform or shall otherwise be in breach of any other material obligation contained in the Prospectus and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by a Bondholder;

5.10.4 in terms of section 214(5) of the Act, a Court order or other judicial process is levied or enforced upon or sued out against any part of the property of the Issuer and is not paid out, withdrawn or discharged within one month;

- 5.10.5 the Issuer stops payment of its debts or ceases or threatens to cease to carry on their business;
- 5.10.6 the Issuer is unable to pay its debts within the meaning of section 214(5) of the Act, or any statutory modification or re-enactment thereof;
- 5.10.7 a judicial or provisional administrator is appointed of the whole or any part of the property of the Issuer; and such appointment is certified by the Security Trustee to be prejudicial, in its opinion, to the Bondholders;
- 5.10.8 an order is made or an effective resolution is passed for winding up of the Issuer, except for the purpose of a reconstruction, amalgamation or division, the terms of which have been approved in writing by the Security Trustee;
- 5.10.9 the Issuer substantially changes the object or nature of business as currently carried on;
- 5.10.10 the Issuer commits a breach of any of the covenants or provisions contained in the Trust Deed and on its part to be observed and performed and the said breach still subsists for thirty (30) days after having been notified by the Security Trustee (other than any covenant for the payment of interests or principal monies owing in respect of the Bonds);
- 5.10.11 the security constituted by any hypothec, pledge or charge upon the whole or any part of the undertaking or assets of the Issuer shall become enforceable and steps are taken to enforce the same and the taking of such steps shall be certified in writing by the Security Trustee to be in its opinion prejudicial to the Bondholders;
- 5.10.12 any representation or warranty made or deemed to be made or repeated by or in respect of the Issuer is or proves to have been incorrect in any material respect in the sole opinion of the Security Trustee;
- 5.10.13 any material indebtedness of the Issuer is not paid when properly due or becomes properly due and payable or any creditor of the Issuer becomes entitled to declare any such material indebtedness properly due and payable prior to the date when it would otherwise have become properly due or any guarantee or indemnity of the Issuer in respect of indebtedness is not honoured when properly due and called upon; PROVIDED THAT for the purposes of this provision, material indebtedness shall mean an amount exceeding €2 million;
- 5.10.14 any consent, permit, authorisation, licence or approval of, or registration with, or declaration to governmental, statutory or public bodies, or authorities or courts, required by the Issuer in connection with the Project and its development and construction; or pursuant to the execution, delivery, validity, enforceability or admissibility in evidence hereof, or the performance by the Issuer of its obligations hereunder, is substantially modified in the sole opinion of the Security Trustee, or is not granted, or is revoked, or terminated, or expires and is not renewed, or otherwise ceases to be in full force and effect;
- 5.10.15 it becomes unlawful at any time for the Issuer to perform all or any of its obligations hereunder or to develop the Project or to continue with the development of the Project;
- 5.10.16 the Issuer repudiates, or does or causes or permits to be done any act or thing evidencing an intention to repudiate the Bonds and/or the Trust Deed; or
- 5.10.17 all, or in the sole opinion of the Security Trustee, a material part, of the undertakings, assets, rights, or revenues of or shares or other ownership interests in the Issuer are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government.

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

PROVIDED THAT in the event of any breach by the Issuer of any of the covenants, obligations or provisions herein contained due to any fortuitous event of a calamitous nature, beyond the control of the Issuer then the Security Trustee may, but shall be under no obligation so to do, give the Issuer such period of time to remedy the breach as in its sole opinion may be justified in the circumstances and if in its sole opinion the breach is remediable within the short term and without any adverse impact on the Bondholders. Provided that in the circumstances contemplated by this proviso the Security Trustee shall at all times act on and in accordance with any instructions it may receive in a meeting of Bondholders satisfying the conditions set out in the Trust Deed.

The Security Trustee shall not be bound to take any steps to ascertain whether any event of default or other condition, event or circumstance has occurred or may occur, and, until it shall have actual knowledge or express notice to the contrary, the Security Trustee shall be entitled to assume that no such event of default or condition, event or other circumstance has happened and that the Issuer is observing and performing all the obligations, conditions and provisions on their respective parts contained in the Bonds and the Trust Deed.

5.11 TRANSFERABILITY OF THE BONDS

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

5.12 FURTHER ISSUES AND FURTHER INDEBTEDNESS

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds), or upon such terms as the Issuer may determine at the time of their issue, provided that no issue may be made that would rank senior to the Bonds on the Collateral.

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

5.13 MEETINGS OF BONDHOLDERS

The Issuer may, through the Security Trustee, from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting and to effect any change to the applicable Terms and Conditions of the Bonds, including any change to a material term of issuance of the Bonds or the Prospectus.

- 5.13.1 No change to the applicable Terms and Conditions of Series I Bonds or any terms of this Prospectus which has an effect of Series I Bonds may be made unless such decision is made at a meeting of Series I Bondholders duly convened and held.
- 5.13.2 No change to the applicable Terms and Conditions of Series II Bonds or any terms of this Prospectus which has an effect of Series II Bonds may be made unless such decision is made at a meeting of Series II Bondholders duly convened and held.
- 5.13.3 A meeting of Bondholders shall be called by the Directors, through the Security Trustee, by giving all Bondholders

listed on the register of Bondholders as at a date being not more than thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (14) days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this Section 5.13 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

- 5.13.4 The amendment or waiver of any of the provisions of and/or conditions contained in this Securities Note, or in any other part of the Prospectus, may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.
- 5.13.5 A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose at least two (2) Bondholders present, in person or by proxy, representing not less than 50% in Nominal Value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting: the number of Bondholders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.
- 5.13.6 Any person who in accordance with the Memorandum and Articles of Association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.
- 5.13.7 Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting the Directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.
- 5.13.8 The voting process shall be managed by the Company Secretary under the supervision and scrutiny of the auditors of the Issuer and the Security Trustee.
- 5.13.9 The proposal placed before a meeting of Bondholders shall only be considered approved if at least 60% in Nominal Value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.
- 5.13.10 Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

5.14 AUTHORISATIONS AND APPROVALS

The Board of Directors of the Issuer authorised the Bond Issues pursuant to a board of directors' resolution passed on 24 March 2014.

5.15 NOTICES

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

twenty four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his registered address and posted.

6 TAXATION

6.1.1 General

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

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

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

6.1.2 Malta tax on interest

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

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder need not declare the interest so received in his income tax return. No person shall be charged to further tax in respect of such income. However where the Bondholder is a Maltese resident individual, he is still entitled to declare the gross interest in the tax return and the tax so deducted will be available as a credit against the 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.

6.1.3 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 Director General 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.

6.1.4 Maltese taxation on capital gains on transfer of the Bonds

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

6.1.5 Duty on documents and transfers

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

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

7 TERMS AND CONDITIONS OF THE BOND ISSUE

7.1 EXPECTED TIMETABLE OF THE BOND ISSUE

1. Application Forms mailed to holders of Existing Notes as at the Cut-Off Date	6 May 2014
2. Closing date for Applications to be received from holders of Existing Notes as at the Cut-Off Date	21 May 2014
3. Placement date	26 May 2014
4. Close of Offer Period	26 May 2014
5. Offer Period	12 May 2014 to 26 May 2014
6. Commencement of interest on the Bonds	27 May 2014
7. Expected date of constitution of Security Interests	4 June 2014
8. Expected dispatch of allotment advices	5 June 2014
9. Expected date of admission of the securities to listing	5 June 2014
10. Expected date of commencement of trading in the securities	6 June 2014

7.2 TERMS AND CONDITIONS OF APPLICATION

7.2.1 Existing Noteholders applying for Series II Bonds shall settle the amount due for the Nominal Value of the Series II Bonds applied for by completing a pre-printed Application Form indicating that the consideration for the Bonds applied for shall be settled by way of transfer to the Issuer of all or part of the Existing Notes held as at the Cut-Off Date in an amount equivalent to the Par Value of the Bonds applied for, subject to a minimum application of €2,000 (“**Existing Note Transfer**”).

7.2.2 By submitting a signed Application Form indicating that the Existing Note Transfer is being selected (whether in whole or in part consideration for the Bonds being applied for), the Applicant is thereby confirming:

- i. that all or part (as the case may be) of the Existing Notes held by the Applicant on the Cut-Off Date are being surrendered to the Issuer;
- ii. that the pre-printed Application Form, as the case may be, constitutes the Applicant’s irrevocable mandate to the Issuer to:
 - a. cause the transfer of the said Existing Notes in the Issuer’s name in consideration of the issue of Series II Bonds;

- and
- b. engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said Existing Notes in the Issuer and fully and effectively vest title in the appropriate number of Series II Bonds in the Applicant;
- iii. the obligations of the Issuer with respect to the Existing Notes being surrendered and transferred to the Issuer are extinguished, replaced by obligations on the part of the Issuer under the Series II Bonds to be issued upon acceptance by the Issuer of the Application in question.

7.2.3 By acquiring Secured Bonds through Charts or a financial intermediary, an investor is thereby confirming to the Issuer and to Charts or the financial intermediary through whom the Application is made that: (i) the Applicant's remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured on its first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application, and furthermore the Applicant will not be entitled to receive a registration advice or to be registered in the register of Bondholders, unless the Applicant makes payment in cleared funds and such consideration is accepted by the Issuer, acting through the Registrar (which acceptance shall be made in the Issuer's absolute discretion and may be on the basis that the Applicant indemnifies the Issuer against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of the Applicant's remittance to be honoured on first presentation).

7.2.4 Where the Applicant is the holder of Existing Notes which as at the Cut-Off Date are held subject to usufruct, the signatures of both the bare owner and the usufructuary will be required in the Application Form.

7.2.5 The subscription of Bonds being effected by Existing Note Transfer must be submitted on the appropriate pre-printed Application Form by not later than 14.00 hours on 21 May 2014. The completed pre-printed Application Form is to be lodged with Charts or any financial intermediary.

7.2.6 The issue and allotment of the Bonds is conditional upon:

- (a) the Bonds being admitted to the Official List of the MSE; and
- (b) the Security Interests being constituted in favour of the Security Trustee.

In the event that either of the conditions set out above is not satisfied within 15 Business Days of the Close of the Offer Period, no Existing Note Transfers (see Section 7.2.1 above) shall take effect, and any Application monies received by the Trustee shall be returned without interest by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form.

7.2.7 The subscription lists during the Offer Period will open at 08:30 hours on 12 May 2014 and will close soon thereafter as may be determined by the Issuer, but in any event no later than 16:00 hours on 26 May 2014.

As indicated in Section 4.1 above under the heading "**Reasons for the Issue and Use of Proceeds**", the Existing Notes shall be redeemed out of the proceeds of the Bond Issue. It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence or domicile.

7.2.8 The contract created by the Issuer's or Registrar's acceptance of an Application filed by a prospective Bondholder shall be subject to all the terms and conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer, including the conditions precedent set out in Section 7.2.6.

7.2.9 If an Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have duly bound his principal, or the relative corporation, corporate entity, or association of persons, and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such representative may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Issuer and the Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to appear on the Application Form.

7.2.10 In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each of the joint Applicants, and liability therefor is joint and several. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first-named in the register of Bondholders shall, for all intents and purposes, be

deemed to be such nominated person by all those joint holders whose names appear in the field entitled “Additional Applicants” in the Application Form or joint holders in the register, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

- 7.2.11 In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner).
- 7.2.12 Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
- 7.2.13 The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 7.2.14 No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 7.2.15 It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 7.2.16 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 received from Existing Noteholders, including multiple or suspected multiple Applications. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.
- 7.2.17 The Series I Bonds will be issued in multiples of €100. The minimum subscription amount of Series I Bonds that can be subscribed for by Applicants is €2,000.
- 7.2.18 The Series II Bonds will be issued in multiples of €100. The minimum subscription amount of Series II Bonds that can be subscribed for by Applicants is €2,000.
- 7.2.19 Within 1 business day from closing of the Offer Period, the Issuer shall announce the result of the Issue.
- 7.2.20 For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2008 as amended from time to time, Chats and 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 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.

7.2.21 By purchasing and acquiring Bonds through Charts or a financial intermediary, 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 to Charts or a financial intermediary in an Application Form or otherwise submitted to a financial intermediary through whom an Application is submitted is true and correct in all respects and in the case where an MSE account number is indicated, 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) provided by an Applicant and those held by the MSE in relation to the MSE account number indicated, the details held by the MSE shall be deemed to be the correct details of the Applicant;
- c authorises Charts or the financial Intermediary through whom an application is made, the Issuer and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta). The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates;
- d confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
- e agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance or surrender of the Existing Notes, as the case may be, and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
- f agrees to provide the Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application;
- g warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond or his/her Application;
- h warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- i represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- j agrees that Charts will not, in their capacity of Sponsor, treat the Applicant as their customer by virtue of such Applicant making an Application for the Bonds, and that Charts will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their suitability for the Applicant;
- k agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as provided by the Applicant;
- l renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds.

7.3 PLAN OF DISTRIBUTION AND ALLOTMENT

All Bonds have been conditionally subscribed by Charts pursuant to the Placement Agreement, save for such portion of the Series II Bond which has been reserved for Existing Noteholders wishing to exchange their Existing Notes in settlement of the purchase consideration of Series II Bonds.

7.3.1 The Series I Bond Issue

The Series I Bond Issue, which has a total value of €15 million, has been fully subscribed by Charts, pursuant to the Placement Agreement, for distribution to its customers and other financial intermediaries.

7.3.2 The Series II Bond Issue

The Series II Bond has been reserved for subscription as follows:

- i. Holders of Existing Notes who wish to settle the consideration due by the transfer to the Issuer of all or part of the Existing Notes held by such Applicant as at the Cut-Off Date, must do so by submitting an Application Form. The amount so reserved is equivalent to the amount outstanding on the Existing Notes, namely €12 million.
- ii. The remaining balance of the Series II Bonds equivalent to €15 million, together with any Series II Bonds not taken up by Existing Noteholders under (i) above, have been placed with Charts for distribution to its customers and other financial intermediaries.

In each case, subscription amounts made through Charts and any financial intermediary shall be in multiples of €100 in both the case of the Series I Bonds and the Series II Bonds, subject to a minimum subscription amount of €2,000 in both the case of the Series I Bonds and the Series II Bonds.

It is expected that an allotment advice will be dispatched to Applicants by 5 June 2014. The registration advice and other documents may be retained pending surrender of the Existing Notes, and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta), and regulations made thereunder.

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

7.4 PLACEMENT AGREEMENT

The Issuer entered into a conditional private placement agreement with Charts on 30 April 2014, whereby the Issuer bound itself to allocate to Charts, which has bound itself to purchase, Bonds amounting to an aggregate value of €15 million in the Series I Bond and €15 million in the Series II Bond on 26 May 2014 (the “**Placement Agreement**”). In terms of the Placement Agreement, Charts will also subscribe to any Series II Bonds reserved for Existing Noteholders and not subscribed for by 21 May 2014.

The Placement Agreement entered into on 30 April 2014 is conditional on (i) the Bonds being admitted to listing on the Malta Stock Exchange; and (ii) the Security Interests being duly constituted in favour of the Security Trustee.

7.5 PRICING

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

7.6 ALLOCATION POLICY

The Issuer shall allocate all Series I Bonds and €15 million Series II Bonds to Charts pursuant to the Placement Agreement, upon this becoming unconditional. Charts shall also subscribe to such number of Series II Bonds, reserved for Existing Noteholders for the purpose of exchange of the Existing Notes, in the event that Existing Noteholders shall not take up all of the €12 million Series II Bonds reserved for this purpose.

7.7 ADMISSION TO TRADING

- 7.7.1 The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 5 May 2014.
- 7.7.2 Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List of the Malta Stock Exchange.
- 7.7.3 The Bonds are expected to be admitted to the Malta Stock Exchange with effect from 5 June 2014 and trading is expected to commence on 6 June 2014.

ANNEX I - SPECIMEN APPLICATION FORM

APPLICATION FORM			
Pendergardens Developments p.l.c. €27 MILLION 6% SECURED BONDS 2022 Existing Holders of Pendergardens Developments p.l.c. €12 million 7% Secured Notes 2015-2019			Application Number
Please read the notes overleaf before completing this Application Form. Mark 'X' if applicable. Unless otherwise indicated, each of the panels below is to be completed.			
APPLICANT			
A	<input type="checkbox"/> Non-Resident <input type="checkbox"/> CIS-Prescribed Fund <input type="checkbox"/> Minor (under 18) <input type="checkbox"/> Body Corporate/Body of Persons		
B			
	MSE A/C NO. (if applicable)	I.D. CARD/PASSPORT/COMPANY REG. NO.	TEL. NO.
			MOBILE NO.
C	Nominal value of Pendergardens Developments p.l.c. 7% Secured Notes 2015-2019 (the "Existing Notes") held as at 5 May 2014 (the "Cut-Off Date"). I/We apply to purchase and acquire the amount set out below in Pendergardens Developments p.l.c. 6% Secured Bonds 2022 at the Bond Offer Price (at par) pursuant to the Prospectus dated 5 May 2014 (minimum subscription of €2,000 and in multiples of €100 thereafter).		AMOUNT IN FIGURES Box 1 <div style="border: 1px solid black; width: 100px; height: 30px; margin: 0 auto;"></div>
	AMOUNT IN WORDS: <div style="border: 1px solid black; width: 100%; height: 30px;"></div>		AMOUNT IN FIGURES Box 2 <div style="border: 1px solid black; width: 100px; height: 30px; margin: 0 auto;"></div>
ADDITIONAL (JOINT) APPLICANTS (see note 3) (please use additional Application Forms if space is not sufficient)			
	TITLE (MR/MRS/MS/....)	FULL NAME & SURNAME	ID CARD/PASSPORT NO.
	TITLE (MR/MRS/MS/....)	FULL NAME & SURNAME	ID CARD/PASSPORT NO.
MINOR'S PARENTS / LEGAL GUARDIAN/S (see note 4) (to be completed ONLY if the Applicant is a minor)			
i	TITLE (MR/MRS/MS/....)	FULL NAME & SURNAME	ID CARD/PASSPORT NO.
ii	TITLE (MR/MRS/MS/....)	FULL NAME & SURNAME	ID CARD/PASSPORT NO.
RESIDENT - WITHHOLDING TAX ON 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).			
NON-RESIDENT – DECLARATION FOR TAX PURPOSES (to be completed ONLY if the Applicant is a Non-Resident)			
	TAX COUNTRY	TOWN OF BIRTH	TIN (TAX IDENTIFICATION NO.)
	NATIONAL ID CARD / PASSPORT NO.	COUNTRY OF BIRTH	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.			
INTEREST MANDATE (see note 10) (completion of this panel is MANDATORY)			
	BANK	IBAN	
I	This Application Form is to be submitted in the case where the Applicant selects, as a method of payment for the Pendergardens Developments p.l.c. 6% Secured Bonds 2022 being applied for, to transfer to the Issuer all or part of the Existing Notes held by the Applicant as at the Cut-Off Date for the nominal value set out in Box 1 of Panel C above. By submitting this signed Application Form, the Applicant is thereby confirming that: a. All or part (as the case may be) of their holding of the Existing Notes indicated in this Application Form are being surrendered in favour of the Issuer for cancellation; and b. This pre-printed Application Form constitutes the Applicant's/Applicants' irrevocable mandate to the Issuer to: i. surrender the said Existing Notes in the Issuer's favour for cancellation in consideration for the issue of 6% Secured Bonds 2022 applied for; and ii. engage the services of such brokers or intermediaries as may be necessary to fully and effectively carry out all procedures necessary to fully and effectively vest title in the appropriate number of 6% Secured Bonds 2022 in the Applicant/s.		
J	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.		
	<div style="border-top: 1px solid black; width: 100%;"></div> Signature/s of Applicant/s		<div style="border-top: 1px solid black; width: 100%;"></div> Date
	(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)		
	<div style="border: 1px solid black; width: 100%; height: 100%;"></div> Financial intermediary's stamp		<div style="border: 1px solid black; width: 100%; height: 100%; text-align: center;"> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> </div> Financial intermediary's code </div>

Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 5 May 2014

1. This application is governed by the Terms and Conditions contained in the Prospectus. Capitalised terms not defined herein, shall unless the context otherwise requires, have the same meaning as that assigned to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS.
3. This Application Form is not transferable and entitles you to a preferential treatment as a holder of the Existing Notes (see note 6 below).
4. Interest and redemption proceeds will be issued in the name of the person indicated in Panel B overleaf. 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 D 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 (see note 10 below).
5. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. The relative box in Panel A must also be marked appropriately. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
6. This Application Form is to be submitted in the case where the Applicant selects, as a method of payment for the Pendergardens Developments p.l.c. 6% Secured Bonds 2022 being applied for, to transfer to the Issuer all or part of the holding in the Existing Notes held by the Applicant as at the Cut-Off Date the nominal value of which is set out in Box 1 of Panel C overleaf. By submitting this signed Application Form, the Applicant is thereby confirming that:
 - a. All or part (as the case may be) of their holding of Existing Notes indicated in this Application Form are being surrendered in favour of the Issuer for cancellation; and
 - b. The pre-printed Application Form constitutes the Applicant's/Applicants' irrevocable mandate to the Issuer to:
 - i. Surrender the said Existing Notes in the Issuer's favour for cancellation in consideration for the 6% Secured Bonds 2022 applied for; and
 - ii. Engage the services of such brokers or intermediaries as may be necessary to fully and effectively carry out all procedures necessary to fully and effectively vest title in the appropriate number of 6% Secured Bonds 2022 in the Applicant/s.
7. The amount set out in Box 2 of Panel C overleaf must be in multiples of €100. The Issuer will be giving preference to Applications made by the holders of Existing Notes up to the full amount of Existing Notes being transferred to the Issuer.
8. Applicants who are Non-Residents in Malta for tax purposes must complete Panel G overleaf. The relative box in Panel A must also be marked appropriately.
9. In the case where a holder of Existing Notes is a body corporate, Application Forms must be signed by a duly authorised representative/s indicating the capacity in which s/he/they are signing.
10. **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.**
11. Only Applicants who hold an official Maltese Identity Card or companies registered in Malta will be treated as residents in Malta. In such a case the Applicant may elect to have Final Withholding Tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of Final Withholding Tax), but he/she will be obliged to declare interest so received on his/her tax return. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a Prescribed Fund (having indicated their status in the appropriate box in Panel A) will have Final Withholding Tax, currently 10%, deducted from interest payments. Applicants will receive interest directly in a bank account held locally in Euro details of which are to be indicated in Panel H overleaf.

In terms of Section 6 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.
12. European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments requires all payors 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 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. Completed Application Forms are to be delivered to any financial intermediary, during normal office hours by not later than 14:00 on 21 May 2014. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not being received by the closing date indicated above. The Issuer reserves the right to refuse any Application which appears to be in breach of the terms and conditions of the Bond as contained in the Prospectus. Any Applications received by the Registrar after 14:00 on 21 May 2014 will not be accepted.
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% Secured Bonds 2022 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% Secured Bonds 2022 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.

The Directors
Pendergardens Developments p.l.c.
GB Buildings, Triq il-Watar
Ta'Xbiex XBX 1301
Malta

5 May 2014

Dear Sirs

Pendergardens Developments 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 set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Pendergardens Developments p.l.c. (the “**Company**”). The data is derived from various sources or is based on our own computations as follows:

- a. Historical financial data for the period 5 November 2012 (being date of incorporation) to 31 December 2013 has been extracted from the audited financial statements of the Company for the period in question.
- b. The forecast data of the Company for the years ending 31 December 2014 and 31 December 2015 has been provided by management of the Company.
- c. Our commentary on the results of the Company and on its financial position is based on the explanations provided by the Company.
- d. The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- e. Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

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

Yours faithfully,



Wilfred Mallia
Director

TABLE OF CONTENTS

PART 1

1. Company's Key Activities	98
2. Pendergardens Group	98
2.1 Organisational Structure	98
2.2 Key Events	100
2.3 Phase I Timeline	101
3. Directors and Senior Management	102
4. Major Assets & Operational Development of the Company	102
4.1 Phase II – Block 16	103
4.2 Phase II – Block 17 and Towers I & II	103
4.3 Phase II – Sales Strategy and Projections	104
4.4 Phase II – Project Funding	107
4.5 Property Market	108

PART 2

5. Company Performance Review	110
5.1 Financial Information	110
5.2 Reserve Account	113
5.3 Debt Service	114

PART 3

6. Comparables	115
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PART 4

7. Explanatory Definitions	116
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PART 1

1. COMPANY'S KEY ACTIVITIES

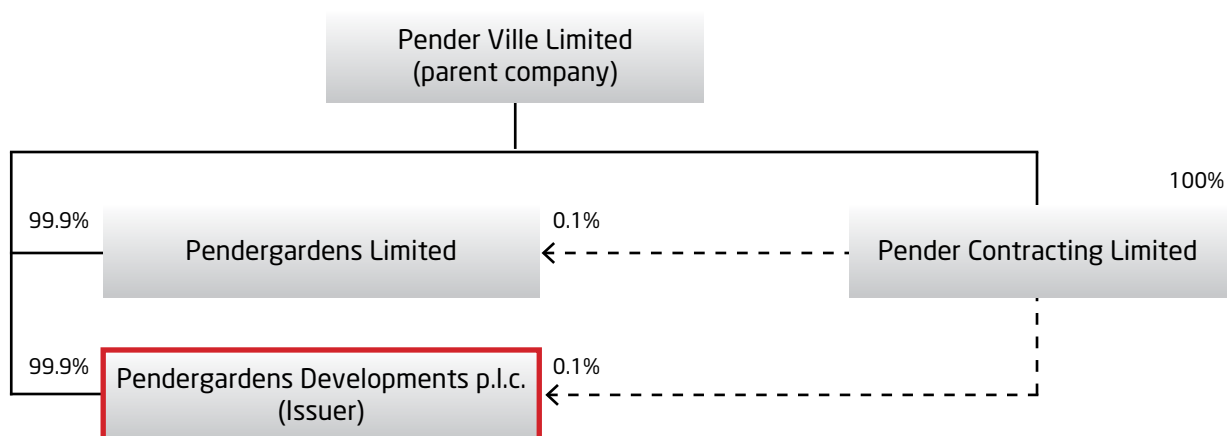
The principal activity of the Pendergardens Developments p.l.c. (the “**Company**” or “**Issuer**”) is to carry on the business of a property development company. In January 2013, the Company acquired a plot of land forming part of Pendergardens and measuring *circa* 1,379m². Following the issuance of €12 million in debt securities in February 2013, the Company proceeded with the construction on said site of 46 residential apartments, 971m² of retail area and car park spaces (“**Block 16**”).

The Company is in the process of acquiring a second parcel of land, adjacent to Block 16, having a footprint of 3,217m². It is planned to construct two properties known as Block 17 and Towers I & II, and will include 73 residential apartments, 7 floors of office space, commercial premises and car park spaces. The proposed development is covered by full MEPA development permits and therefore construction will commence shortly after the bond offering detailed in the Securities Note dated 5 May 2014.

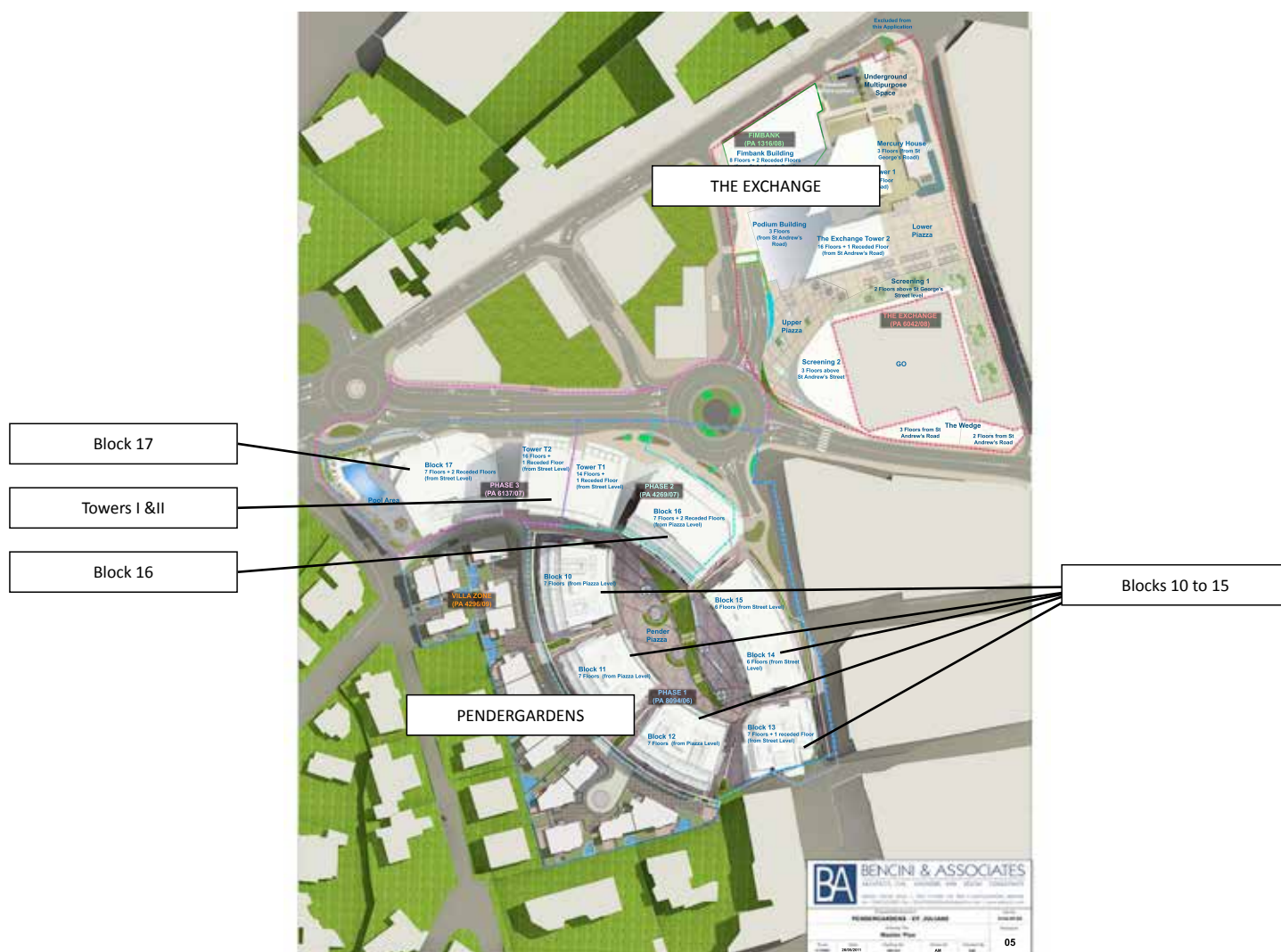
2. PENDERGARDENS GROUP

2.1 ORGANISATIONAL STRUCTURE

The Company was incorporated in November 2012 and forms part of the Pendergardens Group as set out in the Group organisational structure hereunder:



The parent company of the Group is Pender Ville Limited. It was set up in July 2005 by a consortium of investors to acquire and develop Pender Place (“**Pendergardens**”) and Mercury House (“**The Exchange**”) in St Julians, each site measuring 18,500m² and 8,500m² respectively. The acquired area is depicted in the site plan below:



Site Plan: Pendergardens and The Exchange

Pender Ville Limited commenced development of 150 residential apartments spread over 6 blocks (known as Blocks 10 to 15) together with underlying car park spaces in the first quarter of 2007. All apartments were sold over a 6-year period except for one apartment which was not placed on the market due to its proximity to the Towers I & II which are yet to be built. It is currently being used by the Pendergardens Group as its head office.

In a bid to proceed with the development of the remaining part of Pendergardens, the Block 16 site was transferred in December 2012 to Pendergardens Developments p.l.c. The Company issued €12 million in debt securities and initiated construction of Block 16 in the first quarter of 2013.

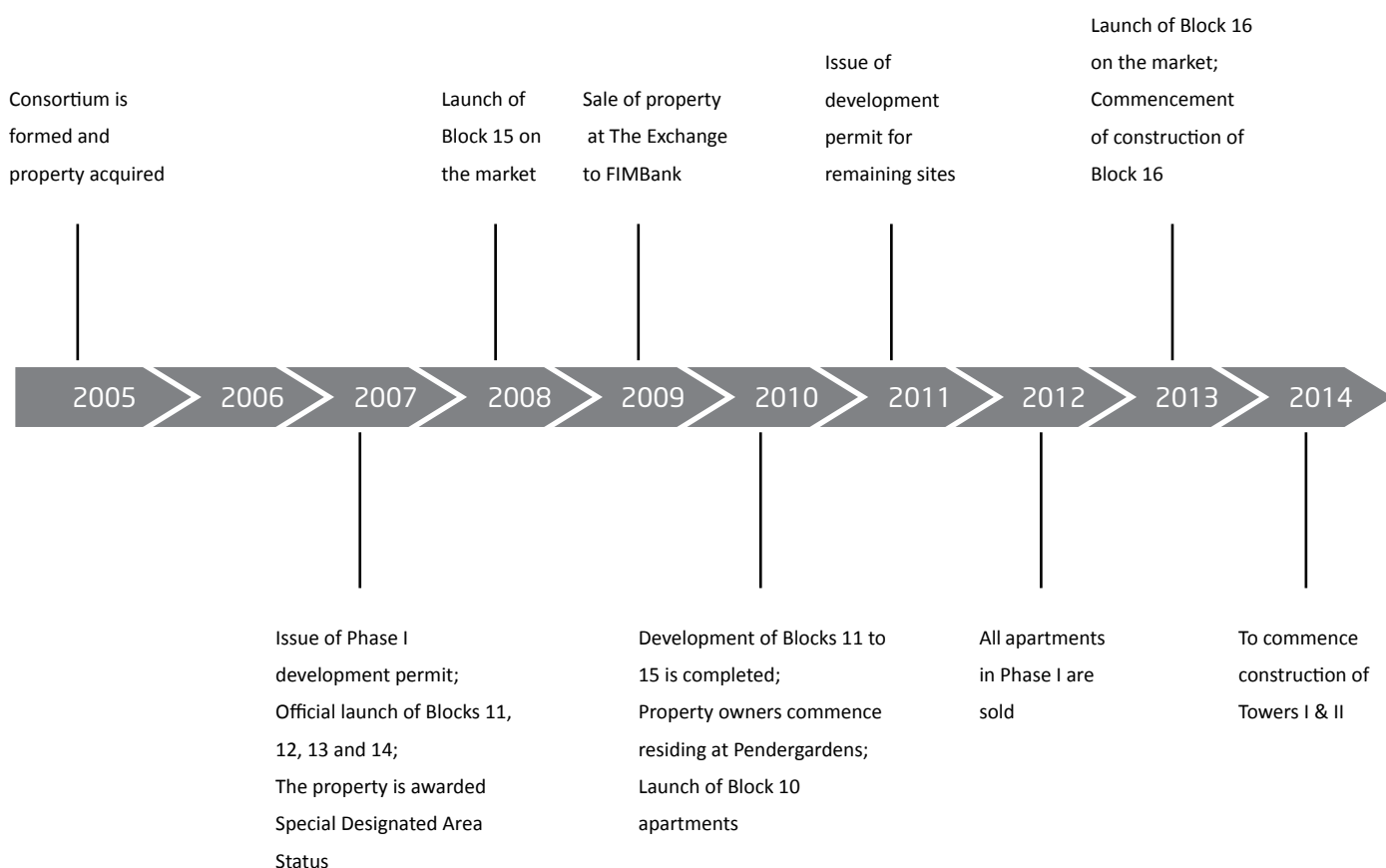
Pursuant to the bond offer detailed in the Securities Note dated 5 May 2014, the Company will acquire from Pender Ville Limited the last remaining parcel of land at Pendergardens measuring 3,217m² to enable the former to construct and develop Block 17 and Towers I & II.

The Exchange is earmarked for commercial use and will be promoted as a financial and business centre. It will consist of 16,700m² of office space within two towers and 10,800m² of retail and leisure outlets fronting a large public piazza. In 2009, an area measuring 950m² was sold to FIMBank plc and the Pendergardens Group was entrusted with the construction of the property which was completed in 2012.

Pendergardens Limited is a subsidiary company of the Pendergardens Group and owns a portion of land measuring 4,300m² forming part of Pendergardens. The said site is intended for the development of 15 detached and semi-detached villas.

Pender Contracting Limited was incorporated in February 2006 principally to act as the main contractor to execute the construction and development of Pendergardens and The Exchange. Currently, the company is involved in the construction of Block 16 which is expected to be completed in 2015. Pursuant to the bond offering detailed in the Securities Note dated 5 May 2014, Pender Contracting Limited will initiate development of Block 17 and Towers I & II in the third quarter of 2014.

2.2 KEY EVENTS



2.3 PHASE I TIMELINE

As detailed in the table below, Phase I was sold over a 6-year period, except for one apartment which was kept as Group head office. The total sales proceeds including 181 car park spaces sold during the period amounted to €43.4 million.

	2007	2008	2009	2010	2011	2012	2013	TOTAL
Block 10 – 24 units								
Construction and Development								
Marketing of units								
Preliminary sale agreements					14	9		23
Contract value incl. car spaces (€'000)					4,911	3,576		8,487

	2007	2008	2009	2010	2011	2012	2013	TOTAL
Block 11 – 24 units								
Construction and Development								
Marketing of units								
Preliminary sale agreements	16		3	3		2		24
Contract value incl. car spaces (€'000)	4,639		1,392	833		1,120		7,984

	2007	2008	2009	2010	2011	2012	2013	TOTAL
Block 12 – 24 units								
Construction and Development								
Marketing of units								
Preliminary sale agreements	14	1	1	5	1	2		24
Contract value incl. car spaces (€'000)	4,110	587	245	1,690	240	1,120		7,992

	2007	2008	2009	2010	2011	2012	2013	TOTAL
Block 13 – 24 units								
Construction and Development								
Marketing of units								
Preliminary sale agreements	13	1	1	2	5	2		24
Contract value incl. car spaces (€'000)	3,467	350	288	1,173	1,555	598		7,431

	2007	2008	2009	2010	2011	2012	2013	TOTAL
Block 14 – 27 units								
Construction and Development								
Marketing of units								
Preliminary sale agreements	25	1			1			27
Contract value incl. car spaces (€'000)	4,890	210			285			5,385

	2007	2008	2009	2010	2011	2012	2013	TOTAL
Block 15 – 27 units								
Construction and Development								
Marketing of units								
Preliminary sale agreements		8	1	7	11			27
Contract value incl. car spaces (€'000)		1,380	152	1,757	2,804			6,093

3. DIRECTORS AND SENIOR MANAGEMENT

The Company is managed by a Board consisting of five directors entrusted with the overall direction and management of the Company.

Board of Directors

Edmund Gatt Baldacchino	Chairman
Edward Licari	Deputy Chairman
John Attard	Director
Philip Farrugia	Director
Joseph FX Zahra	Director

The Company has no employees and therefore is reliant on the resources made available by its parent company, Pender Ville Limited. The names and responsibilities of the latter's senior management are set out hereunder:

Senior Management

Peter Diacono	Chief Executive Officer
Robert Darmanin	Financial Controller
Michael De Maria	Sales & Marketing Manager
Ernest Debono	Cost Manager & Quantity Surveyor

4. MAJOR ASSETS & OPERATIONAL DEVELOPMENT OF THE COMPANY



4.1 PHASE II - BLOCK 16

Pendergardens Developments p.l.c. was incorporated in November 2012 to acquire from its parent company, Pender Ville Limited, a parcel of land measuring 1,379m² for the purpose of constructing and developing Block 16. The acquisition took place on 8 January 2013 for a total amount of €4,755,460. In consideration, the Company issued ordinary shares amounting to €3,294,460 and transferred the balance of €1,461,000 to a shareholder's loan account, which is unsecured and interest free.

In February 2013, the Company raised €12 million through an issuance of debt securities and entered into a fixed price contract with a fellow subsidiary, Pender Contracting Limited, for €10.02 million (excluding VAT) to construct and develop Block 16 over a period of 30 months.

When completed, Block 16 will comprise 46 apartments, 4 levels of underlying car spaces and *circa* 971m² of retail area which will be split into a number of retail outlets depending on the requirements and specifications of prospective tenants. In aggregate, Block 16 will have a gross floor area of 16,404m².

As at the date of this report, civil works on the underlying car park, the commercial units and the apartments at Level 0 to Level 2 (out of 9 levels) are complete. Construction on the remaining floors is ongoing, and mechanical & electrical installations have commenced.

Interest from prospective investors in Block 16 units has been positive and as at the date of this report, the Company has entered into preliminary sale agreements for 24 units, equivalent to final sales proceeds of €6.9 million (being 39% of expected revenue from Block 16). The following table illustrates the mix of apartments in Block 16 and the remaining units available for sale.

Phase II - Block 16 Residential	No. of units	PSA ¹	Remaining units
1-bedroom unit	10	10	-
2-bedroom unit	16	9	7
2-bedroom duplex unit	2	-	2
3-bedroom duplex penthouse	2	-	2
3-bedroom duplex unit	14	3	11
3-bedroom penthouse	2	2	-
	-----	-----	-----
	46	24	22
	=====	=====	=====

¹ Units subject to preliminary sale agreements.

4.2 PHASE II - BLOCK 17 AND TOWERS I & II

Following the encouraging response received from the real estate market with the launch of Block 16 in 2013, the promoters of Pendergardens resolved to proceed with the construction of the remaining parcel of land measuring 3,217m², known as Block 17 and Towers I & II, to complete the Pendergardens project.

In 2014, the Company entered into the following agreements:

- A preliminary agreement has been entered with Pender Ville Limited to acquire from Pender Ville Limited the site on which Block 17 and Towers I & II will be developed, and a novation agreement has been entered with Pender Ville Limited and Pender Contracting Limited to settle for works carried out on the subject site by Pender Contracting Limited, for an aggregate consideration of €13.27 million. The cash consideration shall amount to €8.95 million and will be payable out of the proceeds of the bond offer described in the Securities Note dated 5 May 2014. The remaining balance for the

- execution of the transaction of €4.32 million will be settled through the issue of ordinary shares of the Company;
- A fixed price contract has been concluded with Pender Contracting Limited for the construction and development of Block 17 and Towers I & II for an aggregate amount of €35.85 million. Pursuant to this contract, the stipulated price cannot be amended and accordingly, any cost overruns will be borne by Pender Contracting Limited;
- An agreement has been entered between the Company and Pender Ville Limited, whereby it was agreed that a shareholder's loan amounting to €1.46 million due to Pender Ville Limited is settled through the issue of ordinary shares to Pender Ville Limited in the Company.

Construction of Block 17 and Towers I & II is expected to take *circa* 4 years and should be completed in the first semester of 2018. Both properties will have four levels of car park spaces below ground level, and two levels above ground of commercial and retail space totalling 14,637m². As from Level 1, Block 17 will comprise eight floors of residential units and Towers I & II will include seven levels of office space (6,564m²) and a further eight levels of residential units. Tower II will extend for an additional two floors, which will be developed as duplex units. It is planned that the offices and residences in Towers I & II will maintain separate entrances, lobbies and lifts. As to the level of finishes, Block 17 will be similar to Block 16, whereas Towers I & II will have a level of finish superior to the other blocks as it will be marketed to a higher segment of client.

The table below shows the proposed mix of residential units available in Block 17 and Towers I & II:

Phase II - Block 17 and Towers I & II Residential	Block 17 units	Towers I & II units	Total units
1-bedroom unit	20	-	20
2-bedroom unit	21	-	21
3-bedroom unit	-	28	28
3-bedroom duplex penthouse	2	2	4
	-----	-----	-----
	43	30	73
	=====	=====	=====

4.3 PHASE II - SALES STRATEGY AND PROJECTIONS

Phase II in the development of Pendergardens will encompass Block 16, Block 17 and Towers I & II. Block 16 and Block 17 residences will include 89 apartments ranging from 1-bedroom units to 3-bedroom duplex penthouses, while 28 3-bedroom units and 2 3-bedroom duplex penthouses are planned for Towers I & II.

Marketing of Block 16 units commenced in 2013 and as outlined in section 4.1 above, 24 out of 46 units are subject to preliminary sale agreements. As to the price range of units and level of finishes, the Directors were guided by the experience obtained in the past 6 years whilst marketing 149 apartments in Phase I. The launch of Block 17 residences, which is earmarked to take place in 2016, will be based on the same strategy adopted for Block 16.

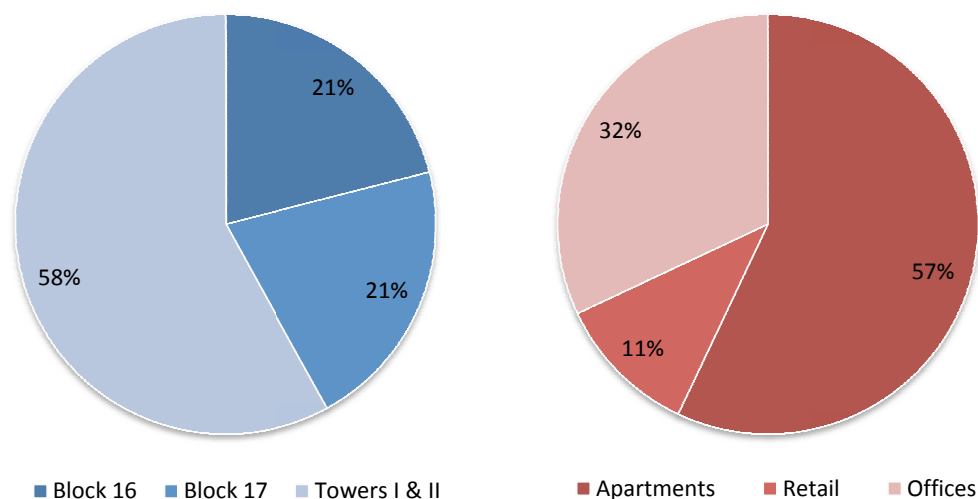
The pricing strategy for Towers I & II residences has been devised to target the higher-end of the market and the level of finish will be significantly superior to other part of the development, reflective of market expectations for such apartments. It is expected that Towers I & II apartments will be marketed in mid-2017.

In addition to residential units, Phase II includes the development of a total commercial gross area of 15,973m². Block 16 and 17 will offer 7,189m² of gross retail space which will be segregated into retail outlets according to requirements of respective tenants. Towers I & II will encompass retail outlets (gross area of 2,220m²) and 6,564m² (gross area) of office space spread on 8 floors. As the flagship property of Pendergardens, all common and external areas will be finished to a very high level and generators will be installed to provide power supply to the offices in the event of grid power failure.

Complementing the above properties are car park spaces reserved for residents and tenants within the underground parking facilities. Furthermore, Pendergardens will be providing public parking facilities to accommodate clients of respective tenants and an additional 137 car park spaces will be rented to a third party car park operator for use by the general public.

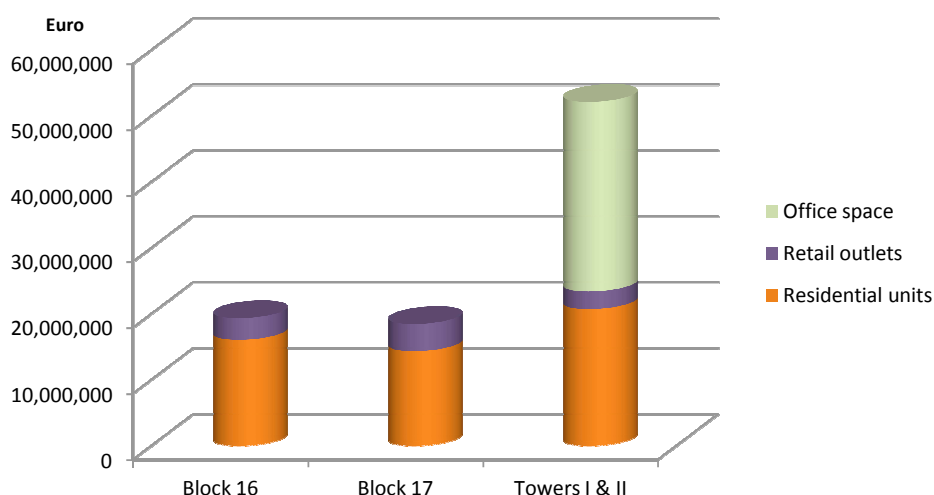
In total Phase II will comprise, when complete, 119 residential apartments, *circa* 4,500m² (net area) of commercial/retail area, *circa* 6,000m² (net area) of office space and 367 car park spaces, of which, 137 car park spaces will be leased to a third party operator. If this stock, excluding 137 car park spaces assigned for public parking, achieves the indicative sales prices formulated by management, the Company would generate from its realisation, total sales revenue of €84.24 million after deducting sales commissions. In the interim period until the office space is fully sold, the projections assume that the Company will offer such area on a lease basis and will generate revenue in the region of €4.36 million. The Company will also generate €1.30 million through the leasing of car park spaces.

The pie-charts below provide a segmental analysis of projected proceeds from sales & leases. The first pie-chart shows that of the 3 properties to be developed, the Company expects to generate 58% of total revenue from Towers I & II, whereas Block 16 and Block 17 are projected to contribute the same percentage amount of revenue (21%). As to the second pie-chart, the Company will be reliant mostly on sales of residential apartments (57%), followed by office space (32%) and retail space (11%).



On a per property basis, revenue generated from Block 16 and 17 will be predominantly derived from sales of residential units, as shown in the chart below. With respect to Towers I & II, sales revenue is largely expected to be realised from the disposal of apartments (40%) and office space (55%). In aggregate, revenue generated from the sale of retail outlets is expected to represent 11% of total income.

Projected sales inflows by property



The following table illustrates the projected proceeds from sales and leases of units, net of applicable commissions, generated from Phase II.

PHASE II Proceeds from sales and leases	2014 €000	2015 €000	2016-22 €000	Total €000
Apartments & car spaces ¹	1,062	8,466	41,444	50,972
Commercial area & car spaces	-	-	33,266	33,266
Total proceeds from sales (net of commissions)	1,062	8,466	74,710	84,238
Commercial leases	-	-	5,658	5,658
Total proceeds (net of commissions)	1,062	8,466	80,368	89,896

¹ As at 31 December 2013 the Company received net proceeds of €0.7 million in relation to preliminary sale agreements.

The table below outlines the timeline for the construction of each of the three properties relating to Phase II of Pendergardens, and the expected sales tempo thereof.

Phase II Construction & Sales Timeline

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Block 16										
Construction and Development										
Sales – Residential										
Sales – Retail Space										

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Block 17										
Construction and Development										
Sales – Residential										
Sales – Retail Space										

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Towers I & II										
Construction and Development										
Sales - Residential										
Leases – Office space										
Sales – Retail & Office space										

4.4 PHASE II - PROJECT FUNDING

The program of development works relating to Phase II commenced in 2013 and will extend over the period to first semester of 2018, during which the Company will undertake a cash investment in the region of €64 million. Such figure excludes the value of civil works already executed and settled up to 31 December 2013 on Block 16 which amounted to €3.5 million. A breakdown of estimated development expenditure to complete Phase II and expected funding sources thereof is provided below:

Completion of Phase II		€'000
Expenditure programme		
Cash consideration paid on acquisition of land from Pender Ville Limited		(8,953)
Fixed price contracts: Block 16 (payments to completion)		(6,418)
Fixed price contracts: Block 17 and Towers I & II		(35,847)
Non refundable VAT on development costs (in development phase)		(4,754)
Net finance costs in construction period (2014-17)		(7,329)
Operating expenses in construction period (2014-17)		(297)

Total estimated cash outflows to completion of Phase II		(63,598)
		=====
Sources of funding		
Own funds – cash in hand as at 1 January 2014		8,247
Sales proceeds (net of commissions and provisional tax)		26,101
Proceeds of the Bond Issue, net of issue expenses		41,250
Redemption of 7% Secured Notes 2015-2019 issued pursuant to a prospectus dated 6 February 2013		(12,000)

Total funding requirement		63,598
		=====

Funding requirements for the development of Phase II are expected to amount to €63.60 million and will be mainly funded from proceeds of the issuance of debt securities, own funds and unit sales as follows:

- Pursuant to a Securities Note dated 5 May 2014, the Company will be issuing €42 million in bonds, out of which, €12 million will be utilised to repay outstanding debt securities amounting to €12 million. After deducting issue expenses, the Company will have available funds at its disposal of €29.25 million;
- In 2013, the Company had raised €12 million through an issue of Notes earmarked for the development of Block 16. A portion of the funds have been used to settle construction works carried out in 2013 and as at 1 January 2014, the remaining cash balance amounted to €8.25 million. Such funds will be directed by the Company towards the completion of Block 16;
- An amount of €26.10 million from net sales proceeds shall be utilised for the construction of Block 17 and Towers I & II. It is envisaged that such funds will be generated from net sales of Block 16 residential and commercial units, estimated at €17.65 million, and the remaining balance from deposits received on preliminary sales agreements as well as from

proceeds derived from final sales contracts of units in Block 17 and Towers I & II.

The above cash inflows will be utilised principally to settle the remaining balance due on the fixed price contracts entered into with Pender Contracting Limited for the development of Phase II, valued at €42.26 million. Furthermore, the Company shall use €9.0 million to settle the cash consideration relating to the acquisition of Block 17 and Towers I & II. During the period of development, it is expected that the Company will absorb non refundable VAT amounting to €4.75 million and projected net finance costs incurred during the construction period is estimated at €7.33 million.

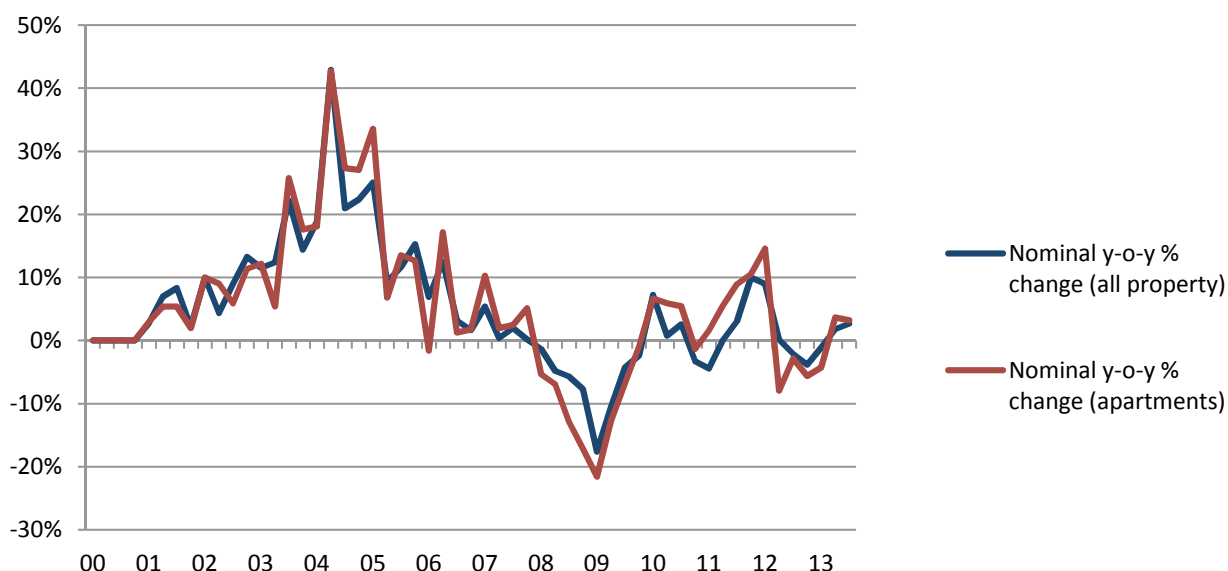
4.5 PROPERTY MARKET

Performance of the property market in Malta has been modest in the past few years and has not fully recovered from the sharp fall registered in 2009. However, certain niche areas such as higher quality properties were more resilient and continue to perform reasonably well, partly due to various incentives implemented by Government to encourage purchases by foreign investors.

Malta experienced a brief housing boom between 2002 and 2005, and continued to grow at a more normalised rate from 2005 to 2007. Similar to other European countries, the Maltese property market declined considerably in the following two years as a result of the global financial crisis. Performance in the years 2010 to 2013 was relatively stable but still significantly below activity levels registered in 2007.

An analysis of property price movements is shown in Chart I below and is based on the Central Bank of Malta's residential property price index, which tracks movements in advertised residential property prices. From 2000 to 2007, the Maltese property market enjoyed strong growth, with the overall house price index rising by 78.9%. Over the same period, apartment prices rose by 83.3%. By 2009, the house price index retracted 7.6% and apartment prices declined by 11.5%. Since 2010, property prices have recovered 1.8% and that of apartments improved by 3.7%.

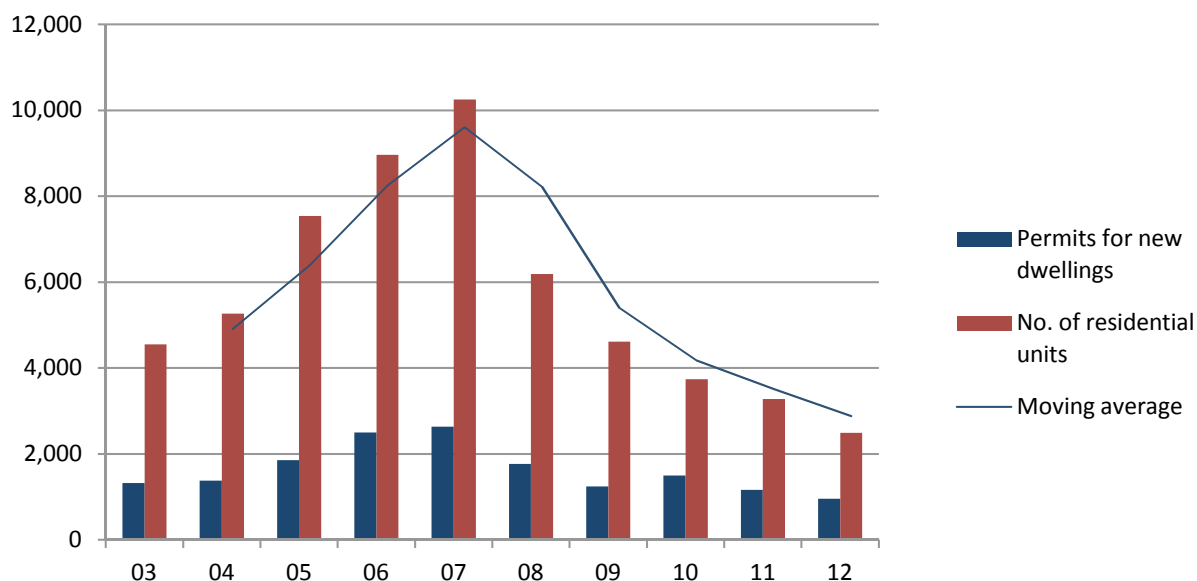
Chart I: Change in property prices



Source: Central Bank of Malta

New dwelling permits peaked in 2007, as depicted in Chart II overleaf, with 2,636 permits issued during the said year, but declined thereafter at a constant rate to a ten-year low of 958 permits in 2012. With respect to permits for apartments issued in Q1 and Q2 of 2013, the downward trend was maintained as Q1 and Q2 registered y-o-y decreases of 29.9% and 10.1% respectively. The total number of new dwelling permits is an indicator of the health of the construction sector, which is expected to remain weak at least in the near term.

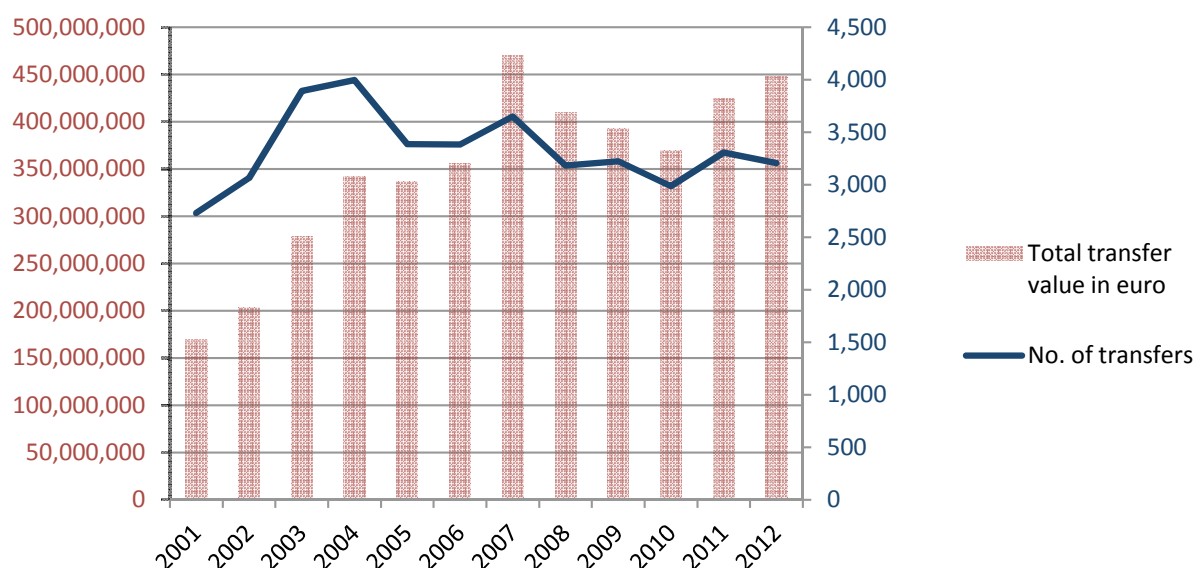
Chart II: Development permits for dwelling



Source: Malta Environment & Planning Authority

Chart III below re-affirms that 2007 was the most active year for transactions in apartments, whereby 3,649 transactions were effected during the said year at an aggregate value of circa €470 million. Unit transfers declined in the years 2008 to 2010 but recovered strongly in 2011 (+14.8%) and 2012 (+5.58%).

Chart III: Transfers of apartments in Malta



Source: Capital Transfer Division, Inland Revenue Department

National statistics relating to commercial property in Malta are currently not captured and therefore is more difficult to gauge the health of this sector. Notwithstanding the lack of such data, it can be deduced that since Malta has progressed towards a services oriented economy, the requirement for commercial property, in particular office space, has gained in demand. Moreover, in addition to the needs of local businesses, Malta has experienced in recent years an influx of foreign entities setting up operations in the country, such as remote gaming companies and financial services companies, which have further increased the demand

for commercial premises and maintained a buoyant rental market. The positive view of this sector is further substantiated when assessing the supply side as a number of development projects earmarked for office and retail space are planned to commence in the coming years in response to such requirements.

PART 2

5. COMPANY PERFORMANCE REVIEW

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

5.1 FINANCIAL INFORMATION

The following financial information is extracted from the audited financial statements of Pendergardens Developments p.l.c. (the “Issuer”) for the period 5 November 2012 (being the date of incorporation) to 31 December 2013. The financial information for the years ending 31 December 2014 and 31 December 2015 has been provided by the Company.

Income Statement (€'000)	FY2015 Projection	FY2014 Forecast	FP2013 Actual
Revenue	9,817	-	-
Operating expenses	(8,935)	-	-
Gross profit	882	-	-
Administrative expenses	(659)	(504)	(25)
Bond amortisation costs and back charges	-	(321)	(1)
Profit/(loss) for the year/period	223	(825)	(26)

The key accounting ratios are set out below:

	FY2015	FY2014	FP2013
Gross profit margin (Gross profit/revenue)	9%	-	-
Net profit margin (Profit after tax/revenue)	2%	-	-

Source: Charts Investment Management Service Limited

Statement of financial position (€'000)	31 Dec'15 Projection	31 Dec'14 Forecast	31 Dec'13 Actual
ASSETS			
Current assets			
Inventory – development project	30,929	30,129	8,718
Trade and other receivables	4,340	3,687	1,775
Cash and cash equivalents	16,913	22,699	8,247
Total current assets	52,182	56,515	18,740
EQUITY AND LIABILITIES			
Equity	8,451	8,228	3,274
Liabilities			
Non-current liabilities	41,398	43,309	11,679
Current liabilities	2,333	4,987	3,787
Total liabilities	43,731	48,287	15,466
Total equity and liabilities	52,182	56,515	18,740

The key accounting ratios are set out below:

	FY2015	FY2014	FP2013
Net assets per share (€) (<i>Net asset value/number of shares</i>)	0.93	0.91	0.99
Gearing ratio (%) (<i>Net debt/net debt + shareholders' equity</i>)	75	72	53
Asset cover ratio (times) (<i>Inventory plus receivables less current liabilities/net debt</i>)	1.31	1.35	1.79

Source: Charts Investment Management Service Limited

The gearing ratio (net debt/net debt + equity) demonstrates the degree to which the capital employed in a business is funded by external borrowings as compared to shareholders' funds. A company with high leverage tends to be more vulnerable when its business goes through a slowdown. At a leverage of 53%, the Company's capital is funded to a higher degree from external debt as opposed to shareholders' funds. Due to the nature of property companies this ratio is typically on the high side especially in the initial years, when the focus is more on construction rather than sales. Accordingly, the Company's gearing level is projected to increase gradually between 2014 and 2017 as the Company utilises the net Bond proceeds in the construction of Phase II. It is expected that leverage will peak at *circa* 80% by the end of 2017 and should gradually decrease thereafter as sales proceeds start accruing from Block 17 and Towers I & II.

As progress is made on the construction of Phase II, the cash balances of the Company will decrease, and as mentioned above, will result in an increase in gearing levels over the next four years. The cash balances will be deployed on construction works and therefore converted to asset value, as illustrated by the asset cover ratio. The ratio measures a company's ability to cover its debt obligations with its assets. In the case of the Company, its debt of €42 million (and hence the amount of available cash net of

Bond expenses) is earmarked for the development of Phase II and will therefore be reflected in the balance sheet as units held for resale once the said property is completed. The asset cover is projected at 1.35x in FY2014 and 1.31x in FY2015, and should remain stable at this level throughout the construction phase to FY2017. The asset cover will increase on completion of works in FY2018 and thereafter until the redemption of both Bonds. The projected asset cover calculations exclude the effect of expected uplift in property value upon completion of works in FY2018.

Cash Flow Statement (€'000)	FY2015 Projection	FY2014 Forecast	FP2013 Actual
Net cash from operating activities	(1,381)	(15,725)	(3,387)
Net cash from financing activities	(4,403)	30,176	11,634
Net movement in cash and cash equivalents	(5,784)	14,451	8,247
Cash and cash equivalents at beginning of period	22,698	8,247	-
Cash and cash equivalents at end of period	16,914	22,698	8,247

Income Statement

The Company was incorporated on 5 November 2012 principally to develop and market Phase II of the Pendergardens project.

The Company incurred a loss of €26,227 in its first period of operations. This is typical of real estate companies set up purposely for the development and eventual sale of real estate property. The initial years of this Company will be characterised by losses given that properties are either under construction and/or not released through a contract of sale. It is expected that Block 16 will be completed in FY2015 and as a result, the Company will be able to proceed with completing a number of sale contracts. The Company is projecting that in FY2015, revenue generated from sale of residential units, net of commissions, will amount to €9.8 million and is expected to achieve a profit for the year of €0.2 million.

Statement of financial position

The Company's statement of financial position as at 31 December 2013 indicates total assets, all of which are current, amounting to €18.7 million, made up of the following components: (i) inventory relating to the project under development at a carrying value of €8.7 million; (ii) trade and other receivables of €1.8 million; and (iii) cash and cash equivalents amounting to €8.2 million. The value of inventory relates to Block 16 and is made up of the land cost amounting to €4.8 million; development expenses of €3.5 million which include design, excavation, civil works, capitalised borrowing costs and other related expenses; and €0.4 million being amortised costs relating to the issuance of secured notes and non-recoverable VAT. The assets are funded by shareholders' equity of €3.3 million and secured notes amounting to €11.7 million which will be redeemed in January 2015.

In FY2014, inventory is projected to increase from €8.7 million to €30.1 million which principally will include the value of land purchased for the development of Block 17 and Towers I & II amounting to €9.1 million, works in progress on said land of €4.1 million and the remaining balance shall comprise the capitalisation of development costs and other expenses that will be incurred on Block 16 and Towers I & II. The Company's equity will increase to €9.1 million (FY2013: €3.3 million) mainly as a result of an increase in issued share capital of €4.3 million in part settlement for the acquisition of the Block 17/Towers I & II site and capitalisation of shareholder's loan of €1.5 million. As to liabilities, borrowings will increase following the issuance of €42 million in secured bonds less the part redemption of €12 million secured notes.

During the year ending 31 December 2015, a number of sale contracts are expected to be concluded on Block 16 as construction works come to an end. This will lead to a reduction in inventory of €8.9 million, representing the direct costs associated with the disposal of residential units affected in FY2015 and charged to the income statement. Conversely, construction of Block 17

and Towers I & II is projected to be well underway in the financial year under review and therefore an amount of €9.7 million in development costs is expected to be added to inventory, thus resulting in a net increase of €0.8 million. As at 31 December 2015, no material change is projected in equity and liabilities when compared to the previous year.

Statement of cash flows

Net cash from operating activities in FP2013 to FY2015 principally comprise cash outflows relating to the construction of Phase II, and cash inflows on sale of residential units. During the three years under review, the Company is expected to settle the amount of €30.3 million for civil works completed and will receive €9.8 million being net proceeds from sale of units.

Net cash from financing activities include the issuance of €12 million and €42 million in debt securities in FP2013 and FY2014 respectively. The principal outflows relate to the redemption of €12 million secured notes, the cash consideration for the acquisition of Block 17/Towers I & II site of €8.9 million and net interest payments of €3.5 million.

5.2 RESERVE ACCOUNT

In terms of the Prospectus, the Company is required, through the Security Trustee, to build a reserve fund the value of which will by the respective redemption date of each Bond be equivalent to 100% of the outstanding value of the Bonds. The transfers to the reserve fund shall be based on a fixed percentage of net sales proceeds received upon the signing of sales contracts (residential and commercial) as detailed below. For the purpose of the reserve fund transfers, net sales proceeds shall constitute the contract value excluding initial deposits received on preliminary sales agreements, and after deducting applicable sales commissions and provisional tax. Other income of the Company including rental income from the lease of commercial units and interest receivable on surplus funds will also be excluded from any obligations in relation to the reserve account.

Transfers to the reserve account shall be made as follows:

- The first €25 million of net sales proceeds will be retained by the Company for the specific purpose of meeting construction costs with respect to Block 17 and Towers I & II;
- The following €25 million of net sales proceeds will be allocated as to 90% to the Security Trustee and 10% to the Company; and
- Any further sales over and above the initial €50 million (detailed above) shall be allocated as to 95% to the Security Trustee and 5% to the Company.

Transfers to the reserve fund are expected to commence as from the second year from the date of issue of the bonds, and the Company has undertaken to transfer a minimum amount of €100,000 in each of the years irrespective of whether the initial €25 million of net sales proceeds have been accumulated.

The Company's projections envisage the receipt of circa €69 million in net sales proceeds between 2014 and 2022, of which, an aggregate amount of €42 million is required to meet the capital repayments of the two Bonds on their respective redemption dates.

The Security Trustee may invest such monies received in the reserve account, subject to the following limitations:

- i. Any amount out of the reserve account may be applied against the re-purchase of the Secured Bonds in the market; and/or
- ii. Investment or re-investment in any in debt securities issued by or guaranteed by the Government of Malta or other member state of the European Union or the EEA or by an OECD sovereign state, without any currency exchange risk;
- iii. Subject to the limitations on amount set out below to deposit with a Bank licensed as a credit institution in Malta or any Member State of the European Union, provided that not more than 50 per cent of any amount standing to the credit of the reserve account, from time to time, shall be deposited with the same institution if the amount of the deposit exceeds the sum of €25 million;

- iv. Amounts not exceeding €10 million may be invested in debt securities admitted to listing and trading on a Regulated market in the European Union, provided that not more than €2 million may be exposed to one or more debt securities issued by the same issuer; and provided that such investment will not expose the reserve account to any currency exchange risk;
- v. An amount not exceeding €2 million may be advanced to any member of the Group, under terms and conditions which are at arm's length, provided that the reserve account remains in credit by at least another €2 million following such advance.

5.3 DEBT SERVICE COVER

The table below analyses the Company's projected cover on its debt service obligations:

Pendergardens Developments p.l.c. Debt Service Cover (€'000)	Redemption of Bond I 31 May 2020	Redemption of Bond II 31 July 2022
Projected net revenue	57,482	32,209
Net project outflows	(48,289)	(3,270)
Net proceeds from Bonds	31,250	-
Cash payment for acquisition of land	(8,953)	-
Bond re-purchases ¹ , net of interest income	(1,042)	(502)
	-----	-----
Net cash flows for the period	30,448	28,437
Opening cash balance	6,656	8,261
Balance in reserve account	1,951	-
	-----	-----
Cash available for debt service	39,055	36,698
	-----	-----
Interest payable on Bonds	(13,793)	(4,860)
Redemption of existing notes	(2,000)	-
Redemption of Bond I	(15,000)	-
Redemption of Bond II (net of buybacks)	-	(23,888)
	-----	-----
Debt service obligations	(30,793)	(28,748)
	-----	-----
Debt service cover	8,261	7,950
	=====	=====
Debt service cover ratio	1.27x	1.28x
	=====	=====

¹It has been assumed that the Company, through the Security Trustee, will buy-back an amount of €3.1 million of Bond II from the market with reserve fund proceeds.

The debt service cover ratio measures the ability of a company to service debt obligations from available cash flows. The analysis above indicates a surplus of €8.3 million on the Company's debt service obligations in the six year period to the redemption of Bond I on 31 May 2020, equivalent to a debt service cover ratio of 1.27x. In the subsequent two year period leading to the redemption

of Bond II on 31 July 2022, the surplus on the Company's debt service obligations is expected to amount to €8.0 million, which is equivalent to a debt service cover ratio of 1.28x.

PART 3

6. COMPARABLES

The table below compares the Company and its proposed bond issues to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. The list includes all issuers (excluding financial institutions) that have listed bonds maturing within six to eight years, similar to the duration of the Company's bonds. Although there are significant variances between the activities of the Company and other issuers (including different industries, principal markets, competition, capital requirements etc), the comparative analysis provides an indication of the financial performance and strength of the Company.

Comparative Analysis	Nominal Value (€'000)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'million)	Net Asset Value (€'million)	Gearing Ratio (%)
7.0% GH Marina plc 2017/20	11,671	5.39	0.72	56.79	23.39	50
6.8% Premier Cap. plc 2017/20	24,681	5.53	2.19	73.44	16.37	69
6.0% S. Farsons Cisk plc 2017/20	15,000	4.97	8.59	151.53	91.93	24
6.6% Eden Finance plc 2017/20	14,133	6.09	2.72	100.34	42.77	47
6.2% Tumas Investments plc 2017/20	25,000	5.11	3.74	286.00	93.60	55
4.9% Gasan Finance plc 2019/21	25,000	4.50	3.88	185.58	78.01	40
6.0% Corinthia Fin. plc 2019/22	7,500	5.37	0.90	1,263.78	631.09	41
5.8% IHI plc 2021	20,000	5.27	1.65	1,088.68	600.26	35
6.0% Medserv plc 2020/23	13,000	5.38	3.38	22.46	8.16	49
5.5% PD plc 2020	15,000	5.50	n/a	18.74	3.27	53
6.0% PD plc 2022	27,000	6.00	n/a	18.74	3.27	53

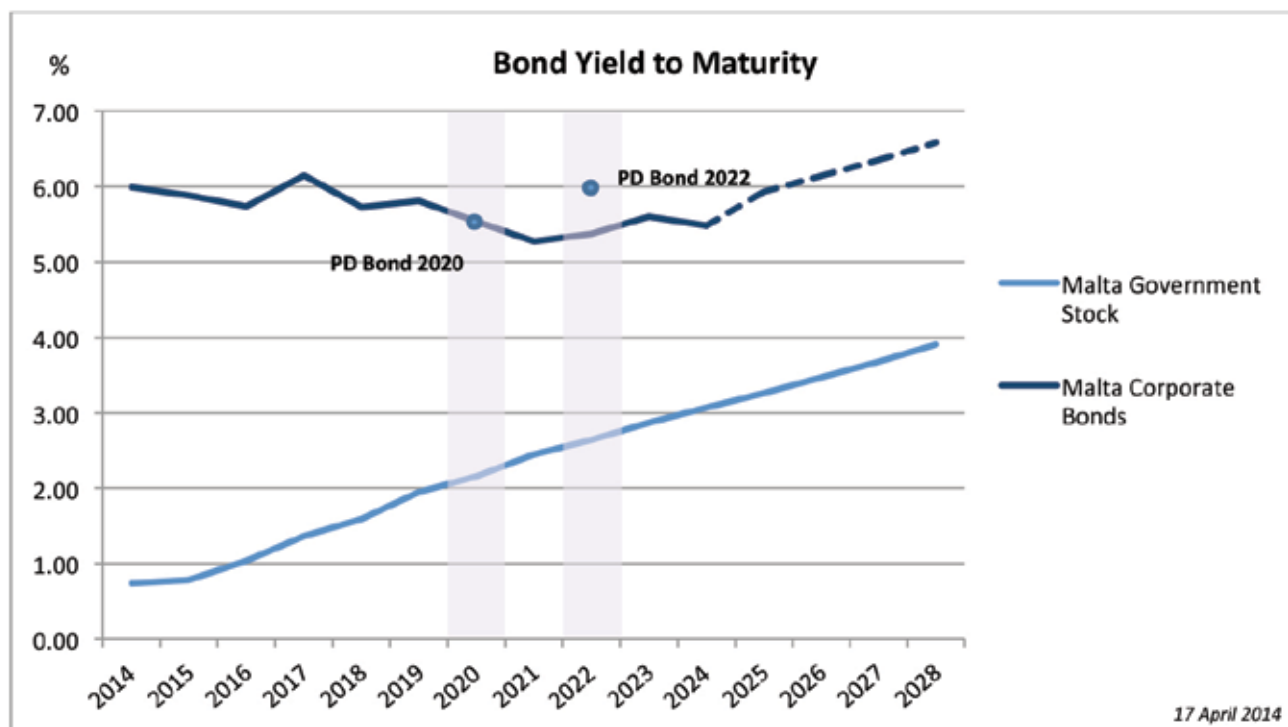
14 April 2014

Source: Malta Stock Exchange, Charts Investment Management Service Limited

Annual Accounts: For the year ended 31 December 2012, except for Simonds Farsons Cisk plc (YE 31/01/13), Medserv plc (YE 31/12/13), Pendergardens Developments plc (YE 31/12/2013)

The Company is engaged in the construction of immovable property and in accordance with international accounting standards, development stock is included in the balance sheet at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the land together with other costs incurred during its subsequent development. Therefore, interest payable attributable to the development phases of the project is not expensed in the profit and loss account but is capitalised and added to current assets. As a result, the interest cover ratio is not applicable in relation to the Company. In replacement of the interest cover ratio, the debt service cover ratio is deemed more appropriate, as it measures the amount of cash flow available to meet annual interest and capital repayments on debt obligations. The debt service cover of the Company is analysed in further detail in section 5.3.

The chart below shows the yield to maturity of the proposed bonds as compared to other corporate bonds listed on the Malta Stock Exchange. The Malta Government Stock yield curve has also been included as the benchmark risk-free rate for Malta.



To date, there are no corporate bonds which have a redemption date beyond 2024 and therefore a trend line has been plotted (denoted in the above chart by the dashed line). The premium over Malta Government Stock has been assumed at 267 basis points, which is the average premium for medium term corporate bonds listed on the Malta Stock Exchange. The PD 5.5% Bonds 2020 and PD 6.0% Bonds 2022 have respectively been priced at 334 and 336 basis points above Malta Government Stock.

PART 4

7. EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Company from its business activity during the financial year, that is, sale of units at Pendergardens.
Operating expenses	Operating expenses include the cost of construction and other related expenses.
Gross profit	Gross profit is the difference between revenue and operating expenses.
Profit after tax	Profit after tax is the profit made by the Company during the financial year both from its operating as well as non-operating activities.
Profitability Ratios	
Gross profit margin	Gross profit margin is the result of revenue less operating expenses expressed as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.

Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Company.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Company.
Balance Sheet	
Current assets	Current assets are all assets of the Company, which are realisable within one year from the balance sheet date. Such amounts include development stock, accounts receivable, cash and bank balances.
Current liabilities	All liabilities payable by the Company within a period of one year from the balance sheet date, and include accounts payable and short-term debt.
Net debt	Borrowings before unamortised issue costs less cash and cash equivalents.
Non-current liabilities	The Company's long-term financial obligations that are not due within the present accounting year. The Company's non-current liabilities include bonds and capital creditors.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.
Financial Strength Ratios	
Asset cover ratio	The asset cover ratio measures the ability of a company to cover its debt obligations with its assets, and is calculated by dividing a company's inventory plus receivables less current liabilities by net debt.
Debt service cover ratio	The debt service cover ratio measures the amount of cash flow available to meet annual interest and capital repayments on debt obligations, and is calculated by dividing cash available for debt service by debt service obligations.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.

NOTES

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