

SECURITIES NOTE

Dated 8th April 2019

This document is a Securities Note issued in accordance with the provisions of Chapter 4 of the Listing Rules published by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013, Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015. This Securities Note is issued pursuant to the requirements of Listing Rule 4.14 of the Listing Rules and contains information about the Bonds being issued by SP Finance 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.

In respect of an issue of

€12 million 4% Secured Bonds 2029

of a nominal value of €100 per Bond issued at par by



SP FINANCE

SP FINANCE P.L.C. a public limited liability company registered in Malta with company registration number C 89462

with the joint and several Guarantee* of Sea Pebbles Limited (C 6138)

*Prospective investors are to refer to the Guarantee contained in Annex A of this Securities Note and sub-section 5.5 of this Securities Note for a description of the Guarantee and the Security. Reference should also be made to the sections entitled "Risk Factors" contained in the Registration Document and this Securities Note for a discussion of certain risk factors which should be considered by prospective investors in connection with the Bonds and the Guarantee provided by the Guarantor.

ISIN: MT0002181205

Legal Counsel



Sponsor, Manager & Registrar



Security Trustee

alterDomus*

THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENT IS 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 HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS, INCLUDING ANY LOSSES INCURRED BY INVESTING IN THESE SECURITIES.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENT. 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.

Joseph Casha

Josephine Casha
on behalf of Josephine Casha, Alex Perici-Calascione,
Mark Grech and Reuben Debono

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IMPORTANT INFORMATION

THIS SECURITIES NOTE CONSTITUTES PART OF THE PROSPECTUS DATED 8TH APRIL 2019 AND CONTAINS INFORMATION ABOUT SP FINANCE PLC IN ITS CAPACITY AS ISSUER, ABOUT SEA PEBBLES LIMITED IN ITS CAPACITY AS JOINT AND SEVERAL GUARANTOR AND THE BONDS IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE COMPANIES ACT AND COMMISSION REGULATION (EC) NO. 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS, AS AMENDED BY COMMISSION DELEGATED REGULATION (EU) NO. 486/2012 OF 30 MARCH 2012, COMMISSION DELEGATED REGULATION (EU) NO. 862/2012 OF 4 JUNE 2012, COMMISSION DELEGATED REGULATION (EU) NO. 759/2013 OF 30 APRIL 2013, COMMISSION DELEGATED REGULATION (EU) NO. 382/2014 OF 7 MARCH 2014 AND COMMISSION DELEGATED REGULATION (EU) NO. 2016/301 OF 30 NOVEMBER 2015, AND SHOULD BE READ IN CONJUNCTION WITH THE REGISTRATION DOCUMENT ISSUED BY THE ISSUER.

THIS SECURITIES NOTE 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 SUB-SECTION 6.17 OF THIS SECURITIES NOTE.

THE INFORMATION CONTAINED HEREIN IS BEING MADE AVAILABLE IN CONNECTION WITH AN ISSUE BY THE ISSUER OF €12,000,000 SECURED BONDS 2029 OF A NOMINAL VALUE OF €100 EACH. THE BONDS SHALL BE ISSUED AT PAR AND BEAR INTEREST AT THE RATE OF 4% PER ANNUM PAYABLE ANNUALLY IN ARREARS ON 3RD MAY OF EACH YEAR UNTIL THE REDEMPTION DATE, WITH THE FIRST INTEREST PAYMENT FALLING DUE ON 3RD MAY 2020. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON 3RD MAY 2029. THE BOND ISSUE IS GUARANTEED BY SEA PEBBLES LIMITED.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF SECURITIES OF THE ISSUER OTHER THAN THOSE CONTAINED IN THIS SECURITIES NOTE 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, THE GUARANTOR OR THEIR RESPECTIVE DIRECTORS OR ADVISORS.

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

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES ISSUED BY THE ISSUER 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. THE DISTRIBUTION OF THE PROSPECTUS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND, ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

THE PROSPECTUS AND THE OFFERING, SALE OR DELIVERY OF ANY BONDS MAY NOT BE TAKEN AS AN IMPLICATION: (I) THAT THE INFORMATION CONTAINED IN THE PROSPECTUS IS ACCURATE AND COMPLETE SUBSEQUENT TO ITS DATE OF ISSUE; OR (II) THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN THE FINANCIAL POSITION OF THE ISSUER OR THE GUARANTOR SINCE SUCH DATE; OR (III) THAT ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS IS ACCURATE AT ANY TIME SUBSEQUENT TO THE DATE ON WHICH IT IS SUPPLIED OR, IF DIFFERENT, THE DATE INDICATED IN THE DOCUMENT CONTAINING THE SAME.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS OF 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 LEGAL ADVISORS, ACCOUNTANTS AND/OR OTHER FINANCIAL ADVISORS AS TO LEGAL, TAX, INVESTMENT OR ANY OTHER RELATED MATTERS CONCERNING THE BONDS AND THE PROSPECTUS.

IT IS THE RESPONSIBILITY OF ANY PERSONS IN POSSESSION OF THIS DOCUMENT AND ANY PERSONS WISHING TO APPLY FOR ANY SECURITIES ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE INVESTORS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM

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THEMSELVES AS TO THE LEGAL REQUIREMENTS OF SO APPLYING AND OF ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXATION IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

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

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED THE 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 (THE “**PROSPECTUS DIRECTIVE**”) OR WHICH, PENDING SUCH IMPLEMENTATION, APPLIES ARTICLE 3.2 OF THE PROSPECTUS DIRECTIVE, THE BONDS CAN ONLY BE OFFERED TO “QUALIFIED INVESTORS” (AS DEFINED IN THE PROSPECTUS 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 THE PROSPECTUS 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 THE PROSPECTUS HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES, 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 COMPANIES ACT.

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

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

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

ALL THE ADVISORS TO THE ISSUER AND THE GUARANTOR NAMED IN SUB-SECTION 4.4 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER AND THE GUARANTOR IN RELATION TO THIS PUBLIC OFFER AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL, ACCORDINGLY, NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

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

1. Definitions

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 or Companies Act	the Companies Act (Chapter 386 of the laws of Malta);
Apartments	collectively, (i) the apartment without official number, internally numbered 1701, on the 7 th floor, and (ii) the penthouse apartment without official number, internally numbered 1801, on the 8 th floor and its overlying airspace, both forming part of a block officially marked number 90, The Strand, Sliema, Malta, also accessible from another entrance officially marked number 11, Saint Agatha Street, Sliema, Malta, as better described in the property valuation report annexed to the Securities Note and marked as Annex B;
Applicant/s	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
Application/s	the application to subscribe for Bonds made by an Applicant/s by completing an Application Form/s and delivering same to any of the Authorised Intermediaries (which include the Sponsor, Manager & Registrar) in accordance with the terms of this Securities Note;
Application Form/s	the form of application for subscription of Bonds, a specimen of which is contained in Annex E of this Securities Note;
Authorised Intermediary or Intermediaries	all the licensed stockbrokers and financial intermediaries listed in Annex F of this Securities Note;
Bond/s	a maximum of €12,000,000 secured bonds due in 2029 of a nominal value of €100 per bond issued at par by the Issuer and redeemable on the Redemption Date at their nominal value, bearing interest at the rate of 4% per annum. The Bonds are guaranteed by the Guarantor;
Bond Issue	the issue of the Bonds;
Bond Issue Price	the price of €100 per Bond;
Bond Obligations	the punctual performance by the Company of all its obligations under the Bonds upon issuance including the repayment of principal and payment of interest thereon;
Bondholder/s	a holder of Bonds to be issued by the Issuer in terms of the Prospectus;
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;
CET	Central European Time;
Collateral	<p>the following security rights granted by the Guarantor in favour of the Security Trustee for the benefit of Bondholders:</p> <ul style="list-style-type: none">- a first ranking special hypothec over the Security Property in favour of the Security Trustee in its capacity as trustee of the SP Finance Bond 2029 Trust pursuant to the terms of the Security Trust Deed and the Deed of Hypothec. The Guarantor owns the Security Property; and- a pledge over the proceeds from the Insurance Policy in favour of the Security Trustee in its capacity as trustee of the SP Finance Bond 2029 Trust pursuant to the terms of the Security Trust Deed;

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Company or Issuer	SP Finance p.l.c., a public limited liability company registered under the laws of Malta bearing company registration number C 89462 and having its registered office at 89, The Strand, Sliema, Malta;
CSD	the Central Securities Depository of the Malta Stock Exchange authorised in terms of Part IV of the Financial Markets Act (Chapter 345 of the laws of Malta), having its address at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Deed of Hypothec	a deed to be entered into by and between the Security Trustee, the Issuer and the Guarantor in the acts of Notary Dr Luke Caruana whereby the Guarantor constitutes in favour of the Security Trustee that part of the Collateral over the Security Property which according to law requires the execution of a notarial deed;
Euro or €	the lawful currency of the Republic of Malta;
Financial Analysis Summary	the financial analysis summary dated 8 th April 2019 compiled by the Sponsor, Manager & Registrar in line with the applicable requirements of the Listing Authority policies and which is intended to summarise the key financial data set out in the Prospectus appertaining to the Issuer, a copy of which is set out in Annex G of this Securities Note;
Guarantee	the joint and several guarantee dated 8 th April 2019 granted by the Guarantor as security for the punctual performance of the Issuer's Bond Obligations under the Bond Issue. A copy of the Guarantee and a description of the nature, scope and terms of the Guarantee are appended to this Securities Note as Annex A;
Guarantor	Sea Pebbles Limited, a private limited liability company registered in Malta with company number C 6138 and having its registered office at 89, The Strand, Sliema, Malta;
Guesthouse	the property situated at number ten (10), Saint Agatha Street, Sliema, Malta, including its airspace and subsoil, as better described in the property valuation report annexed to the Securities Note and marked as Annex C;
Insurance Policy	the insurance policy providing for the full replacement value of the Security Property;
Interest Payment Date	3 rd May of each year between and including each of the years 2020 and the year 2029, 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;
Intermediaries' Offer	shall have the meaning set out in sub-section 6.2 of this Securities Note;
Issue Date	expected on 3 rd May 2019;
Issue Period	the period between 08:30 hours CET on 17 th April 2019 and 12:00 hours CET on 2 nd May 2019 (or such earlier date as may be determined by the Issuer) during which the Bonds are available for subscription;
Listing Authority	the Board of Governors of the Malta Financial Services Authority, appointed as the Listing Authority for the purposes of the Financial Markets Act (Chapter 345 of the laws of Malta);
Listing Rules	the listing rules issued by the Listing Authority, as may be amended from time to time;
Loan Agreement	the loan agreement entered into on 8 th April 2019 by and between SP Investments Limited (as lender) and the Guarantor (as borrower) pursuant to and in accordance with the terms and conditions of which part of the proceeds from the Bond Issue amounting to €3,750,000 shall be advanced by title of loan from SP Investments Limited to the Guarantor;
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Chapter 345 of the laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;

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Malta Stock Exchange Bye-Laws	the Malta Stock Exchange p.l.c. bye-laws issued by the authority of the board of directors of Malta Stock Exchange p.l.c., as may be amended from time to time;
MFSA	the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act, 1989 (Chapter 330 of the laws of Malta);
MiFIR	Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments;
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;
Pebbles Resort Limited	Pebbles Resort Limited, a private limited liability company registered and existing under the laws of Malta with company registration number C 89613 and having its registered office situated at 89, The Strand, Sliema, Malta;
Pebbles St Julians Hotel	the Pebbles St Julians hotel described in sub-section 5.3 of the Registration Document;
Pebbles St Julians Limited	Pebbles St Julians Limited, a private limited liability company registered and existing under the laws of Malta with company registration number C 89612 and having its registered office situated at 89, The Strand, Sliema, Malta;
Primary Beneficiaries	the Bondholders from time to time;
Prospectus	collectively, the Summary Note, the Registration Document and this Securities Note, all dated 8 th April 2019, as such documents may be amended, updated, replaced and supplemented from time to time;
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as may be amended from time to time;
Redemption Date	3 rd May 2029;
Redemption Value	the nominal value of each Bond (€100 per Bond);
Registration Document	the registration document issued by the Issuer dated 8 th April 2019, forming part of the Prospectus;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by: Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of supplements to the prospectus; and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of the prospectus and dissemination of advertisements;
San Pawl's Hotel	the San Pawl hotel described in sub-section 5.3 of the Registration Document;

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Sea Pebbles Group or Group	the Issuer and its wholly-owned subsidiary companies, which, as at the date of the Prospectus, consist of the Guarantor, SP Investments Limited, Pebbles Resort Limited and Pebbles St Julians Limited, principally involved in the hotels and hospitality industry in Malta;
SP Finance Bond 2029 Trust	the trust established in virtue of the Security Trust Deed;
Securities Note	this document in its entirety issued by the Issuer dated 8 th April 2019, forming part of the Prospectus;
Security Property	(i) the immovable property situated at No. 88/89, The Strand, Sliema, Malta, from and including the first (1 st) floor to the eighth (8 th) floor, being the current uppermost floor, accessible from a common staircase from the ground floor, and the overlying roof and airspace, and (ii) the immovable property situated at No. 90, The Strand, Sliema, Malta, from and including the first (1 st) floor up to the sixth (6 th) floor, and a class 4B salon situated at the rear of the ground floor, forming part of a block which is accessible from an unnumbered door on Belvedere Terrace, Sliema, and which block also overlies property numbered ninety (90) in The Strand, Sliema, on which street the said block has another façade, as better described in the property valuation report annexed to the Securities Note and marked as Annex D and the parameters of which are shown on the Land Registry site plans attached to a deed of acquisition of property in the records of Notary Anthony Grech Trapani dated the eighteenth (18 th) day of August of the year 1993 and a deed of acquisition of property in the records of Notary Peter Fleri-Soler dated the twenty-seventh (27 th) day of October of the year 1999, respectively;
Security Trust Deed or Trust Deed	the security trust deed to be dated on 8 th April 2019 and entered into by and between the Security Trustee, the Issuer and the Guarantor, in virtue of which the Security Trustee is appointed to hold and administer the Collateral for the benefit of Bondholders;
Security Trustee or Trustee	Alter Domus Trustee Services (Malta) Limited, a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 63887 and having its registered office at Vision Exchange Building, Territorials Street, Mriehel, Birkirkara BKR 3000, Malta, which is duly authorised and qualified to act as a trustee or co-trustee in terms of Article 43(3) of the Trusts and Trustees Act (Chapter 331 of the laws of Malta), in its capacity as trustee of the SP Finance Bond 2029 Trust pursuant to the terms of the Trust Deed;
SP Investments Limited	SP Investments Limited, a private limited liability company registered and existing under the laws of Malta with company registration number C 89468 and having its registered office situated at 89, The Strand, Sliema, Malta;
Sponsor, Manager & Registrar	Calamatta Cuschieri Investment Services Limited, a private limited liability company registered under the laws of Malta having its registered office at Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034, Malta and bearing company registration number C 13729. Calamatta Cuschieri Investment Services Limited is authorised to conduct investment services by the Malta Financial Services Authority in terms of the Investment Services Act (Chapter 370 of the laws of Malta) and is a member of the MSE;
Summary Note	the summary note issued by the Issuer dated 8 th April 2019, forming part of the Prospectus;
Terms and Conditions	the terms and conditions of the Bonds, set out in sub-sections 5.3 (<i>'Issue Statistics'</i>), 6 (<i>'Information concerning the Bonds'</i>) and 8 (<i>'Terms and Conditions of the Bond Issue'</i>) of this Securities Note.

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

Unless it appears otherwise from the context:

- a) words importing the singular shall include the plural and *vice-versa*;
- b) words importing the masculine gender shall include the feminine gender and *vice-versa*;
- c) the word “may” shall be construed as permissive and the word “shall” shall be construed as imperative;
- d) any reference to a person includes natural persons, firms, partnerships, companies, corporations, associations, organisations, governments, states, foundations or trusts;
- e) any reference to a person includes that person’s legal personal representatives, successors and assigns;
- f) any phrase introduced by the terms “including”, “include”, “in particular” or any similar expression is illustrative only and does not limit the sense of the words preceding those terms;
- g) any reference to a law, legislative act and/or other legislation shall mean that particular law, legislative act and/or legislation as in force at the time of publication of this Securities Note.

2. Risk factors

THE VALUE OF INVESTMENTS, INCLUDING THE BONDS, 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, UNLESS THE BONDS ARE PREVIOUSLY RE-PURCHASED AND CANCELLED. THE ISSUER SHALL REDEEM THE BONDS ON THE REDEMPTION DATE.

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. SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE ISSUER IS NOT IN A POSITION TO EXPRESS ANY VIEWS ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING. 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, NOR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER, THE GUARANTOR, THE SPONSOR, MANAGER & REGISTRAR, THE SECURITY TRUSTEE OR AUTHORISED 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 ISSUED BY THE ISSUER.

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

2.1 Forward-Looking Statements

This Securities Note contains “forward-looking statements” which include, among others, statements concerning matters that are not historical facts and which may involve projections of future circumstances. These statements by their nature involve a number of risks, uncertainties and assumptions, a few of which are beyond the Issuer’s control, and important factors that could cause actual risks to differ materially from the expectations of the Issuer’s and/or Guarantor’s directors. Such forecasts and projections do not bind the Issuer with respect to future results and no assurance can be given that future results or expectations covered by such forward-looking statements will be achieved.

2.2 General

An investment in the Issuer and the Bonds may not be suitable for all recipients of the Prospectus and prospective investors are urged to consult an independent investment advisor licensed under the Investment Services Act (Chapter 370 of the laws of Malta) as to the suitability or otherwise of an investment in the Bonds before making an investment decision. In particular, such advice should be sought with a view to ascertaining that each prospective investor:

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

2.3 Risks relating to the bonds

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

- 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. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market in which the Bonds are traded, over which the Issuer has no control. Many other factors over which the Issuer has no control may affect the trading market for, and trading value of, the Bonds, including the time remaining to the maturity of the Bonds, the outstanding amount of the Bonds and the level, direction and volatility of market interest rates, generally. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell or otherwise trade in the Bonds at or above the Bond Issue Price, or at all.
- Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.
- A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference, if different.
- No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, 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.
- The Bonds, as and when issued and allotted, shall constitute the general, direct, unconditional and secured obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantor jointly and severally. The Bonds shall be secured by the Collateral and, accordingly, shall rank with priority or preference over other present and future unsecured obligations of the Issuer. Notwithstanding that the Bonds constitute the general, direct, unconditional and secured obligations of the Issuer, as guaranteed by the Guarantor, they may rank after causes of preference which may arise by operation of law. There can be no guarantee that privileges accorded by law in specific situations will not arise during the course of the business of each of the Company and the Guarantor which may rank with priority or preference over the Collateral. In view of the fact that the Bonds are being guaranteed by the Guarantor on a joint and several basis, the Bondholders shall be entitled to request the Guarantor to pay both the interest due and the principal amount under said Bonds if the Company fails to meet any amount when due in terms of the Prospectus. The joint and several Guarantee also entitles the Bondholders to take action against the Guarantor without having to first take action against the Company. The strength of this undertaking on the part of the Guarantor and, therefore, the level of recoverability by the Bondholders from the Guarantor of any amounts due under any of the Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantor. The Bond Issue is further supported by the Collateral that is to be granted in favour of the Security Trustee for the benefit and in the interest of Bondholders. Whilst this grants the Security Trustee a right of preference and priority for repayment over the Collateral, there can be no guarantee that the value of the Collateral over the term of the Bonds will be sufficient to cover the full amount of interest and principal outstanding under the Bonds. This may be caused by a number of factors, not least of which general economic factors that could have an adverse impact on the value of the relevant Collateral, specifically the value of the Security Property. If such circumstances were to arise or subsist at the

time that the Collateral is to be enforced by the Security Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Bonds. Furthermore, subject to the negative pledge clause set out in sub-section 6.6 of this Securities Note, third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect.

- Even after the Bonds are admitted to trading on the MSE, the Issuer is required to remain in compliance with certain requirements relating, *inter alia*, to the free transferability, clearance and settlement of the Bonds in order to remain a listed company in good standing. Moreover, the Listing Authority has the authority to suspend trading or listing of the Bonds if, *inter alia*, it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The Listing Authority may discontinue the listing of the Bonds on the MSE. Any such trading suspensions or listing revocations / discontinuations could have a material adverse effect on the liquidity and value of the Bonds.
- In the event that the Issuer wishes to amend any of the Terms and Conditions of the Bonds it shall call a meeting of Bondholders in accordance with the provisions of sub-section 6.17 of this Securities Note. These provisions permit defined majorities to bind all Bondholders, including Bondholders who do not attend and vote at the relevant meeting and Bondholders who vote in a manner contrary to the majority.
- The Bonds and the Terms and Conditions of the Bond Issue are based on the requirements of the Listing Rules, the Companies Act and the Regulation in effect as at the date of the Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in law or administrative practice after the date of the Prospectus.
- By acquiring Bonds, a Bondholder is considered to be bound by the terms of the Trust Deed as if he/she/it had been a party to it. The Trust Deed contains a number of provisions which prospective investors ought to be aware of prior to acquiring the Bonds. For instance, in terms of the Trust Deed (i) the Security Trustee is not bound to take any such steps or proceedings or take any other action to enforce the security constituted by the Collateral unless the Security Trustee shall have been indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing; and (ii) the Security Trustee may pay itself out of the trust fund all sums owing to it in respect of the remuneration costs, charges, expenses or interest or by virtue of any indemnity from the Company to which it is entitled under the Trust Deed or by law or by virtue of any release or indemnity granted to it and all such sums as aforesaid shall be so retained and paid in priority to the claims of the Bondholders and shall constitute an additional charge upon the property charged with the Collateral.

3. Persons Responsible

This Securities Note includes information given in compliance with the Listing Rules for the purpose of providing prospective investors with information with regard to the Issuer, the Guarantor and the Bonds. All of the Directors of the Issuer whose names appear in sub-section 4.1 of the Registration Document accept responsibility for all the information contained in the Prospectus.

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 hereby accept responsibility accordingly.

4. Consent for use of the prospectus

Consent required in connection with use of the Prospectus during the Issue Period by Authorised Intermediaries:

For the purposes of any subscription for Bonds by Authorised Intermediaries during the Issue Period in terms of this Securities Note and any subsequent resale, placement or other offering of Bonds by Authorised Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus

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Directive, the Issuer consents to the use of the Prospectus (and accepts responsibility for the information contained herein in accordance with the terms hereof) with respect to any such subsequent resale, placement or other offering of Bonds, provided this is limited only:

- a) in respect of Bonds subscribed for through Authorised Intermediaries during the Issue Period;
- b) to any resale, placement or other offering of Bonds subscribed for as aforesaid, taking place in Malta; and
- c) to any resale, placement or other offering of Bonds subscribed for as aforesaid, taking place within the period of 60 days from the date of the Prospectus.

There are no other conditions attached to the consent given by the Issuer hereby which are relevant for the use of the Prospectus.

All information on the Terms and Conditions of the Bonds which is offered to any prospective investor by Authorised Intermediaries is to be provided by such Authorised Intermediaries to the prospective investor prior to such investor subscribing to any Bonds. Any interested investor has the right to request that Authorised Intermediaries provide the investor with all and any information on the Prospectus, including the Terms and Conditions of the Bonds.

None of the Issuer, the Guarantor, the Sponsor, Manager & Registrar, the Security Trustee or any of their respective advisors take any responsibility for any of the actions of any Authorised 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, placement or other offering of Bonds.

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

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

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

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

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

Any Authorised Intermediary using the 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 the Prospectus for such resale or

placement in accordance with the consent of the Issuer and the conditions attached thereto. The consent provided herein shall no longer apply following the lapse of such period.

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

5. Essential Information

5.1 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 €11,650,000, will be invested by the Issuer in SP Investments Limited as non-voting, cumulative preference shares in said latter entity with a gross coupon rate of 4.1% (details of said preference shares are set out in sub-section 5.4 of the Registration Document) and shall be utilised by SP Investments Limited for the following purposes, in the amounts and order of priority set out below:

- i. an amount of €2,500,000 will be used for the purpose of funding the acquisition of the Apartments by the Guarantor (as set out in sub-section 5.3 of the Registration Document);
- ii. an amount of €2,500,000 will be used for the purpose of funding the acquisition of the Guesthouse by the Guarantor (as set out in sub-section 5.3 of the Registration Document);
- iii. an amount of €2,499,236 will be used for the purpose of repaying an outstanding financing facility taken out with HSBC Bank (Malta) plc, which facility was originally used to finance, among others, (a) the settlement of debts related to the development, finishing and furnishing of the premises at 90, The Strand, Sliema, (b) the reallocation of the Sea Pebbles Bar and Restaurant, (c) the development of 11, 12, 13, St. Agatha Street, Sliema into 6 residential units and 7 garages in a finished state and (d) the refurbishment of the Sea Pebbles Aparthotel;

The net Bond Issue proceeds to be channelled through the Guarantor in connection with paragraphs (i), (ii) and (iii) immediately above shall be invested by SP Investments Limited in the Guarantor in part by way of equity injection in an amount of €3,750,000 worth of Ordinary shares and, in part, by way of an interest free loan to the Guarantor in an amount of €3,750,000;

- iv. an amount of €3,000,000 will be used to finance the refurbishment and upgrade of the San Pawl's Hotel (as set out in sub-section 5.3 of the Registration Document), which amount is to be invested by SP Investments Limited in Pebbles Resort Limited by way of equity injection in a corresponding amount of €3,000,000 worth of Ordinary shares;
- v. an amount of €600,000 will be used to finance the development of the Pebbles St Julians Hotel (as set out in sub-section 5.3 of the Registration Document), which amount is to be invested by SP Investments Limited in Pebbles St Julians Limited by way of equity injection in a corresponding amount of €600,000 worth of Ordinary shares¹; and
- vi. the remaining balance of circa €550,764 of the net Bond Issue proceeds will be retained by SP Investments Limited to be used for the general corporate funding purposes of the Group, to be loaned interest free to Group subsidiaries as and when required.

In the event that the Bond Issue is not fully subscribed, the Issuer will proceed with the listing of the amount of Bonds subscribed for and the proceeds from the Bond Issue shall be applied in the manner and order of priority set out above. Any residual amounts required by the Issuer for the purposes of the uses specified in this sub-section 5.1 which shall not have been raised through the Bond Issue shall be financed from the Group's general cash flow and/or bank financing.

The issue and allotment of the Bonds is conditional upon: (i) the Bonds being admitted to the Official List; (ii) the Collateral being constituted in favour of the Security Trustee in accordance with the provisions of the Security Trust Deed; and (iii) the Guarantee being granted in terms of Annex A to this Securities Note. In the

¹ The dividend policy of all subsidiaries under SP Investments Limited will be to establish 100% dividend pay-out, where applicable.

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event that any one or more of the aforesaid conditions is not satisfied, the Security Trustee shall, through the Sponsor, Manager & Registrar, return the proceeds of the Bond Issue to the Bondholders.

5.2 Expenses

The Issue will involve expenses, including professional fees and costs related to publicity, advertising, printing, listing, registration, sponsor, management, selling commission and other miscellaneous costs incurred in connection with the Bond Issue. Such expenses are estimated not to exceed €350,000 and shall be borne by the Issuer. The amount of the expenses will be deducted from the proceeds of the Issue, which, accordingly, will bring the estimated net proceeds from the Bond Issue to €11,650,000. There is no particular order of priority with respect to such expenses.

5.3 Issue Statistics

Amount:	€12,000,000;
Application Forms made available:	17 th April 2019;
Bond Issue Price:	at par (€100 per Bond);
Closing date for Applications to be received:	2 nd May 2019 at 12:00 hours CET;
Denomination:	Euro (€);
Events of Default:	the events listed in sub-section 6.14 of this Securities Note;
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;
Governing law and jurisdiction:	the Prospectus and the Bonds are governed by and shall be construed in accordance with Maltese law. The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Prospectus and/or the Bonds;
Interest:	the Bonds shall bear interest from and including 3 rd May 2019 at the rate of four per cent (4%) per annum payable annually in arrears on the Interest Payment Dates;
Interest Payment Date:	annually on the 3 rd May between and including each of the years 2020 and 2029, as from 3 rd May 2020 (the first interest payment date);
Intermediaries' Offer:	the Bonds shall form part of an Intermediaries' Offer as set out in sub-section 6.2 of this Securities Note. In the event that the aggregate of the subscription agreements received from Authorised Intermediaries in terms of the Intermediaries' Offer is in excess of the amount of Bonds available for subscription, the Issuer (acting through the Sponsor, Manager & Registrar) shall scale down each subscription agreement received from Authorised Intermediaries in accordance with the allocation policy to be issued in terms of sub-section 6.4 of this Securities Note;
ISIN:	MT0002181205;
Issue:	Bonds denominated in Euro having a nominal value of €100 each, which will be issued at par and shall bear interest at the rate of 4% per annum;
Issue Period:	the period between 08:30 hours CET on 17 th April 2019 and 12:00 hours CET on 2 nd May 2019 (or such earlier date as may be determined by the Issuer) during which the Bonds are available for subscription;

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Listing:	the Listing Authority has approved the Bonds for admissibility to listing and subsequent trading on the Official List. Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List;
Minimum amount per subscription:	two thousand Euro (€2,000) and multiples of one hundred Euro (€100) thereafter;
Plan of distribution:	the Bonds are open for subscription by all categories of investors, including the general public, through Authorised Intermediaries pursuant to the Intermediaries' Offer;
Redemption Date:	3 rd May 2029;
Redemption Value:	at par (€100 per Bond);
Status of the Bonds:	the Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer, shall be secured by means of the Collateral granted in terms of the Security Trust Deed and shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantor jointly and severally. The Bonds shall at all times rank <i>pari passu</i> , without any priority or preference among themselves, but shall rank with priority or preference in relation to all other present and future unsecured obligations of the Issuer, if any, save for such exceptions as may be provided by applicable law, and with first ranking and priority over the Security Property;
Subscription:	multiples of one hundred Euro (€100);
Underwriting:	the Bond Issue is not underwritten.

5.4 Interest of Natural and Legal Persons Involved in the Issue

Save for the possible subscription for Bonds by Authorised Intermediaries (which include the Sponsor, Manager & Registrar) and any fees payable to Calamatta Cuschieri Investment Services Limited as Sponsor, Manager & Registrar in connection with the Bond Issue, so far as the Issuer is aware no person involved in the Issue has an interest material to the Bond Issue.

5.5 Collateral Rights

Security for the fulfilment of the Issuer's obligations in terms of the Bond Issue is to be granted in favour of the Security Trustee for the benefit of Bondholders, by way, *inter alia*, of the granting of the Collateral as described hereunder.

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 Collateral will be vested in the Security Trustee for the benefit of the Bondholders in proportion to their respective holding of Bonds.

The Guarantor, in addition to its undertaking to jointly and severally guarantee the punctual performance by the Company of the Bond Obligations under and in terms of the Guarantee, shall grant the following security rights in favour of the Security Trustee for the benefit of Bondholders:

- i. a first ranking special hypothec over the Security Property for the amount of €13,824,000 and interests thereon in favour of the Security Trustee, for the benefit of Bondholders as beneficiaries, in its capacity as trustee of the SP Finance Bond 2029 Trust pursuant to the terms of the Security Trust Deed and the Deed of Hypothec; and
- ii. a pledge over the proceeds from the Insurance Policy in favour of the Security Trustee in its capacity as trustee of the SP Finance Bond 2029 Trust pursuant to the terms of the Security Trust Deed.

Following the Bond Issue, the Security Trustee shall retain all Bond Issue net proceeds until the Collateral has been duly perfected and the Malta Stock Exchange has confirmed that the Bonds will be admitted to the Official List of the

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Malta Stock Exchange. The Bonds shall not be included on the Official List of the Malta Stock Exchange unless the Collateral has been perfected.

Specifically, the Guarantor has agreed to grant the Collateral in favour of the Security Trustee for the benefit of Bondholders, as Primary Beneficiaries, in terms of the Security Trust Deed, and to appoint the Security Trustee to hold and administer the Collateral under trust. The Collateral will secure the claim of the Security Trustee, for the benefit and in the interest of Bondholders, for the repayment of the principal and interest under the Bonds. The initial Security Trustee is Alter Domus Trustee Services (Malta) Limited.

The Issuer and the Guarantor have entered into a Security Trust Deed with the Security Trustee which sets out the covenants of the Issuer to pay the principal amount under the Bonds on the Redemption Date and interest thereon on each Interest Payment Date in terms of this Securities Note, the hypothecary rights under the Deed of Hypothec, the rights under the pledge agreement relating to the Insurance Policy and all other ancillary rights and benefits enjoyed by the Security Trustee (for the benefit of Bondholders) under the Security Trust Deed.

The Security Trustee's role includes the holding of the Collateral for the benefit of Bondholders and the enforcement of the said Collateral upon the happening of specified events of default. The Security Trustee shall have no payment obligations to Bondholders under the Bonds, which obligations remain exclusively the obligations of the Issuer.

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

The terms and conditions of the Security Trust Deed shall, upon subscription or purchase of any Bonds, be binding on such subscriber or purchaser as a beneficiary under the trust as if the Bondholders had been a party to the Security Trust Deed and as if the Security Trust Deed contained covenants on the part of each Bondholder to observe and be bound by all the provisions therein, and the Security Trustee is authorised and required to do the things required of it by the Security Trust Deed.

In the event where the Security Trustee makes declarations of trust indicating additional property settled on trust, the Issuer shall make the necessary company announcement in accordance with the Listing Rules to that effect.

The Security Trustee shall hold the said property under trust in relation to a commercial transaction (as defined in the Trusts and Trustees Act, Chapter 331 of the laws of Malta) and transactions connected or ancillary thereto. Furthermore, the Security Trustee shall hold the said property under a security trust as provided in Article 2095E of the Civil Code (Chapter 16 of the laws of Malta). A security shall be, therefore, constituted in the name of the Security Trustee in the manner provided for by applicable law of Malta for the benefit of the Bondholders and this for all amounts owing to the Bondholders by the Issuer in terms of this Securities Note, as may be amended from time to time, including all amounts of interest or charges due in terms thereof, in relation to the Bonds.

In the event that the Issuer or the Guarantor commits any of the Events of Default set out in sub-section 6.14 below, including default on the part of the Issuer of its obligations to repay any Bonds (together with interest and charges thereon) in terms of this Securities Note, the Security Trustee shall have the authority to enforce the Collateral.

The Security Trustee shall not be bound to take any steps to ascertain whether any Events of Default or other condition, event or circumstance has occurred or may occur. Until it shall have actual knowledge or express notice to the contrary, the Security Trustee shall be entitled to assume that no such Events of Default or condition, event or other circumstance has happened and that the Issuer and the Guarantor, as applicable, are observing and performing

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all the obligations, conditions and provisions on their respective part pursuant to this Securities Note, the Security Trust Deed, the Guarantee and the Deed of Hypothec.

Without prejudice to other powers and discretions of the Security Trustee in terms of the Security Trust Deed, the Security Trustee shall have the discretion to enforce the Collateral on its own accord or upon receiving notice from the Bondholders that any of the Events of Default has occurred in accordance with the provisions of the Securities Note.

Following the Security Trustee's enforcement of the Collateral, the Security Trustee shall apply any available funds as follows:

- first to pay any sums due to the Security Trustee as trust administration costs or liabilities of the Security Trustee; and
- secondly to pay the Bondholders any outstanding dues by the Issuer in terms of this Securities Note.

The Security Trustee shall have the discretion to postpone any sale of the assets held on trust if the best value reasonably achievable for the said assets on the open market for the time being would not be considered a fair value in the opinion of the Security Trustee or in the opinion of any advisor appointed by the Security Trustee for the valuation of the said assets.

No provision contained in the Prospectus, the Deed of Hypothec and/or the Security Trust Deed shall be construed as creating or otherwise acknowledging any obligation on the part of the Security Trustee in favour of the Bondholders for any payments that may fall due under the Bonds.

In terms of the Security Trust Deed, the Security Trust shall terminate in any of the following events, whichever is the earliest:

- upon the Issuer repaying all amounts outstanding to the Bondholders in terms of this Securities Note and upon the Security Trustee receiving confirmation in writing to this effect from the Issuer and/or the MSE; or
- after one hundred and twenty-five (125) years from the date of the Security Trust Deed; or
- on such earlier date as the Security Trustee shall declare in writing to be the date on which the relative trust period shall end, provided that such action is in accordance with the terms of this Securities Note.

Every Bondholder shall be entitled to be entered in the Register of Bondholders and shall, thereupon, become a primary beneficiary under the Security Trust Deed. The beneficial interest of a primary beneficiary in terms of the Security Trust Deed shall terminate upon such time as a Bondholder is no longer registered in the register of Bondholders maintained by the CSD, or upon the redemption of the principal amount of the Bonds and payment of all interests thereunder, as the case may be.

The Security Trustee shall, so far as is reasonable and within a reasonable time of receiving a request in writing to that effect, provide full and accurate information on the Security Trust Deed to beneficiaries of the SP Finance Bond 2029 Trust and to the MFSA.

The outstanding aggregate amount of Group bank facilities to be re-financed pursuant to the Bond Issue is €2,499,236 as at the date of the Prospectus. Once the outstanding bank facilities referred to in sub-section 6.5 below are refinanced through the application of Bond Issue proceeds as aforesaid, the Security Property will, through the appropriate cancellations, reductions and/or waivers (as applicable), be released from all charges currently encumbering the Security Property, and such charges shall effectively be replaced by the Collateral being created in favour of the Security Trustee for the benefit of Bondholders.

In relation to the Security Property, the Security Trustee shall appear on each notarial deed to effect payment and to obtain, if possible and where relevant, subrogation into the rights of the bank which provided the original finance. Pursuant to these deeds, the Security Trustee shall obtain the Collateral over the relevant immovable property constituting the Security Property and that had previously secured the bank funding being refinanced.

By creating a preferred claim over the Security Property, the Collateral will secure the claim of the Security Trustee, for the benefit of and in the interest of Bondholders, for the repayment of the principal and interest under the Bonds. Accordingly, following the issue of the Bonds and application of the Bond Issue proceeds in accordance with the terms of sub-section 5.1 above, as well as the release of the existing security in place over the Security Property, the

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Security Trustee will have the benefit of a first ranking special hypothec over the Security Property for the full amount of the Bonds and interest thereon.

Process for creation of the Collateral and release of Bond Issue proceeds to the Issuer

The net Bond Issue proceeds shall be transferred to the Security Trustee on or around 3rd May 2019. Part of the net Bond Issue proceeds to be allocated to the bank refinancing referred to in sub-section 5.1(iii) above shall, as outlined in the Security Trust Deed, be released by the Security Trustee on condition that: (i) it receives appropriate assurance that publication and registration of the necessary notarial deeds for the cancellation of the existing charges over the Security Property, and the simultaneous publication and registration of the Deed of Hypothec pursuant to which all security over the Security Property for the benefit of Bondholders is to be duly perfected and registered, will be effected once the outstanding bank facilities referred to in sub-section 6.5 below are refinanced through the application of Bond Issue proceeds; (ii) the pledge on proceeds from the Insurance Policy is duly and properly executed; and (iii) confirmation that the Bonds will be admitted to the Official List by no later than 5th May is communicated to the Security Trustee.

With reference to item (i) above:

(I) the Guarantor shall appear on a notarial deed to repay the outstanding loan due to HSBC Bank (Malta) plc, which as at the date of the Prospectus amounted to €2,499,236, as indicated in sub-section 6.5 below. The Security Trustee shall appear on the notarial deed to effect payment and to obtain, if possible, subrogation into the rights of the bank which provided the original finance. Pursuant to this deed, the Security Trustee would be in a position to obtain the Collateral over the Security Property which, as at the date hereof, secures the existing bank funding; and (II) the Issuer, the Guarantor and the Security Trustee will simultaneously enter into another notarial deed (the Deed of Hypothec) pursuant to which the Guarantor shall constitute a first ranking special hypothec over the Security Property.

Following registration of the notarial deeds described in (I) and (II) above and the presentation to the Security Trustee of the appropriate notes of hypothec, and upon the Bonds being admitted to the Official List, the Security Trustee shall release the remaining balance of the net Bond Issue proceeds to be applied for the purposes specified in sub-section 5.1 above.

5.6 Expected Timetable of Principal Events

1	Application Forms made available	17 th April 2019
2	Intermediaries' Offer period	17 th April 2019 (from 08:30 CET) to 2 nd May 2019 (by 12:00 CET)
3	Announcement of basis of acceptance	3 rd May 2019
4	Issue date of the Bonds	3 rd May 2019
5	Commencement of interest	3 rd May 2019
6	Expected date of admission of the Bonds to listing	5 th May 2019
7	Expected dispatch of allotment advices and refunds (if any)	4 th May 2019
8	Expected date of commencement of trading in the Bonds	8 th May 2019

The Issuer reserves the right to close the offer of Bonds before 2nd May 2019 at 12:00 CET in the event that the Bonds are fully subscribed prior to said date and time. In such eventuality the events set out in step 4 and in steps 6 to 8 (both included) above shall be brought forward, although the number of Business Days between the respective events shall not also be altered.

6. Information Concerning the Bonds

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

6.1 General

6.1.1 Each Bond forms part of a duly authorised issue of 4% secured bonds 2029 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €12,000,000 (except as otherwise provided under sub-section 6.16 "*Further Issues*" below). The Issue Date of the Bonds is expected to be 3rd May 2019. The Bonds are supported by the granting of the Collateral in favour of the Security Trustee for the benefit of Bondholders, as Primary Beneficiaries, in terms of the Security Trust Deed. The Bond Issue is guaranteed by Sea Pebbles Limited.

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- 6.1.2 The currency of the Bonds is Euro (€).
- 6.1.3 The Bonds shall bear interest at the rate of 4% per annum payable annually in arrears on 3rd May of each year, the first interest payment falling on 3rd May 2020. 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.
- 6.1.4 Subject to admission to listing of the Bonds to the Official List, the Bonds are expected to be assigned ISIN: MT0002181205
- 6.1.5 The Bonds are expected to be listed on the Official List on 5th May 2019 and dealing is expected to commence on 8th May 2019. Dealing may commence prior to notification of the amount allotted being issued to Applicants.
- 6.1.6 All outstanding Bonds not previously purchased and cancelled shall be redeemed by the Issuer at par (together with accrued interest to the date fixed for redemption) on the Redemption Date.
- 6.1.7 Should any Application not be accepted, or be accepted for fewer Bonds than those applied for, the monies or the balance of the amount paid but not allocated will be returned by the Sponsor, Manager & Registrar without interest by direct credit into the Applicant's bank account as indicated by the Applicant in the Application Form within five (5) Business Days from the date of final allocation. Neither the Issuer nor the Sponsor, Manager & Registrar will be responsible for any charges, loss or delays in transmission of the refunds. In this regard, any monies returnable to Applicants may be retained pending clearance of the remittance and any verification of identity as required by the Prevention of Money Laundering Act, 1994 (Chapter 373 of the laws of Malta) and regulations made thereunder. Such monies will not bear interest while retained as aforesaid.
- 6.1.8 There are no special rights attached to the Bonds other than the right of the Bondholders to payment of interest and capital (as detailed in sub-section 6.7 below), the benefit of the Collateral rights through the Security Trustee (as detailed in sub-section 5.5 above) and in accordance with the ranking specified in sub-section 6.5 of this Securities Note.
- 6.1.9 The minimum subscription amount of Bonds that can be subscribed for by Applicants is €2,000, and in multiples of €100 thereafter.
- 6.1.10 Subscription lists in relation to the Intermediaries' Offer will open at 08:30 hours CET on 17th April 2019. The Issue Period shall close on 2nd May 2019 at 12:00 hours CET. The Issuer will determine and announce the allocation policy for the Bonds within five (5) Business Days of the closing of the Issue Period. It is expected that allotment letters will be dispatched to Bondholders within five (5) Business Days of the date of the announcement of the allocation policy.
- 6.1.11 The issue of the Bonds is made in accordance with the requirements of the Listing Rules, the Act and the Regulation.
- 6.1.12 The Bond Issue is not underwritten. In the event that the Bond Issue is not fully subscribed the Issuer will proceed with the listing of the amount of Bonds subscribed for.

6.2 Intermediaries' Offer

The total amount of €12,000,000 of Bonds is being reserved for subscription by Authorised Intermediaries participating in the Intermediaries' Offer.

In this regard, the Issuer shall enter into conditional subscription agreements with a number of Authorised Intermediaries for the subscription of Bonds, whereby it will bind itself to allocate Bonds thereto up to the total aggregate amount of €12,000,000 as aforesaid during the Intermediaries' Offer.

In terms of each subscription agreement entered into with an Authorised Intermediary, the Issuer will be conditionally bound to issue, and each Authorised Intermediary will bind itself to subscribe for, a number of Bonds subject to the Bonds being admitted to trading on the Official List. The subscription agreements, which will be subject to the terms and conditions of the Prospectus, will become binding on each of the Issuer and the respective Authorised Intermediaries upon delivery, provided that these intermediaries would have paid to the Sponsor, Manager & Registrar all subscription proceeds in cleared funds on delivery of the subscription agreement.

Authorised Intermediaries subscribing for Bonds may do so for their own account or for the account of underlying customers, including retail customers, and shall, in addition, be entitled to either distribute to the underlying customers

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any portion of the Bonds subscribed for upon commencement of trading, or submit Application Forms directly in the name of their underlying customers. In either case, subscription amounts made by Applicants through Authorised Intermediaries, including those made under nominee, shall be in multiples of €100, subject to a minimum subscription amount of €2,000 in Bonds by each individual Bondholder/underlying customer, as the case may be.

6.3 Plan of distribution and allotment

The Bonds shall be allocated to Authorised Intermediaries pursuant to subscription agreements, details of which are included in sub-section 6.2 immediately above.

Applications for subscriptions to the Bonds may be made through the Authorised Intermediaries (which include the Sponsor, Manager & Registrar) during the Issue Period. The Issue Period shall close immediately upon attaining full subscription or on the last day of the Issue Period, whichever is the earliest. Subscription to the Bonds must be accompanied by full price of the Bonds applied for in Euro and in cleared funds at the Bond Issue Price. If the Application Form(s) and proof of payment of cleared funds do not reach the Sponsor, Manager & Registrar by the close of the Issue Period, the Application will be deemed to have been declined.

It is expected that an allotment letter will be dispatched to Applicants within five (5) Business Days of the announcement of the allocation policy. The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance and any verification of identity as required by the Prevention of Money Laundering Act, 1994 (Chapter 373 of the laws of Malta) and regulations made thereunder. Such monies will not bear interest while retained as aforesaid.

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

6.4 Allocation Policy

The Issuer shall allocate the Bonds to Authorised Intermediaries participating in the Intermediaries' Offer pursuant to the subscription agreements, details of which can be found in sub-section 6.2 above, without priority or preference and in accordance with the allocation policy as determined by the Issuer and the Sponsor, Manager & Registrar.

Within five (5) Business Days from closing of the Issue Period, the Issuer shall announce the result of the Bond Issue and shall determine and announce the basis of acceptance of Applications and allocation policy to be adopted through a company announcement.

6.5 Status and ranking of the Bonds

The Bonds, as and when issued and allotted, shall constitute the general, direct unconditional and secured obligations of the Issuer, guaranteed jointly and severally by the Guarantor, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other outstanding and unsecured debt of the Issuer, present and future, if any, save for such exceptions as may be provided by applicable law, and with first ranking and priority over the Collateral. Furthermore, subject to the negative pledge clause (sub-section 6.6 of this Securities Note), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect. As at the date of this Securities Note, the Issuer does not have any subordinated indebtedness.

The Collateral shall be held by the Security Trustee for the benefit of the Bondholders, and accordingly, the Bonds shall rank with priority or preference over other present and future unsecured obligations of the Guarantor. Notwithstanding the aforesaid, privileges or similar charges accorded by law in specific situations may arise during the course of the business of each of the Issuer and Guarantor which may rank with priority or preference to the Bonds and/or the Collateral, as applicable. It is further noted that in terms of the Security Trust Deed, the Security Trustee may pay itself out of the trust fund all sums owing to it in respect of the remuneration costs, charges, expenses or interest or by virtue of any indemnity from the Company to which it is entitled under the Security Trust Deed or by law or by virtue of any release or indemnity granted to it, and all such sums as aforesaid shall be so retained and paid in priority to the claims of the Bondholders and shall constitute an additional charge upon the property charged with the Collateral.

The following sets out a summary of the Group's indebtedness which, as at the date of the Prospectus, amounted in aggregate to €2,499,236, and principally includes bank loans and overdraft facilities. The bank borrowings listed below are secured by privileges and hypothecs:

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Group borrowings at date of Prospectus	
Bank borrowings, hypothecs and hypothecary guarantees	€2,139,236
Overdraft facility	€360,000
Total	€2,499,236

6.6 Negative pledge

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

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

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

“Permitted Security Interest” means: (A) any Security Interest arising by operation of law; (B) any Security Interest securing temporary bank loans or overdrafts or guarantees in the ordinary course of business; (C) any Security Interest securing any indebtedness of the Issuer created for the sole purpose of financing or raising finance for the redemption of all the Bonds; (D) any other Security Interest (in addition to (A), (B) and (C) above) securing Financial Indebtedness of the Issuer, in an aggregate outstanding amount not exceeding 80% of the difference between the value of the unencumbered assets of the Issuer and the aggregate principal amount of Bonds outstanding at the time.

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

“unencumbered assets” means assets which are not subject to a Security Interest.

6.7 Rights attaching to the Bonds

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

- i. the payment of interest;
- ii. the repayment of capital;
- iii. the benefit of the Collateral through the Security Trustee, in accordance with the provisions of sub-section 5.5 of this Securities Note;
- iv. ranking with respect to other indebtedness of the Issuer and the Guarantor in accordance with the provisions of sub-section 6.5 above;
- v. seek recourse from the Guarantor pursuant to the Guarantee, in case of failure by the Issuer to pay any sum payable by it to Bondholders pursuant to the Terms and Conditions of the Bonds Issue;
- vi. attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and
- vii. enjoy all such other rights attached to the Bonds emanating from the Prospectus.

6.8 Interest

- 6.8.1 The Bonds shall bear interest from and including 3rd May 2019 at the rate of 4% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 3rd May 2020 (covering the period 3rd May 2019 to 3rd May 2020). Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. Each Bond will cease to bear interest from and including its due date for redemption, unless payment of the principal in respect of the Bond is improperly withheld or refused or unless default is otherwise made in respect of payment, in any of which events interest shall continue to accrue at the rate specified above plus one per cent (1%), but in any event not in excess of the maximum rate of interest allowed by Maltese law. In terms of article 2156 of the Civil Code (Chapter 16 of the laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Bonds is barred by the lapse of five (5) years.
- 6.8.2 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.

6.9 Yield

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is 4% per annum.

6.10 Registration, form, denomination and title

- 6.10.1 Certificates will not be delivered to Bondholders in respect of the Bonds in virtue of the fact that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and 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.
- 6.10.2 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.
- 6.10.3 Upon submission of an Application Form, Bondholders who opt to subscribe for the online e-portfolio account with the CSD, by marking the appropriate box on the Application Form, will be registered by the CSD for the online e-portfolio facility and will receive by mail at their registered address a handle code to activate the new e-portfolio login. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio is found on <https://eportfolio.borzamalta.com.mt/Help>.
- 6.10.4 The Bonds will be issued in fully registered form in denominations of any integral multiple of €100 provided that on subscription the Bonds will be issued for a minimum of €2,000 per individual Bondholder. Authorised 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.
- 6.10.5 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 sub-section 6.15 of this Securities Note.

6.11 Pricing

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

6.12 Payments

- 6.12.1 Payment of the principal amount of the 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 charges, 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.
- 6.12.2 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.
- 6.12.2 Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, 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 charges, loss or delay in transmission.
- 6.12.3 All payments with respect to the Bonds are subject in all cases to any pledge (duly constituted) and 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.
- 6.12.4 No commissions or expenses shall be charged by the Issuer to the Bondholders in respect of payments made in accordance with this sub-section 6.12. The Issuer shall not be liable for charges, expenses and commissions levied by parties other than the Issuer.

6.13 Redemption and purchase

- 6.13.1 Unless previously purchased and cancelled, the Issuer hereby irrevocably covenants in favour of each Bondholder that the Bonds will be redeemed at their nominal value (together with accrued interest up to the date fixed for redemption) on 3rd May 2029. In such a case the Issuer shall be discharged of any and all payment obligations under the Bonds upon payment made net of any withholding or other taxes due or which may be due under Maltese law and which is payable by the Bondholders.
- 6.13.2 Subject to the provisions of this sub-section 6.13, 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.
- 6.13.3 All Bonds so redeemed or re-purchased will be cancelled forthwith and may not be re-issued or re-sold.

6.14 Events of Default

Pursuant to the Security Trust Deed, the Security Trustee may in its absolute and unfettered discretion, and shall upon the request in writing of not less than 65% of the Primary Beneficiaries, by notice in writing to the Issuer and the Guarantor declare the Bonds to have become immediately due and repayable at their principal amount, together with any accrued interest, upon the happening of any of the following events ("Events of Default"):

- i. if the Issuer shall fail to pay any interest on any Bond when due and such failure shall continue for thirty (30) days after written notice thereof shall have been given to the Issuer by any Bondholder and/or by the Security Trustee; and/or
- ii. if the Issuer shall fail to pay the principal amount of a Bond on the date fixed for its redemption and such failure shall continue for thirty (30) days after written notice thereof shall have been given to the Issuer by any Bondholder and/or by the Security Trustee; and/or

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- iii. if the Issuer shall fail to perform or shall otherwise be in breach of any other material obligation contained in the Terms and Conditions of the Bonds and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by any Bondholder and/or by the Security Trustee; and/or
- iv. if the Issuer and/or the Guarantor commits a breach of any of the covenants or provisions contained in the Security Trust Deed and/or the Loan Agreement, as applicable, to be observed and performed on their respective parts and the said breach still subsists for thirty (30) days after having been notified by the Security Trustee; and/or
- v. if an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer and/or of the Guarantor; and/or
- vi. if the Issuer stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or ceases or threatens to cease to carry on its business or a substantial part of its business; and/or
- vii. if the Issuer is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent; and/or
- viii. if 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/or the Guarantor and is not paid out, withdrawn or discharged within one (1) month; and/or
- ix. if a judicial or provisional administrator is appointed upon the whole or any part of the property of the Issuer or Guarantor, and such appointment is certified by the Security Trustee to be prejudicial, in its opinion, to the Bondholders; and/or
- x. if the security constituted by any hypothec, pledge or charge upon the whole or any part of the undertaking or assets of the Issuer or Guarantor shall become enforceable and steps are taken to enforce the same and the taking of such steps shall be certified in writing by the Security Trustee to be, in its opinion, prejudicial to the Bondholders; and/or
- xi. if any representation or warranty made or deemed to be made or repeated by or in respect of the Issuer or Guarantor is or proves to have been incorrect in any material respect in the sole opinion of the Security Trustee; and/or
- xii. if the Issuer or Guarantor repudiates, or does or causes or permits to be done any act or thing evidencing an intention to repudiate, the Bonds and/or the Security Trust Deed; and/or
- xiii. if all, or in the sole opinion of the Security Trustee, a material part, of the undertakings, assets, rights, or revenues of or shares or other ownership interests in the Issuer or Guarantor are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government; and/or
- xiv. if there shall have been entered against the Issuer and/or the Guarantor a final judgment by a court of competent jurisdiction from which no appeal may be or is made for the payment of money in excess of three million Euro (€3,000,000) or its equivalent and ninety (90) days shall have passed since the date of entry of such judgment without its having been satisfied or stayed; and/or
- xv. if any default occurs and continues for ninety (90) days under any contract or document relating to any Financial Indebtedness (as defined in sub-section 6.6 above) of the Issuer and/or of the Guarantor in excess of three million Euro (€3,000,000) or its equivalent at any time.

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

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

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Bondholders satisfying the conditions set out in the Security Trust Deed. The Security Trustee shall not be bound to take any steps to ascertain whether any Event of Default or other similar 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 each of the Issuer and the Guarantor is observing and performing all the obligations, conditions and provisions on its part contained under the Prospectus and/or the Security Trust Deed and/or the Loan Agreement, as applicable.

6.15 Transferability of the Bonds

- 6.15.1 The Bonds are freely transferable and, once admitted to the Official List, shall be transferable only in whole (in multiples of €100) in accordance with the rules and regulations of the MSE applicable from time to time.
- 6.15.2 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. Provided always that if a Bond is transmitted in furtherance of this paragraph 6.15.2, a person will not be registered as a Bondholder unless such transmission is made in multiples of €100.
- 6.15.3 All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- 6.15.4 The costs and expenses of affecting 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 person to whom the transfer / transmission has been made.
- 6.15.5 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 or the due date for redemption.
- 6.15.6 The minimum subscription amount of €2,000, described in sub-section 5.3 above, shall only apply during the Issue Period. No minimum holding requirement shall be applicable once the Bonds are admitted to listing on the Official List of the MSE and commence trading thereafter, subject to trading in multiples of €100.

6.16 Further issues

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

6.17 Meetings of Bondholders

- 6.17.1 The Issuer may, through the Security Trustee, from time to time, call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting and to affect any change to the applicable Terms and Conditions of the Bonds.
- 6.17.2 A meeting of Bondholders shall be called by the Directors of the Issuer by giving the Security Trustee and 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 sub-section 6.17 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

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- 6.17.3 The amendment or waiver of any of the Terms and Conditions of the Bonds may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.
- 6.17.4 A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose at least two (2) Bondholders present, in person or by proxy, representing not less than 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 Security Trustee and to 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 at the commencement of the meeting, 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 and decided upon during, the adjourned meeting.
- 6.17.5 Any person who in accordance with the Memorandum and Articles of Association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.
- 6.17.6 Once a quorum is declared present by the chairperson 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 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.
- 6.17.7 The voting process shall be managed by the Issuer's company secretary under the supervision and scrutiny of the auditors of the Issuer and the Security Trustee.
- 6.17.8 The proposal placed before a meeting of Bondholders shall only be considered approved if at least sixty-five per cent (65%) in nominal value of the Bonds 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.
- 6.17.9 Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

6.18 Authorisations and approvals

The Directors of the Issuer authorised the Bond Issue and the publication of the Prospectus pursuant to a Board of Directors' resolution passed on 8th April 2019. The Guarantee being given by the Guarantor in respect of the Bonds has been authorised by a resolution of the Board of directors of the Guarantor dated 5th April 2019.

6.19 Admission to trading

- 6.19.1 The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 8th April 2019.
- 6.19.2 Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to the Prospectus to be listed and traded on its Official List.
- 6.19.3 The Bonds are expected to be admitted to the Malta Stock Exchange with effect from 5th May 2019 and trading is expected to commence on 8th May 2019. Dealing may commence prior to notification of the amount allotted being issued to Applicants.

6.20 Representations and warranties

- 6.20.1 The Issuer represents and warrants to Bondholders and to the Security Trustee for the benefit of Bondholders, that shall be entitled to rely on such representations and warranties, that:
- it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business as it is now being conducted and to hold its property and other assets under legal title; and

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- ii. it has the power to execute, deliver and perform its obligations under the Prospectus and that all necessary corporate, shareholder and other actions have been duly taken to authorise the execution, delivery and performance of the same, and further that no limitation on its power to borrow or guarantee shall be exceeded as a result of the Terms and Conditions of the Prospectus.

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

6.21 Bonds held jointly

In respect of any Bonds held jointly by several persons (including husband and wife), the joint holders shall nominate one (1) of their number as their representative and his/her name will be entered in the register with such designation. The person whose name shall be inserted in the field entitled “Applicant” on the Application Form, or the 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. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

6.22 Bonds held subject to usufruct

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-a-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 existence 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).

6.23 Governing law and jurisdiction

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

6.23.2 Any legal action, suit or proceedings against the Issuer and/or the Guarantor arising out of or in connection with the Bonds and/or the Prospectus shall be brought exclusively before the Maltese courts.

6.24 Notices

Notices will be mailed to Bondholders and to the Security Trustee 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 and to the Security Trustee at his/her/its registered address and posted.

7. Taxation

7.1 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.

7.2 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% (10% in the case of certain types of collective investment schemes) of the gross amount of the interest, pursuant to article 33 of the Income Tax Act (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 is not obliged to the interest so received in his income tax return (to the extent that the interest is paid net of tax). No person shall be charged to further tax in respect of such income. Furthermore, such tax should not be available as a credit against the recipient's tax liability or for a refund, as the case may be, for the relevant year of assessment in Malta. The Issuer will render an account to the Maltese Commissioner for Revenue of all amounts so deducted, including the identity of the recipient.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his Maltese income tax return and be subject to tax on such interest at the standard rates applicable to such Bondholder at that time. Additionally, in this latter case the Issuer will advise the Maltese Commissioner for Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

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

7.3 Exchange of Information

In terms of applicable Maltese legislation, the Issuer and/or its agent are required to collect and forward certain information (including, but not limited to, information regarding payments made to certain Bondholders) to the Commissioner for Revenue. The Commissioner for Revenue will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions. Please note that this does not constitute tax advice and Applicants are to consult their own independent tax advisors in case of doubt.

7.4 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*”, if the Bonds are held as capital assets by the Bondholder, no income tax on capital gains is chargeable in respect of transfer of the Bonds.

7.5 Duty on Documents and Transfers

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

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

Furthermore, even if the Bonds are considered marketable securities for the purposes of the Duty and Documents and Transfers Act, in terms of article 50 of the Financial Markets Act (Cap. 345 of the Laws of Malta), as the Bonds constitute financial instruments of a company quoted on a regulated market exchange, as is the MSE, redemptions and transfers of the Bonds should, in any case, be exempt from 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.

8. Terms and Conditions of the Bond Issue

- 8.1.1 The following terms and conditions shall be read in conjunction with all the other terms and conditions relative to and regulating the contractual relationship created between the Issuer and the Guarantor on the one hand and the Bondholders on the other.
- 8.1.2 The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List. In the event that the Bonds are not admitted to the Official List any application monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form. If no such bank account number is provided, or in the event that bank account details on the Application Form are incorrect or inaccurate, such returns will be made by means of a cheque mailed to the Applicant's address (or, in the case of joint Applications, the address of the first named Applicant) indicated in the Application Form.
- 8.1.3 The Issuer has not established an aggregate minimum subscription level for the Bond Issue.
- 8.1.4 The completed Application Forms may be lodged with any Authorised Intermediary (which include the Sponsor, Manager & Registrar) by not later than 12:00 hours (CET) on 2nd May 2019. Submission of Application Forms must be accompanied by the full price of the Bonds applied for, in Euro. Payment may be made either in cash or by cheque payable to *'The Registrar – SP Finance p.l.c. Bond Issue'*.
- 8.1.5 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.
- 8.1.6 The contract created by the Issuer's acceptance of an Application filed by a prospective bondholder shall be subject to all the terms and conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer.
- 8.1.7 Any person, whether natural or legal, shall be eligible to submit an application and any one (1) person, whether directly or indirectly, should not submit more than one (1) application form. 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/or the Sponsor, Manager & Registrar, but it shall not be the duty or responsibility of the Sponsor, Manager & Registrar or the Issuer to ascertain that such representative is duly authorised to appear on the Application Form and bind the Applicant.
- 8.1.8 Applications in the name of a corporation or corporate entity or association of persons need to include a valid Legal Entity Identifier ("LEI") in the space provided on the Application Form. Failure to include a valid LEI code will result in the Application being cancelled by the Issuer acting through the Sponsor, Manager & Registrar and subscription monies will be returned to the Applicant in accordance with sub-section 8.8 below.
- 8.1.9 In the event that an Applicant fails to submit full information and/or documentation required with respect to an Application, the Applicant shall receive a full refund, without interest, by direct credit transfer to such account indicated in the Application Form at any time before the Bonds are admitted to listing on the Official List of the MSE. The Issuer shall not be responsible for any charges, loss or delay arising in connection with such credit transfer.
- 8.1.10 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.
- 8.1.11 Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of 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.

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- 8.1.12 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.
- 8.1.13 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 regulation or other legal requirements.
- 8.1.14 It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself/itself 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.
- 8.1.15 Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down, any Application, including multiple or suspected multiple applications, and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted. In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each Applicant, and liability therefor is joint and several.
- 8.1.16 Save where the context requires otherwise or where otherwise defined therein, terms defined in the Prospectus bear the same meaning when used in these Terms and Conditions, in the Application Forms, in any of the annexes and in any other document issued pursuant to the Prospectus.
- 8.1.17 The Issuer has not sought assessment of the Bonds by any independent credit rating agency.
- 8.1.18 Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to revoke the Issue at any time before the closing of the Issue Period. The circumstances in which such revocation might occur are expected to be exceptional, for example where a significant change in market conditions occurs.
- 8.1.19 The Bonds will be issued in multiples of €100. The minimum subscription amount of Bonds that can be subscribed for by all Applicants is €2,000.
- 8.1.20 For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations, 2008, as amended from time to time, all appointed Authorised Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the “Members’ Code of Conduct” appended as Appendix 3.6 to Chapter 3 of the Malta Stock Exchange Bye-Laws, irrespective of whether the said appointed Authorised 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 (Chapter 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.
- 8.1.21 It shall be incumbent on the respective Authorised Intermediaries to ascertain that all other applicable regulatory requirements relating to subscription of Bonds by an Applicant are complied with, including without limitation the obligation to comply with all applicable MiFIR requirements as well as applicable MFSA Rules for investment services providers.
- 8.1.22 By completing and delivering an Application Form, the Applicant:
- a agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the Guarantor and the issue of the Bonds contained therein;
 - b warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects and in the case where an MSE account number is indicated in the Application Form, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including name and surname and the Applicant’s address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the

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- Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant;
- c authorises the Sponsor, Manager & Registrar and the Directors of the Issuer to include his/her/its name or, in the case of joint Applications the first named Applicant, in the register of debentures of the Issuer in respect of the Bonds allocated to such Applicant and further authorises the Issuer and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Chapter 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/it as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the CSD. 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/its remittance and any verification of identity as required by the Prevention of Money Laundering Act (Chapter 373 of the laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
 - f agrees to provide the Sponsor, Manager & 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/its Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Sponsor, Manager & Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bonds or his/her/its 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) and that he/she/it is not accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the “United States”) or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
 - j agrees that unless such Application is made with Calamatta Cuschieri Investment Services Limited as an Authorised Intermediary, Calamatta Cuschieri Investment Services Limited will not, in their capacity of Sponsor, Manager & Registrar, treat the Applicant as their customer by virtue of such Applicant making an Application for the Bonds, and that Calamatta Cuschieri Investment Services Limited will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their appropriateness and suitability for the Applicant;
 - k agrees that all documents in connection with the issue of the Bonds and any returned monies, including refunds of all unapplied Application monies, if any, will be sent at the Applicant’s own risk and may be sent, in the case of documents, by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form and in the case of monies by direct credit into the Applicant’s bank account as indicated by the Applicant on the Application Form;
 - l renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds;
 - m irrevocably offers to purchase the number of Bonds specified in his/her/its Application Form (or any smaller number for which the Application is accepted) at the Bond Issue Price subject to the Prospectus, the terms and conditions thereof and the Memorandum and Articles of Association of the Issuer;
 - n warrants that his/her/its remittance will be honoured on first presentation and agrees that if such remittance is not so honoured on its first presentation, the Issuer acting through the Sponsor, Manager & Registrar reserves the right to invalidate the relative Application. Furthermore, the Applicant will not be entitled to receive a registration advice or to be registered in the register of Bondholders or to enjoy or receive any rights in respect of such Bonds, unless the Applicant makes payment in cleared funds and such consideration is accepted by the respective Authorised Intermediary (which acceptance shall be made in the Authorised Intermediary’s absolute discretion and may be on the basis that the Applicant indemnifies the Authorised Intermediary 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, and that, at any time prior to unconditional acceptance by the Authorised Intermediary of such late payment in respect of such Bonds, the Authorised Intermediary may (without prejudice to other rights) treat the agreement to allocate such Bonds as void and may allocate such

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- Bonds to some other person, in which case the Applicant will not be entitled to any refund or payment in respect of such Bonds (other than return of such late payment));
- o agrees that all Applications, acceptances of applications and contracts resulting therefrom will be governed by, and construed in accordance with, Maltese law and that he/she/it submits to the exclusive jurisdiction of the Maltese Courts and agrees that nothing shall limit the right of the Issuer to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of applications and contracts in any other manner permitted by law in any court of competent jurisdiction;
 - p warrants that if he/she signs the Application Form on behalf of another party or on behalf of a corporation or corporate entity or association of persons, he/she has due authority to do so and such person, corporation, corporate entity or association of persons will also be bound accordingly, and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions;
 - q warrants that he/she is not under the age of eighteen (18) years or if he/she is lodging an Application in the name and for the benefit of a minor, warrants that he/she is the parent or legal guardian of the minor;
 - r confirms that, in the case of a joint Application entered into in joint names, the first named Applicant shall be deemed the holder of the Bonds; and
 - s agrees that, in all cases, any refund of unallocated Application monies, if any, will be sent to the Applicant by direct credit into the Applicant's bank account as indicated by the Applicant on the Application Form. No interest shall be due on refunds. The Issuer shall not be responsible for any charges, loss or delay in transmission. If no such bank account number is provided, or in the event that bank account details on the Application Form are incorrect or inaccurate, such refund will be made by means of a cheque mailed to the Applicant's address (or, in the case of joint Applications, the address of the first named Applicant) indicated in the Application Form.

9. Additional Information

Save for the architect's property valuation reports set out in Annexes B, C and D to this Securities Note and the Financial Analysis Summary set out in Annex G to this Securities Note, the Prospectus does not contain any statement or report attributed to any person as an expert.

The architect's property valuation reports dated 4th March 2019 has been included in Annexes B, C and D of this Securities Note in the form and context in which it appears with the authorisation of Perit Colin Zammit of 6/7, Alley No.1, Tower Street, Mosta MST 3510, Malta, who has given and has not withdrawn his consent to the inclusion of said report herein.

The Financial Analysis Summary dated 8th April 2019 has been included in Annex G of this Securities Note in the form and context in which it appears with the authorisation of Calamatta Cuschieri Investment Services Limited of Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034, Malta, which has given and has not withdrawn its consent to the inclusion of said report herein.

Neither of the foregoing experts have any beneficial interest in the Issuer or the Guarantor. The Issuer confirms that the architect's property valuation report and the Financial Analysis Summary have been accurately reproduced in the Prospectus and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

ANNEX A – Guarantee

To All Bondholders:

RE: GUARANTEE AND INDEMNITY

Reference is made to the issue of up to €12 million 4% Secured Bonds 2029 by SP Finance p.l.c., a company registered in Malta bearing company registration number C 89462 (the “**Issuer**”) pursuant to and subject to the terms and conditions contained in the Securities Note forming part of the Prospectus to be dated 8th April 2019 (the “**Bonds**”).

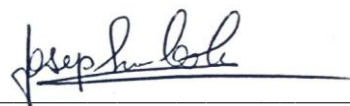
Now, therefore, by virtue hereof we, Sea Pebbles Limited (C 6138), hereby stand surety jointly and severally with the Issuer and irrevocably and unconditionally guarantee the due and punctual performance of all the obligations undertaken by the Issuer under the Bonds and, without prejudice to the generality of the foregoing, undertake to pay all amounts of principal and interest which have become due and payable by the Issuer to Bondholders under the Bonds, within sixty (60) days from the date such amount falls due and remains unpaid by the Issuer.

This guarantee shall be governed by the laws of Malta.

Signed and executed on this the 8th day of April 2019.



Joseph Casha
Director
Sea Pebbles Limited (C 6138)



Josephine Casha
Director
Sea Pebbles Limited (C 6138)

Interpretation:

In this Guarantee, unless the context otherwise requires:

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

Nature, scope and terms of the Guarantee:

1. NATURE OF THE GUARANTEE

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

2. INFORMATION ABOUT THE GUARANTOR

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

3. TERMS OF THE GUARANTEE

3.1 Covenant to pay

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

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

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

This Guarantee shall apply to all Bonds issued on or after 8th April 2019 in accordance with the terms of the Securities Note.

3.2 Guarantor as joint and several surety

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

3.3 Maximum liability

This is a continuing Guarantee for the whole amount due or owing under the Bonds or which may hereafter at any time become due or owing under the Bonds by the Issuer, but the amount due by the Guarantor to the Bondholders under this Guarantee shall be up to and shall not be in excess of €12,000,000 (twelve million Euro), apart from interest due up to the date of payment and costs and expenses relating to the protection, preservation, collection or enforcement of the Bondholders' rights against the Issuer and/or the Guarantor, which shall be additional to the maximum sum herein stated.

3.4 Continuing and unconditional liability

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

- a. the bankruptcy, insolvency or winding up of the Issuer; or
- b. the incapacity or disability of the Issuer; or
- c. any change in the name, style, constitution, any amalgamation or reconstruction of either the Issuer or the Guarantor;
- d. a Bondholder conceding any time or indulgence, or compounding with, discharging, releasing or varying the liability of the Issuer or renewing, determining, reducing, varying or increasing any accommodation or transaction or otherwise dealing with the same in any manner whatsoever or concurring in, accepting or in any

way varying any compromise, composition, arrangement or settlement or omitting to claim or enforce or extract payment from the Issuer; or

- e. any event, act or omission that might operate to exonerate the Guarantor without settlement in full of the Indebtedness towards the relevant Bondholder.

3.5 Indemnity

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

3.6 Representations and warranties

3.6.1 The Guarantor represents and warrants:

- (i) that it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business;
- (ii) that it has power to grant this Guarantee and that this Guarantee is duly authorised and all corporate action has been taken by said Guarantor in accordance with its deeds of constitution and the laws of its incorporation and regulation;
- (iii) that this Guarantee constitutes and contains valid and legally binding obligations of the Guarantor enforceable in accordance with its terms;
- (iv) that this Guarantee does not and will not constitute default with respect to or run counter to any law, by-law, articles of incorporation, statute, rule, regulation, judgement, decree or permit to which said Guarantor is or may be subject, or any agreement or other instrument to which said Guarantor is a party or is subject or by which it or any of its property is bound;
- (v) that this Guarantee shall not result in or cause the creation or imposition of, or oblige the Guarantor to create, any encumbrance on the Guarantor's undertakings, assets, rights or revenues;
- (vi) that it is in no way engaged in any litigation, arbitration or administrative proceeding of a material nature (which for the purposes of this Guarantee shall mean proceedings relative to a claim amounting to at least €1,000,000) and nor is it threatened with any such procedures;
- (vii) that the obligations of the Guarantor under this Guarantee constitute general, direct and unsecured obligations of the Guarantor and rank equally with all its other existing and future unsecured obligations, except for any debts for the time being preferred by law;
- (viii) that it is not in breach of or in default under any agreement relating to indebtedness to which it is a party or by which it may be bound, nor has any default occurred in its regard;
- (ix) that all the information, verbal or otherwise, tendered in connection with the negotiation and preparation of this Guarantee is accurate and true and there has been no omission of any material facts; and
- (x) that the granting of this Guarantee is in the commercial interest of said Guarantor and that said Guarantor acknowledges that it is deriving commercial benefit therefrom.

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

3.7 Deposit and production of the Guarantee

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

3.8 Subrogation

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

3.9 Benefit of the Guarantee and no assignment

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

3.10 Amendments

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

3.11 Notices

For notification purposes in connection with this Guarantee, the proper address and telephone number of the Guarantor is:

Sea Pebbles Limited

Address: 89, The Strand, Sliema, Malta

Telephone number: +356 21311889

Contact person: Mrs Josephine Casha

3.12 Governing law and jurisdiction

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

Any dispute, controversy or claim arising out of or relating to this Guarantee or as to the interpretation, validity, performance or breach thereof shall be brought exclusively before the Maltese courts.

SP Finance plc – Securities Note
ANNEX B – Valuation Apartment

4th March 2019

The Directors,
Sea Pebbles Ltd
Sea Pebbles Hotel
The Strand
Malta

Subject: **Valuation Certificate**

Property: Apartment and Penthouse at 7th and 8th level overlying existing mixed-use complex at No 90 the Strand Sliema.

I, the undersigned Architect and Civil Engineer (BE&A Hons.), have been requested to evaluate the property/ies in caption.

General

The valuation has been prepared in accordance with Chapter 7 of the Listing Rules published by the Malta Financial Services Authority and in particular, with the disclosure requirements relating to Property Companies seeking listing on the Malta Stock Exchange.

Requirement for a valuation report

The purpose of this valuation is for inclusion thereof within the Prospectus, to be published in connection with the proposed bond issue by Sea Pebbles Ltd, in accordance with the Listing Rules.

Reporting Standards

The valuation has been carried out by the undersigned, as an independent valuer, in terms of the UK Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

Independence of valuer

The undersigned confirms that there is no conflict of interest in advising you of the opinion of the value of the property, since the undersigned or his associates will not benefit from the valuation instruction, other than the valuation fee.

A. Contents of valuation report

1. Address

The location of the apartment and penthouse maybe described as 7th and 8th level overlying the complex at No 90 The Strand Sliema among the Gzira-Sliema Promenade ,Malta and the site plan has been included in Appendix A of this report Site photos are available for inspection at the Issuer's registered office.

2. Nature of valuer's inspection

The undersigned declares that he has visited the site, and is fully familiar with the plans of the property which still needs to be developed

3. Brief Description

The block is situated on a footprint of 340sqm along a highly popular Sliema front This stretch includes prestigious hotels, office blocks, ground floor commercial outlets and high end luxury apartments During recent years this area has indeed developed into a golden mile The said block measures a facade of 6.5m on the strand and 33m onto Triq It-Telgha ta Belvedere High end finishes and facilities throughout the complex

The residences are situated in a block is an existing 8 storey block in The Strand facing Manoel Island and Valletta. Block maybe described as a mixed-use complex consisting of:

- Class 4D restaurant at semi-basement and part ground floor level
- Class 4B salon at the rear of the ground floor
- Parking spaces and one bedroom flat at first floor
- Parking spaces and one bedroom flat at second floor
- Three one-bedroom flats at third floor
- 3 three-bedroom apartments at fourth to sixth
- One three-bedroom apartment at seventh floor
- One three-bedroom penthouse at eight floor

Apartment and penthouse exist above the sixth floor and overly this block. The restaurants, salon, spaces and levels up to 6th floor do not form part of this evaluation. Properties have corner outlook onto The Strand facing Manoel Island and Valletta. The two properties form part of a larger mixed-use block situated on a footprint of 340sqm along a highly popular Sliema front

A recent permit PA 1137/17 to develop these said apartments and the airspace has been achieved allowing the change of use into a Class 3B hotel including the addition of four further floors The proposed hotel spreads onto the adjacent building to the right

4. Existing Use

One three-bedroom apartment at seventh floor
One three-bedroom penthouse at eight floor

These apartments are currently being used as part of the Pebbles Boutique aparthotel.

5. Relevant planning applications

This block was completed around 2006 in a fabric of reinforced concrete and cement blockwork. The following permits were researched on site: PA 6611/00 – PA 6651/04 -PA 439/10 – PA 5114/10 – PA 6333/06. A recent permit PA 1137/17 to develop these said apartments and the airspace has been approved allowing the change of use into a Class 3B hotel including the addition of four further floors. The proposed hotel spreads onto the adjacent building to the right. Permit valid for five years from 7th November 2018. Works programmed to commence in 2021 and concluded within 24 months. Estimated cost of the approved will be in the region of 2,000,000,00.

Case Number	Planning Authority Case Status	Location	Description of Works	Applicant
PA/01137/17	This application has been approved by the EPC/MEPA Board	90 & All Space over Pebbles Hotel, The Strand/, Triq Sant Agata, Sliema, Malta	Change of use from residential apartments into a 64-room Class 3B Hotel. Proposal includes internal alterations and addition of four extra floors. Development is to extend over the airspace at the adjacent Pebbles Hotel. Proposal includes the change of use from approved gaming parlour into a Class 4D Restaurant as an extension to the approved restaurant in PA 5114/10.	Mr Joseph Casha obo Sea Pebbles Ltd

6. Material contravention of statutory requirements

LR7 4 1.6 Not applicable.

7. Tenure

The site in caption is freehold.

8. Main terms of tenants' leases or sub-leases

LR7 4 1 8 Not applicable

9. Approximate age of any buildings

The building has undergone several additions and extensions but the main core was commenced in 2000.

10. Present capital value in existing state

The estimated present capital value of the property in its existing state is calculated using the residual method.

Using scaled drawings, site visit and the comparative method, and also having considered the existing, the potential re-development, location and current market trends the apartment and penthouse have at present potential market value in the region of euro 3,100,000,00 (purchase price was agreed upon 3 years ago at euro 2,100,000,00). The airspace with permit (obtained recently PA 1137/17) above these said units has a separate potential market value in the region of euro 2,000,000

Hence the units at level 7 and 8 including the developable airspace have a potential global estimated value in the region of euro 5,100,000.00

Thus, the present capital value of the property in its current state is estimated to be €5,100,000,00 (five million, one hundred thousand euro)

11. Terms of intra-Group lease on Property occupied by the Group (identifying the Properties) to the extent that such leases are taken into account in the valuation

LR7 4 1 11 Not applicable

12. Other matters which materially affect the value

LR7 4.1 12 Not applicable

13. Sources of information and verification

All information that was considered necessary for the purpose of drawing up the present report was obtained from the directors and advisors of Sea Pebbles Ltd. This included all planning applications, construction and finishing cost estimates, design, management and supervision costs, marketing and selling costs, estate management costs, and financing costs. There was also access to the projections of sales and cash flow.

14. Details of registered mortgages and privileges and other charges, real rights atheron including details of emphyteutical concessions, easements and other burdens

No details were given in this regard.

B. Details of valuer

Colin Zammit
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Perit – Maniera Group
Tel: [+356] 21 411790; 21420895
Mob: [+356] 9947 8744
Email: perit@manieragroup.com
Address: 80, Triq it-Torri, Mosta MST 3502
Warrant No 386

C. Date of valuation

The valuation was completed on, and the effective date thereof is, 4th March 2019

D. Basis of valuation

The listing rules require that the valuation be made on the basis of an open market value for existing use. An open market value represents an opinion of the best price for which the sale of an interest in a property would have been completed unconditionally for a cash consideration on the date of valuation.

Since projects of this nature and scale do not easily lend themselves to a method of valuation which is based on the comparative method, this valuation method is being compiled, using a residual method approach.

E. Assumptions

An open market valuation assumes that there is a willing seller, that the interest being valued would have been, prior to the transaction, properly marketed, that the state of the market, level of values and other circumstances are consistent over the period of the valuation, that no account is taken of any additional bid by a prospective purchaser with special interest, and that both parties to the transaction act knowledgeably, prudently and without compulsion. An existing use value follows on the definition of the open market value, with the added assumptions that the property can be used, for the foreseeable future, only for the existing use, and that vacant possession is provided on completion of the sale of all parts occupied by the business.

F. Title

The site in caption is freehold.

G. Benefits/Detriments of contractual agreements

LR 7.4.7: Not applicable.

H. Acquisitions/Disposals Interest

LR 7.4.8: Not applicable.

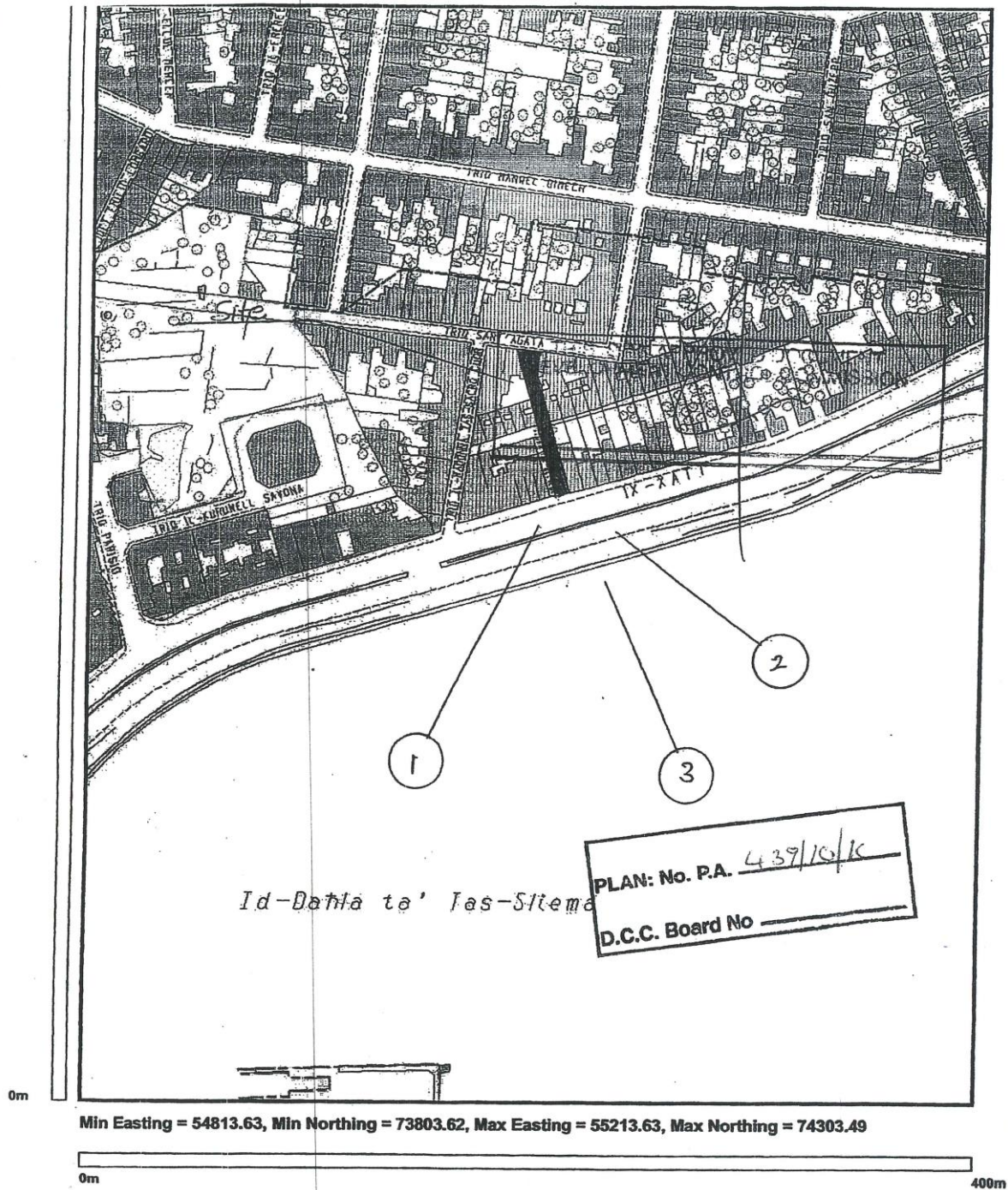
I. Other Relevant matters

No responsibility is being assumed to the third parties to whom this report may be disclosed and no liability is accepted in contract, negligence, restitution with regards to any loss including profits, goodwill or opportunity. While the above is deemed to provide a reasonable valuation of the property in question, such estimate may also vary between one valuer and another. This valuation is also subject to changes over relatively short periods due to economic conditions.

J. Standards and Guidelines

The valuation has been carried out in accordance with standards and guidelines issued by the Royal Institute of Chartered Surveyors. (RICS)

7
Colin Zammit
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Perit



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Site Plan, Scale 1:2500 Printed on: Thursday, January 28, 2010
Not to be used for interpretation or scaling of scheme alignments

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CACHIA & ASSOCIATES
Perit Chris Cachia
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MSc Env. Plan & Mgt.
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SP Finance plc – Securities Note
ANNEX C – Valuation Guest House

4th March 2019

The Directors,
Sea Pebbles Ltd
Sea Pebbles Hotel
The Strand
Malta

Subject: Valuation Certificate

Property: A Class 3A guest house at Pace Guest House St Agatha Street Sliema.

I, the undersigned Architect and Civil Engineer (BE&A Hons.), have been requested to evaluate the property/ies in caption.

General

The valuation has been prepared in accordance with Chapter 7 of the Listing Rules published by the Malta Financial Services Authority and in particular, with the disclosure requirements relating to Property Companies seeking listing on the Malta Stock Exchange.

Requirement for a valuation report

The purpose of this valuation is for inclusion thereof within the Prospectus, to be published in connection with the proposed bond issue by Sea Pebbles Ltd, in accordance with the Listing Rules.

Reporting Standards

The valuation has been carried out by the undersigned, as an independent valuer, in terms of the UK Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

Independence of valuer

The undersigned confirms that there is no conflict of interest in advising you of the opinion of the value of the property, since the undersigned or his associates will not benefit from the valuation instruction, other than the valuation fee.

A. Contents of valuation report

1. Address

The location of the complex is 'Pace Guest' House St Agatha Street Sliema ,Malta and the site plan has been included in Appendix A of this report. Site photos are available for inspection at the Issuer's registered office.

2. Nature of valuer's inspection

The undersigned declares that he has visited the site, and is fully familiar with the plans of the property which still needs to be developed.

3. Brief Description

An old 2 storey block with basement in St Agatha Street Sliema maybe described as an old building hosting 24 rooms ad hoc. Property on two floors with basement having an outlook onto a yard. Although currently in operation, property requires complete gutting and refurbishing or indeed total demolition and reconstruction. Narrow entrance at ground floor developing into wider width at the rear. Great potential amongst others to be developed and integrated within the Sea Pebbles and Medasia complex which lie behind and adjacent too said property.

4. Existing Use

An old 2 storey block with basement in St Agatha Street Sliema maybe described as an old building hosting 24 rooms ad hoc.

5. Relevant planning applications

Original property built in the 1960's. No permits were traced on site.

6. Material contravention of statutory requirements

LR7.4 1.6: Not applicable

7. Tenure

The site in caption is freehold.

8. Main terms of tenants' leases or sub-leases

LR7.4.1.8: Not applicable

9. Approximate age of any buildings

Original property built in the 1960's. No permits were traced on site

10. Present capital value in existing state

The estimated present capital value of the property in its existing state is calculated using the residual method.

Using scaled drawings, site visit and the comparative method, and also having considered the existing, the potential re-development, location and current market trends the guest house block has at present potential value in the region of euro 2,100,000,00 to the said Sea Pebbles Ltd in view of their adjacent assets.

Thus, the present capital value of the property in its current state is estimated to be €2,100,000,00 (two million and one hundred thousand euro)

11. Terms of intra-Group lease on Property occupied by the Group (identifying the Properties) to the extent that such leases are taken into account in the valuation

LR7.4.1.11: Not applicable.

12. Other matters which materially affect the value

LR7.4.1.12: Not applicable.

13. Sources of information and verification

All information that was considered necessary for the purpose of drawing up the present report was obtained from the directors and advisors of Sea Pebbles Ltd. This included all planning applications, construction and finishing cost estimates, design, management and supervision costs, marketing and selling costs, estate management costs, and financing costs. There was also access to the projections of sales and cash flow.

14. Details of registered mortgages and privileges and other charges, real rights atheron including details of emphyteutical concessions, easements and other burdens

No details were given in this regard.

B. Details of valuer

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Address: 80, Triq it-Torri, Mosta MST 3502
Warrant No 386

C. Date of valuation

The valuation was completed on, and the effective date thereof is 4th March 2019

D. Basis of valuation

The listing rules require that the valuation be made on the basis of an open market value for existing use. An open market value represents an opinion of the best price for which the sale of an interest in a property would have been completed unconditionally for a cash consideration on the date of valuation. Since projects of this nature and scale do not easily lend themselves to a method of valuation which is based on the comparative method, this valuation method is being compiled, using a residual method approach

E. Assumptions

An open market valuation assumes that there is a willing seller, that the interest being valued would have been, prior to the transaction, properly marketed, that the state of the market, level of values and other circumstances are consistent over the period of the valuation, that no account is taken of any additional bid by a prospective purchaser with special interest, and that both parties to the transaction act knowledgeably, prudently and without compulsion. An existing use value follows on the definition of the open market value, with the added assumptions that the property can be used, for the foreseeable future, only for the existing use, and that vacant possession is provided on completion of the sale of all parts occupied by the business.

F. Title

The site in caption is freehold

G. Benefits/Detriments of contractual agreements

LR 7.4.7: Not applicable.

H. Acquisitions/Disposals Interest

LR 7.4.8: Not applicable.

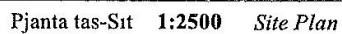
I. Other Relevant matters

No responsibility is being assumed to the third parties to whom this report may be disclosed and no liability is accepted in contract, negligence, restitution with regards to any loss including profits, goodwill or opportunity. While the above is deemed to provide a reasonable valuation of the property in question, such estimate may also vary between one valuer and another. This valuation is also subject to changes over relatively short periods due to economic conditions.

J. Standards and Guidelines

The valuation has been carried out in accordance with standards and guidelines issued by the Royal Institute of Chartered Surveyors. (RICS)

Colin Zammit
B.E.&A. (Hons) A & C.E.P.G. Dip. Cons. Tech
Perit



Casa Bolino, 116, Triq il-Punent, Valletta

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SP Finance plc – Securities Note
ANNEX D – Security Property

4th March 2019

The Directors,
Sea Pebbles Ltd
Sea Pebbles Hotel
The Strand
Malta

Subject: **Valuation Report**

Property: An existing mixed-use complex at No 88-89 the Strand Sliema.

I, the undersigned Architect and Civil Engineer (BE&A Hons.), have been requested to evaluate the property/ies in caption.

General

The valuation has been prepared in accordance with Chapter 7 of the Listing Rules published by the Malta Financial Services Authority and in particular, with the disclosure requirements relating to Property Companies seeking listing on the Malta Stock Exchange.

Requirement for a valuation report

The purpose of this valuation is for inclusion thereof within the Prospectus, to be published in connection with the proposed bond issue by Sea Pebbles Ltd, in accordance with the Listing Rules.

Reporting Standards

The valuation has been carried out by the undersigned, as an independent valuer, in terms of the UK Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

Independence of valuer

The undersigned confirms that there is no conflict of interest in advising you of the opinion of the value of the property, since the undersigned or his associates will not benefit from the valuation instruction, other than the valuation fee.

A. Contents of valuation report

1. Address

The location of the complex is No 88-89 The Strand Sliema among the Gżira-Sliema Promenade, Malta and the site plan has been included in Appendix A of this report. Site photos are available for inspection at the Issuer's registered office.

2. Nature of valuer's inspection

The undersigned declares that he has visited the site, and is fully familiar with the plans of the property which still needs to be developed.

3. Brief Description

During recent years this area has indeed developed into a golden mile. The said block measures a facade of 6.5m on the strand. High end finishes and facilities throughout the complex. The 9 floor block facing Manoel Island and Valletta is situated on a footprint of 134sqm along a highly popular Sliema front. This stretch includes prestigious hotels, office blocks, ground floor commercial outlets and high end luxury apartments.

- Class 4D restaurant at ground floor level
- Class 4A offices at first floor level
- 24 apart hotel rooms at second to seventh floor levels
- 2 apart hotel rooms at eight floor level
- Spa, jacuzzi and relaxation area at roof level

4. Existing Use

- Class 4D restaurant at ground floor level
- Class 4A offices at first floor level
- 24 apart hotel rooms at second to seventh floor levels
- 2 apart hotel rooms at eight floor level
- Spa, jacuzzi and relaxation area at roof level

5. Relevant planning applications

Original property built in the late 80's in a fabric of reinforced concrete and cement blockwork. The following permits were researched on site: PA 1211/04 and 397/14.

6. Material contravention of statutory requirements

LR7.4.1.6: Not applicable.

7. Tenure

The site in caption is freehold.

8. Main terms of tenants' leases or sub-leases

LR7.4.1.8: Not applicable.

9. Approximate age of any buildings

The building has undergone several additions and extensions but the main core was commenced in the 1990.

10. Present capital value in existing state

The estimated present capital value of the property in its existing state using the comparative method and taking into consideration current rental rates for commercial outlets:

Tex Mex - Class 4D restaurant at ground floor level

Fully licensed and operational popular restaurant having an area of approximately 134sqm at ground floor and kitchen in part basement. Fully equipped and operational. Approximate seating capacity of 120 persons including priceless outdoor area.

Using scaled drawings, site visit and the comparative method, and also having considered the existing, the potential re-development, location and current market trends the commercial unit has at present potential market value in the region of euro **1,500,000**.

Class 4A offices at first floor

Fully licensed and operational Class 4A first floor offices accessed from the street through staircase or lift within the restaurant area. Open plan offices with boardroom facilities over an area of approximately 134sqm.

Using scaled drawings, site visit and the comparative method, and also having considered the existing, the potential re-development, location and current market trends the commercial unit has at present potential market value in the region of euro **575,000,00**.

26 Apart Hotel rooms at 2nd to 8th floor

Forming part of the Sea Pebbles Hotel. 2nd to the 7th floor, each level consists of, two rooms enjoying terraces and sea views on the front of the plot and a further two rooms without view at the rear. Fully equipped, furnished and operational.

Two further rooms at the front and rear as described above at 8th floor level. Airspace forms part of this property.

A recent permit PA 1137/17 to develop the airspace has been achieved allowing the extension and change of use into a Class 3B hotel including the addition of four further floors. The proposed hotel spreads onto the adjacent building to the left.

Using scaled drawings, site visit and the comparative method, and also having considered the existing, the potential re-development, location and current market trends the apart hotel with airspace has at present potential market value in the region of euro **5,709,000,00**.

Hence this seafront block at No 88/89 The Strand made up of the above mentioned and described properties can be estimated to have a global potential market value of euro **7,784,000,00**. This is based on the full potential value (exclusive of agencies fees), together with a risk factor applied to the potential sales (profit for any potential interested buyer).

Thus, the present capital value of the property in its current state is estimated to be €7,784,000,00 (seven million, seven hundred and eighty four thousand euro

11. Terms of intra-Group lease on Property occupied by the Group (identifying the Properties) to the extent that such leases are taken into account in the valuation

LR7.4.1.11: Not applicable.

12. Other matters which materially affect the value

LR7.4.1.12: Not applicable.

13. Sources of information and verification

All information that was considered necessary for the purpose of drawing up the present report was obtained from the directors and advisors of Sea Pebbles Ltd. This included all planning applications, construction and finishing cost estimates, design, management and supervision costs, marketing and selling costs, estate management costs, and financing costs. There was also access to the projections of sales and cash flow.

14. Details of registered mortgages and privileges and other charges, real rights atheron including details of emphyteutical concessions, easements and other burdens

No details were given in this regard.

B. Details of valuer

Colin Zammit
B.E.&A. (Hons) A.&C.E.P.G. Dip. Cons. Tech
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Mob: [+356] 9947 8744
Email: perit@manieragroup.com
Address: 80, Triq it-Torri, Mosta MST 3502
Warrant No 386

C. Date of valuation

The valuation was completed on, and the effective date thereof is, 4th March 2019

D. Basis of valuation

The listing rules require that the valuation be made on the basis of an open market value for existing use. An open market value represents an opinion of the best price for which the sale of an interest in a property would have been completed unconditionally for a cash consideration on the date of valuation. A comparative method of direct sales and current rental rates has been used.

E. Assumptions

An open market valuation assumes that there is a willing seller, that the interest being valued would have been, prior to the transaction, properly marketed, that the state of the market, level of values and other circumstances are consistent over the period of the valuation, that no account is taken of any additional bid by a prospective purchaser with special interest, and that both parties to the transaction act knowledgeably, prudently and without compulsion. An existing use value follows on the definition of the open market value, with the added assumptions that the property can be used, for the foreseeable future, only for the existing use, and that vacant possession is provided on completion of the sale of all parts occupied by the business.

F. Title

The site in caption is freehold.

G. Benefits/Detriments of contractual agreements

LR 7.4.7: Not applicable.

H. Acquisitions/Disposals Interest

LR 7.4.8: Not applicable.

I. Other Relevant matters

No responsibility is being assumed to the third parties to whom this report may be disclosed and no liability is accepted in contract, negligence, restitution with regards to any loss including profits, goodwill or opportunity. While the above is deemed to provide a reasonable valuation of the property in question, such estimate may also vary between one valuer and another. This valuation is also subject to changes over relatively short periods due to economic conditions.

J. Standards and Guidelines

The valuation has been carried out in accordance with standards and guidelines issued by the Royal Institute of Chartered Surveyors. (RICS)



Colin Zammit

B.E.&A. (Hons) A.&C.E.P.G. Dip. Cons. Tech

Perit

APPENDIX A



PLANNING AUTHORITY
Mapping Unit Site Plan, Scale 1:2500

St. Francis Ravelin
Floriana
PO Box 200, Valletta
Tel: 240976 Fax: 224346

Part of Survey Sheet(s): 545735 545740 550735 550740

Date Issued: - 26/9/00

- The numbered lines indicate 100m intervals on a U.T.M. grid
- This site plan is not to be used for interpretation or scaling of scheme alignments

4th March 2019

The Directors,
Sea Pebbles Ltd
Sea Pebbles Hotel
The Strand
Malta

Subject: Valuation Report

Property: An existing mixed-use complex at No 90 the Strand Sliema.

I, the undersigned Architect and Civil Engineer (BE&A Hons.), have been requested to evaluate the property/ies in caption.

General

The valuation has been prepared in accordance with Chapter 7 of the Listing Rules published by the Malta Financial Services Authority and in particular, with the disclosure requirements relating to Property Companies seeking listing on the Malta Stock Exchange.

Requirement for a valuation report

The purpose of this valuation is for inclusion thereof within the Prospectus, to be published in connection with the proposed bond issue by Sea Pebbles Ltd, in accordance with the Listing Rules.

Reporting Standards

The valuation has been carried out by the undersigned, as an independent valuer, in terms of the UK Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

Independence of valuer

The undersigned confirms that there is no conflict of interest in advising you of the opinion of the value of the property, since the undersigned or his associates will not benefit from the valuation instruction, other than the valuation fee.

A. Contents of valuation report

1. Address

The location of the complex is No 90 The Strand Sliema among the Gzira-Sliema Promenade ,Malta and the site plan has been included in Appendix A of this report. Site photos are available for inspection at the Issuer's registered office.

2. Nature of valuer's inspection

The undersigned declares that he has visited the site, and is fully familiar with the plans of the property which still needs to be developed.

3. Brief Description

The block is situated on a footprint of 340sqm along a highly popular Sliema front. This stretch includes prestigious hotels, office blocks, ground floor commercial outlets and high end luxury apartments. During recent years this area has indeed developed into a golden mile. The said block measures a facade of 6.5m on the strand and 33m onto Triq It-Telgha ta Belvedere. High end finishes and facilities throughout the complex.

The block is an existing 8 storey block in The Strand facing Manoel Island and Valletta. Block maybe described as a mixed-use complex consisting of:

- Class 4D restaurant at semi-basement and part ground floor level
 - Class 4B salon at the rear of the ground floor
 - Parking spaces and one bedroom flat at first floor
 - Parking spaces and one bedroom flat at second floor
 - Three one-bedroom flats at third floor
 - One three-bedroom apartment at fourth floor
 - One three-bedroom apartment at fifth floor
 - One three-bedroom apartment at sixth floor
- Apartment and penthouse above the sixth floor overly this block but do not form part of this evaluation and belongs to third parties.

4. Existing Use

- Class 4D restaurant at semi-basement and part ground floor level
- Class 4B salon at the rear of the ground floor
- Parking spaces and one bedroom flat at first floor
- Parking spaces and one bedroom flat at second floor
- Three one-bedroom flats at third floor
- One three-bedroom apartment at fourth floor
- One three-bedroom apartment at fifth floor
- One three-bedroom apartment at sixth floor

These said apartments from third to sixth floor level are currently being used as part of the sea pebbles apart hotel.

5. Relevant planning applications

This block was completed around 2006 in a fabric of reinforced concrete and cement blockwork. The following permits were researched on site: PA 6611/00 – PA 6651/04 -PA 439/10 – PA 5114/10 – PA 6333/06.

6. Material contravention of statutory requirements

LR7.4.1.6: Not applicable.

7. Tenure

The site in caption is freehold.

8. Main terms of tenants' leases or sub-leases

LR7.4.1.8: Not applicable.

9. Approximate age of any buildings

The building has undergone several additions and extensions but the main core was commenced in 2000.

10. Present capital value in existing state

The estimated present capital value of the property in its existing state using the comparative method and taking into consideration current rental rates for commercial outlets:

Medasia - Class 4D restaurant at semi-basement and part ground floor level

Fully licensed and operational popular restaurant having an area of approximately 328sqm. Fully equipped and operational. Approximate seating capacity of 150 persons including priceless outdoor area.

Using scaled drawings, site visit and the comparative method, and also having considered the existing, the potential re-development, location and current market trends the commercial unit has at present potential market value in the region of euro 2,200,000.

Class 4B salon at the rear of the ground floor

Fully licensed and operational Class 4B ground floor beauty salon accessed from Triq Belvedere. Covers an area of 180sqm. Consists of reception, treatment rooms and parlours.

Using scaled drawings, site visit and the comparative method, and also having considered the existing, the potential re-development, location and current market trends the commercial unit has at present potential market value in the

region of euro **1,100,000,00**.

Parking spaces and one bedroom flat at first floor

Parking spaces, stores and lock up garages accessed from St Agatha Street through a car lift. A corner one bedroom apartment approximately 100sqm having façade and view on the Strand and side elevation onto the alley in Triq Belveder.

Using scaled drawings, site visit and the comparative method, and also having considered the existing, the potential re-development, location and current market trends the floor has at present potential market value in the region of euro **580,000,00**.

Parking spaces and one bedroom flat at second floor

Parking spaces, stores and lock up garages accessed from St Agatha Street through a car lift. A corner one bedroom apartment approximately 100sqm having façade and view on the Strand and side elevation onto the alley in Triq Belveder.

Using scaled drawings, site visit and the comparative method, and also having considered the existing, the potential re-development, location and current market trends the floor has at present potential market value in the region of euro **580,000,00**.

Three one-bedroom flats at third floor

A large unit spanning across the entire plot currently divided into a corner 100sqm flat overlooking the strand with sea views, a central 64sqm flat with outlook onto Triq Belveder and a third 110sqm unit with outlook onto a back and internal yard.

Using scaled drawings, site visit and the comparative method, and also having considered the existing, the potential re-development, location and current market trends the entire floor has at present a potential market value in the region of euro **1,080,000,00**

3 in number three-bedroom apartments at fourth, fifth and sixth floors

3 large units spanning across the entire plot measuring approximately 280sqm per level having a front corner kitchen-living-dining with terrace overlooking the Strand and bedrooms at the rear. Currently sub divided for rental purposes.

Using scaled drawings, site visit and the comparative method, and also having considered the existing, the potential re-development, location and current market trends the three flats on these said three floors have at present potential market value in the region of euro **4,200,000,00**

Hence this corner block at No 90 The Strand made up of the above mentioned and described properties can be estimated to have a global potential market value of euro **9,740,000,00**. This is based on the full potential value (exclusive of agencies fees), together with a risk factor applied to the potential sales (profit for any potential interested buyer).

Thus, the present capital value of the property in its current state is estimated to be €9,740,000,00 (nine million, seven hundred and forty thousand euro)

11. Terms of intra-Group lease on Property occupied by the Group (identifying the Properties) to the extent that such leases are taken into account in the valuation

LR7.4.1.11: Not applicable.

12. Other matters which materially affect the value

LR7.4.1.12: Not applicable.

13. Sources of information and verification

All information that was considered necessary for the purpose of drawing up the present report was obtained from the directors and advisors of Sea Pebbles Ltd. This included all planning applications, construction and finishing cost estimates, design, management and supervision costs, marketing and selling costs, estate management costs, and financing costs. There was also access to the projections of sales and cash flow.

14. Details of registered mortgages and privileges and other charges, real rights atheron including details of emphyteutical concessions, easements and other burdens

No details were given in this regard.

B. Details of valuer

Colin Zammit
B.E.&A. (Hons) A.&C.E.P.G. Dip. Cons. Tech
Perit – Maniera Group
Tel: [+356] 21 411790; 21420895
Mob: [+356] 9947 8744
Email: perit@manieragroup.com
Address: 80, Triq it-Torri, Mosta MST 3502
Warrant No 386

C. Date of valuation

The valuation was completed on, and the effective date thereof is, 4th March 2019

D. Basis of valuation

The listing rules require that the valuation be made on the basis of an open market value for existing use. An open market value represents an opinion of the best price for which the sale of an interest in a property would have been completed unconditionally for a cash consideration on the date of valuation. A comparative method of direct sales and current rental rates has been used.

E. Assumptions

An open market valuation assumes that there is a willing seller, that the interest being valued would have been, prior to the transaction, properly marketed, that the state of the market, level of values and other circumstances are consistent over the period of the valuation, that no account is taken of any additional bid by a prospective purchaser with special interest, and that both parties to the transaction act knowledgeably, prudently and without compulsion. An existing use value follows on the definition of the open market value, with the added assumptions that the property can be used, for the foreseeable future, only for the existing use, and that vacant possession is provided on completion of the sale of all parts occupied by the business.

F. Title

The site in caption is freehold.

G. Benefits/Detriments of contractual agreements

LR 7.4.7: Not applicable.

H. Acquisitions/Disposals Interest

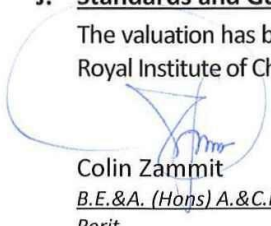
LR 7.4.8: Not applicable.

I. Other Relevant matters

No responsibility is being assumed to the third parties to whom this report may be disclosed and no liability is accepted in contract, negligence, restitution with regards to any loss including profits, goodwill or opportunity. While the above is deemed to provide a reasonable valuation of the property in question, such estimate may also vary between one valuer and another. This valuation is also subject to changes over relatively short periods due to economic conditions.

J. Standards and Guidelines

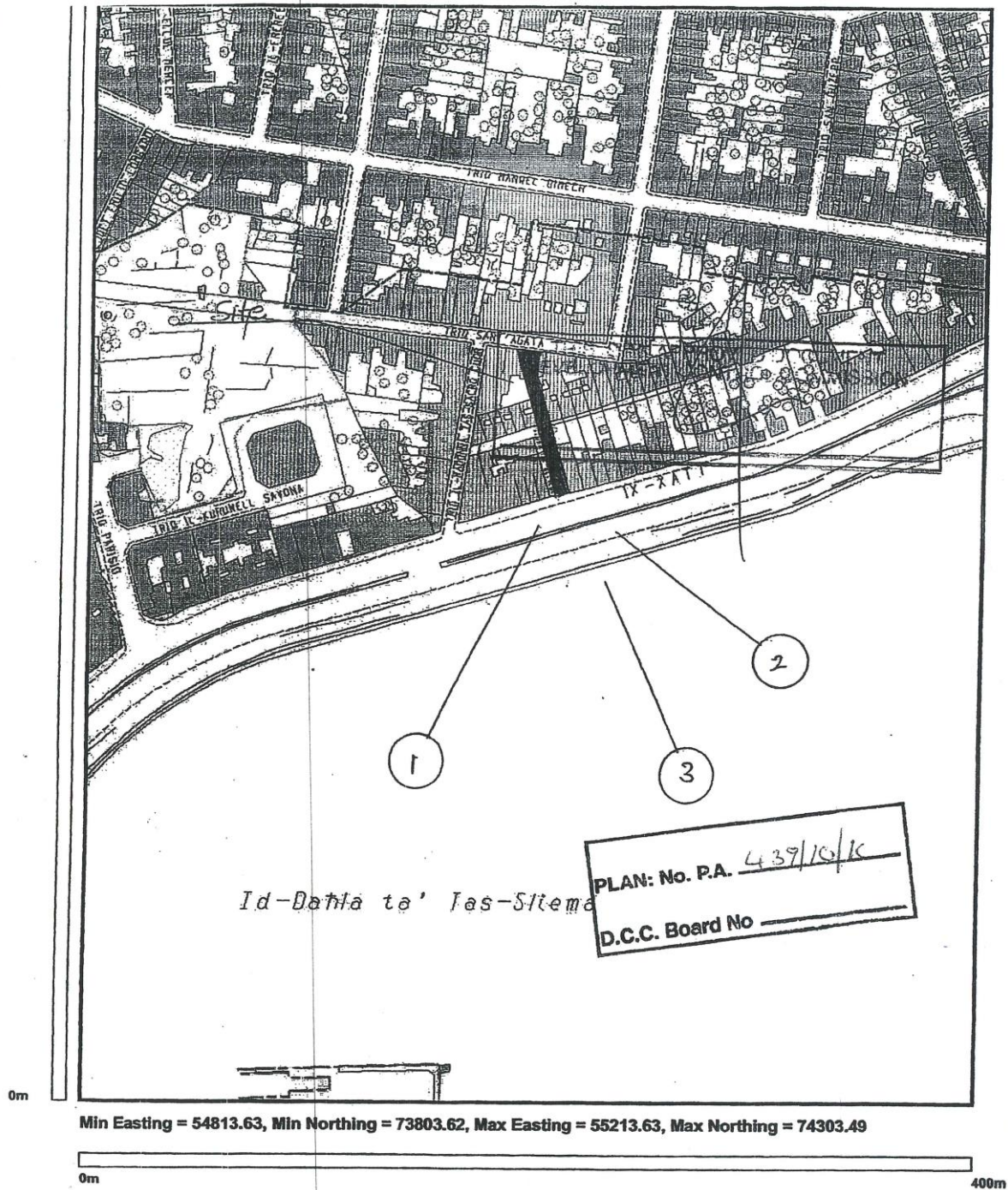
The valuation has been carried out in accordance with standards and guidelines issued by the Royal Institute of Chartered Surveyors. (RICS)



Colin Zammit

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Perit

APPENDIX A



MEPA

St. Francis Ravelin
Floriana
PO Box 200, Valletta, Malta
Tel: +356 240976 Fax: +356 224846

www.mepa.org.mt

Site Plan, Scale 1:2500 Printed on: Thursday, January 28, 2010

Not to be used for interpretation or scaling of scheme alignments

Copyright © Malta. Not for resale.

CACHIA & ASSOCIATES
Perit Chris Cachia
BE & A (Hons) A & CE
MSc Env. Plan & Mgt.
58, Fleur de Lys Rd., B'kara
Tel: 2148 5858 Mob: 79040404

ANNEX E – Application

SP Finance plc – Securities Note

SP Finance plc

€12,000,000 4% Secured Bonds 2029

APPLICATION FORM

Application No. _____

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 (see notes 2 to 7)			
A	<input type="checkbox"/> Non-Resident	<input type="checkbox"/> Minor (under 18)	<input type="checkbox"/> Corporate
	<input type="checkbox"/> CIS		
	TITLE (Mr/Mrs/Ms/...)		
	FULL NAME & SURNAME / REGISTERED NAME		
B	ADDRESS		
			POST CODE
	MSE A/C NO. (if applicable)		I.D. CARD / PASSPORT / COMPANY REG. NO.
			LEI (IF APPLICABLE)
	E-MAIL ADDRESS		TEL NO.
			MOBILE NO.
	Already Registered for e-Portfolio <input type="checkbox"/>	Please register me for e-Portfolio <input type="checkbox"/>	Please do NOT register me for e-Portfolio <input type="checkbox"/>
ADDITIONAL (JOINT) APPLICANTS (see note3) (please use additional application form if space is not sufficient)			
C	TITLE (Mr/Mrs/Ms/..)		I.D. CARD / PASSPORT NO.
	FULL NAME & SURNAME		
	TITLE (Mr/Mrs/Ms/..)		I.D. CARD / PASSPORT NO.
	FULL NAME & SURNAME		
MINOR'S PARENTS/LEGAL GUARDIANS (See Note 4) (to be completed ONLY if the Applicant is a minor)			
D	TITLE (Mr/Mrs/Ms/..)		I.D. CARD / PASSPORT NO.
	FULL NAME & SURNAME		
	TITLE (Mr/Mrs/Ms/..)		I.D. CARD / PASSPORT NO.
	FULL NAME & SURNAME		
I/We apply to purchase and acquire the amount set out below (see Notes 8 and 9)			
E	AMOUNT IN FIGURES €		AMOUNT IN WORDS
In respect of a €12,000,000 4% Secured Bonds 2029 issued by SP Finance plc (minimum of €2,000 in multiples of €100 thereafter) at the Bond Issue Price (at par) as defined in the Prospectus dated the 8 th April 2019 (the "Prospectus") in terms of the Terms and Conditions as set out in the Prospectus.			
RESIDENT - WITHHOLDING TAX DECLARATION (see note 10) (to be completed ONLY if the Applicant is a Resident of Malta)			
F	<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 (see Note 12) (to be completed ONLY if the Applicant is a Non-Resident)			
G	TAX COUNTRY		TOWN OF BIRTH
	T.I.N. (Tax Identification Number)		COUNTRY OF BIRTH
	PASSPORT/NATIONAL I.D. CARD NUMBER		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, REFUND AND REDEMPTION MANDATE (see Note 11) (completion of this panel is mandatory)			
H	BANK		IBAN
	I/We have fully understood the instructions for completing this Application Form, and am/are making this Application on the basis of the Prospectus, and subject to its Terms and Conditions (as defined therein) which have been explained to me/us, and which I/we fully accept.		
I	<div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div style="width: 30%;"> Signature/s of Applicant/s (All parties are to sign in the case of a joint Application) </div> <div style="width: 30%;"> Financial Intermediary </div> <div style="width: 30%;"> Date </div> </div>		
FINANCIAL INTERMEDIARY'S STAMP		FINANCIAL INTERMEDIARY'S CODE	

Notes on how to complete this Application Form and other information

1. The following is to be read in conjunction with the Prospectus dated 8th April 2019 regulating the Bond Issue. Capitalised terms not defined herein shall, unless the context otherwise requires, have the same meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS.
3. Applicants are to insert full personal details in Panel B. In the case of an application by more than one person (including husband and wife) full details of all individuals – including I.D. Card Numbers – must be given in Panels B and C but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 7 below).
Upon submission of an Application Form, Bondholders who do not have an online e-portfolio account will be registered by the CSD for the online e-portfolio facility and will receive by mail at their registered address a handle code to activate the new e-portfolio login. The Bondholder's statement of holdings evidencing entitlement to Secured Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Those Bondholders who opt not to avail themselves of this facility should indicate such on the Application Form. Further detail on the e-portfolio is found on <https://eportfolio.borzamalta.com.mt/Help>.
4. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. The relative box in Panel A must also be marked appropriately. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
5. Applicants who are Non-Resident in Malta for tax purposes must indicate their passport number in Panel B and complete Panel G. The relative box in Panel A must also be marked appropriately.
6. In the case of a body corporate, the name of the entity exactly as registered, and the registration number are to be inserted in Panel B. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
7. APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MSE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THE APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE EFFECTED.
8. Application must be for a minimum of €2,000 and thereafter in multiples of €100. The Applicant must ensure that the relative Application Form is accompanied by payment of the full price of the amount of Bonds applied for. Payment of the amount, must be made in Euro in cleared funds to "The Registrar – SP Finance plc". In the event that the cheque accompanying the Application Form is not honored on the first presentation the Issuer and the Registrar reserve the right to invalidate the relative Application.
9. Only Applicants who hold an official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have Final Withholding Tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of Final Withholding Tax), but he/she will be obliged to declare interest so received on his/her tax return. Authorised entities applying in the name of a Prescribed Fund (having indicated their status in the appropriate box in Panel A) will have Final Withholding Tax, currently 10%, deducted from interest payments.
10. In terms of Section 7 of the Prospectus, 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 a person net of final withholding tax (currently 15%) of the gross amount of interest, pursuant to Article 33 of the Tax Act (Cap. 123 of the Laws of Malta).
11. If any Application is not accepted, after the closure of the subscription lists or is accepted for fewer Bonds than those applied for, the monies of the balance of the amount paid but not allocated, as the case may be, will be returned by direct credit into the bank account as indicated in the application form. Interest or redemption proceeds will be credited to the account designated or as otherwise amended by the Bondholder/s during the term of the Bond.
12. European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments requires all 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 residential address is in an EU Member State or in another country to which the said Directive applies (called a "specified territory") then the interest paid will be reported.
13. Subscriptions will open on the 17th April 2019 and will close on the 2nd May 2019. Completed Application Forms are to be delivered to the offices of any of the Financial Intermediaries listed in Annex F of the Prospectus. 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 Application as contained in the Prospectus. Any Applications received by the Registrar after 12:00 hours on 2nd May 2019 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 Bonds 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 Bonds on offer will be repayable in full upon redemption. An investor should consult an independent financial advisor, licensed under the Investment Services Act (Cap. 370 of the Laws of Malta), for advice.

ANNEX F – Authorised Financial Intermediaries

Calamatta Cuschieri Investment Services Ltd

Address: Ewropa Business Centre, Triq Dun Karm Birkirkara, BKR 9034

Telephone: 2568 8688

ANNEX G – Financial Analysis Summary

FINANCIAL ANALYSIS SUMMARY
SP Finance p.l.c.
8th April 2019



Calamatta Cuschieri
INVESTMENT ADVISORS & STOCKBROKERS

The Directors
SP Finance p.l.c.,
89, The Strand,
Sliema, Malta

8th April 2019

Dear Sirs,

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

The purpose of the financial analysis is that of summarising key financial data appertaining to SP Finance p.l.c. (C 89462) ("the Issuer"), and Sea Pebbles Limited (C 6138) ("the Guarantor") and related companies within the group as explained in part 1 of the Analysis. The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the three years ended 2015, 2016 and 2017, and 8-months interim 2017 and 2018 has been extracted from the audited financial statements and the interim management accounts of the Guarantor respectively.
- (b) The forecast data for the financial year 2018 and the year ending 2019 have been provided by management.
- (c) Our commentary on the Issuer's and the Guarantor's results and financial position is based on the explanations set out by the Issuer in the Prospectus and Listing Authority Policies.
- (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) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies.

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

Yours sincerely,



Nick Calamatta

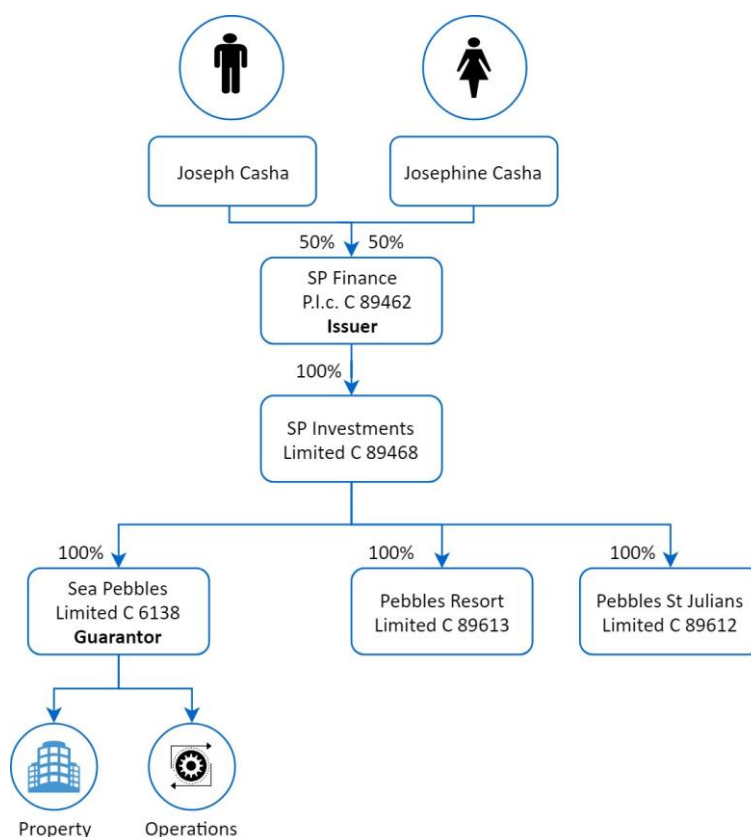
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Part 1 - Information about the Group

1.1 Issuer, Guarantor and Group's Subsidiaries Key Activities and Structure

The Group structure is as follows:



The “Group” of companies consists of the Issuer, SP Investments Limited acting as a “Holding” company of the fellow subsidiaries of the Group being: the Guarantor, Pebbles Resort Limited and Pebbles St Julians Limited. The objective of the Group is the operating of hotels, in addition to acquiring and financing immovable property.

The Issuer, SP Finance plc, was incorporated on 19 November 2018 as a private limited liability company, registered in terms of the Companies Act with company registration number C 89462, and subsequently changed its status to a public company with effect from 23 January 2019. The Issuer, which was set up and established to act as the parent company of the Group and as a finance vehicle, has as at the date of the prospectus an authorised and issued share capital of €250,000 divided into 250,000 ordinary shares of €1 each, all fully paid up. The ultimate beneficial owners are; Mr. Joseph Casha and Ms. Josephine Casha who both hold 125,000 ordinary shares each.

SP Investments Limited, a fully owned subsidiary of the Issuer, is a private limited liability company incorporated and registered in Malta on 19 November 2018, with company registration number C 89468. SP Investments Limited has an authorised and issued share capital of €10,000 divided into 10,000 ordinary shares of €1 each, all fully paid up. SP Investments limited carries out the activity of a holding company within the Group.

The Guarantor, Sea Pebbles Limited, was incorporated on 15 November 1982 as a private limited liability company, registered in terms of the Companies Act with company registration number C 6138. Pursuant to a reorganisation concluded on 10 December 2018, The Guarantor through the Holding company is a wholly owned subsidiary of the Issuer. The authorised and issued share capital of the Guarantor, as at the date of the Prospectus, is €465,874.60 divided into 200,000 ordinary shares of €2.329373 each, all fully paid up. The principal objective of the Guarantor is to carry out all or any of

the business of hotel-keepers, hotel managers or operators, and to manage and operate one or more hotels and guest houses.

Pebbles Resort Limited (C 89613) and Pebbles St Julians Limited (C 89612) were both incorporated on 28 November 2018 and are wholly owned by the Issuer through the Holding company. Pebbles Resort Limited was set up to operate a hotel ("San Pawl Hotel") situated in St. Paul's Bay, which is held under a 15-years lease commencing from the first quarter of 2019. Pebbles St Julians Limited was incorporated to construct and manage a hotel overlying Ryan's Pub ("Pebbles St Julians Hotel"), which is held under a 20-years lease. Ryan's Pub is a well-known restaurant and bar situated in Spinola Bay, St. Julian's, Malta.

1.2 Directors and Key Employees

Board of Directors - Issuer

As at the date of the prospectus, the Issuer is constituted by the following persons:

Name	Office Designation
Joseph Casha	Executive Director
Josephine Casha	Executive Director
Alex Perici-Calascione	Independent non-executive Director and Company Secretary
Mark Grech	Independent non-executive Director
Reuben Debono	Independent non-executive Director

The business address of all of the directors is the registered office of the Issuer. Refer to section 4 of the registration document for the curriculum vitae of the Issuer's directors.

Board of Directors – Guarantor

As at the date of the prospectus, the Guarantor are constituted by the following persons:

Name	Office Designation
Joseph Casha	Executive Director
Josephine Casha	Executive Director and Company Secretary

The business address of all of the directors is the registered office of the Issuer.

A board of five directors who are responsible for the overall direction and management of the Issuer currently manage the Issuer. The board currently consists of two executive directors, who are entrusted with the Issuer's day-to-day management, and three non-executive directors, all of whom are also independent of the Issuer. The main functions of the non-executive directors are to monitor the operations of the executive directors and their performance, as well as to review any proposals tabled by the executive directors. This practice goes in accordance with the generally accepted principles of sound corporate governance, where at least one of the directors shall be a person independent of a group of companies. The Issuer does not have any employees of its own, and thus is dependent on the resources within the Group entities.

The Guarantor has its own board of directors, which is responsible for the management, and direction of the Guarantor. The same two executive directors of the Issuer govern the Guarantor.

1.3 Major Assets owned by the Group

The Issuer does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company.

The Group, through the Guarantor owns and operates the Sea Pebbles Boutique Hotel ("Sea Pebbles Hotel") situated at No. 88/89, The Strand, Sliema, a freehold property consisting of a 9-storey block

from which the Guarantor operates a 52-room apart-hotel situated along the Gzira – Sliema promenade. The said property overlies the commercial outlet TexMex Bar & Grill.

The Guarantor also owns the neighbouring corner building situated at No. 90, The Strand, Sliema and having another entrance from Saint Agatha Street, Sliema, which property is freehold and is overlying the popular restaurant MEDASIA Fusion Lounge, which is leased out to a related operating company. The said property at No. 90, The Strand, Sliema consists of a 9-storey block with mix use, including a catering establishment, apartments and garages, all of which are operated by the Guarantor.

The Guarantor has entered into a promise of sale agreement to acquire two apartments overlying the block at No. 90, The Strand Sliema and the relative airspace and an adjoining guesthouse in Sliema for a total amount of €5 million. The apartments and guesthouse will be financed through the proposed bond issue.

The Group intends to eventually construct and extend the Sea Pebbles Boutique Hotel and to add a further 150 rooms (bring the total number of rooms up to 202 rooms), with construction planned to take place during 2021 and 2022. Management is projecting the redeveloped hotel to be fully operational from year 2024.

Pebbles Resort Limited operates San Pawl Hotel, which is held under a 15-year lease commencing from the first quarter of 2019. As part of its lease commitments, the Group has to carry out a comprehensive upgrade of the hotel with an estimated cost of €3 million, which will be financed through the proposed bond issue. Pebbles St Julians Limited is in the process of constructing the Pebbles St Julians Hotel and subsequently operate it. The hotel is held under a 20-year lease and the development costs is estimated at €0.6 million, which will be financed through the proposed bond issue.

1.4 Operational Developments

As described above the Group owns a 52-room hotel, which is situated on the Sliema Front overlooking Marsamxett harbour, in addition to the adjacent building and the two underlying commercial properties, which are currently leased to parties outside of the Group. Through the proposed bond issue, the Group will finance the acquisition of two apartments and the relative airspace overlying the adjacent building to the 52-room hotel, in addition to an adjoining guesthouse for a total amount of €5 million.

San Pawl hotel, to be re-branded as Pebbles Resort, is a 3-star 234-room hotel situated in St. Paul's Bay, Malta. On 30 August 2018, the Group has entered into a lease agreement through Pebbles Resort Limited for the management of the hotel operations with the hotel's owners for a term of 15-years commencing from the first quarter of 2019. The lease agreement does not provide for an automatic right of renewal in favour of Pebbles Resort Limited.

As part of its lease commitments, the Group will undertake a comprehensive upgrade of the existing premises in Q1 2019, which will allow it to re-open for operations in Q3 2019. The Group has estimated the redevelopment and upgrade cost at €3 million and the hotel's first full year of operations will be 2020. The renovation costs will be financed through the proposed bond issue. Following the aforesaid redevelopment and upgrade, the Pebbles Resort will be operated as a 4-star hotel located in the heart of Saint Paul's Bay, offering elegant, modern and luxurious accommodation. All of the hotel's rooms will be fitted with flat screen TV's, showing satellite channels, tea and coffee facilities, private bathrooms with hairdryer, air conditioning, electronic door lock, daily cleaning service, and either a balcony or a terrace overlooking the outside pool, or with a city view. Pebbles Resort will offer its patrons four restaurants, all serving different specialities from around the world, besides the two bars to be situated on the premises. Guests will also have access to a seasonal outdoor pool, as well as an indoor pool with hot bath, a garden, a fitness centre and a hair and nail salon.

In April 2017, the Group, through Pebbles St Julians Limited, entered into a lease agreement for the construction and management of Pebbles St Julians Hotel overlying Ryan's Pub for a 20-year term. Ryan's Pub is a well-known restaurant and bar situated in Spinola Bay, St. Julians, Malta. The Group has applied for a development permit for the addition of a hotel above the existing Ryan's Pub and, subject to the requisite permits being issued, the Group is expected to commence construction and complete the project of the proposed hotel by the end of 2019. The hotel capacity is expected to be of 18-rooms and the estimated cost for such development is valued at €0.6 million, which cost is to be funded from the proposed bond issue. Such cost shall include the finishing of the hotel rooms and the

common parts and, subject to the necessary development permits being issued as previously mentioned, the hotel's first full year of operations is expected to be 2020.

1.4.1 Sea Pebbles Boutique Hotel

The Sea Pebbles Hotel is a freehold property consisting of a 9-storey block from which the Guarantor operates a 3-star, 52-room apart-hotel situated along the Gzira – Sliema promenade. The said property overlies the commercial outlet TexMex Bar & Grill.

Operational Performance

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

Sea Pebbles Boutique Hotel	Dec-15	Dec-16	Dec-17	F2018	P2019
	€000s	€000s	€000s	€000s	€000s
Revenue	925	1,284	1,372	1,399	1,427
Gross operating profit	445	714	843	860	877
Gross operating profit margin	48.1%	55.6%	61.4%	61.5%	61.5%
Occupancy level	87.1%	78.1%	88.7%	89.0%	89.0%
Average daily rate (€)	83.1	86.7	81.5	82.8	84.5
Revenue per available room (Rev/PAR) (€)	26.4	24.7	26.4	26.9	27.4
Gross operating profit per available room (GOP/PAR)	12.7	13.7	16.2	16.5	16.9
Benchmark performance					
Occupancy level	82.0%	82.1%	82.6%	n/a	n/a
Average daily rate (€)	67.0	67.6	75.5	n/a	n/a
Gross operating profit margin	38.0%	42.0%	42.8%	n/a	n/a
Gross operating profit per available room (GOP/PAR)	11.7	13.3	14.7	n/a	n/a
Rooms	35	52	52	52	52

In May 2016, the hotel increased its rooms by 17-rooms, to a total of 52-rooms. For this reason, the revenue generated in 2016 is not comparable to that of 2015 and neither to that of 2017, where the latter figures capture the full-year operations of the 52-rooms.

The hotel occupancy level declined in 2016 due to the addition of the 17-rooms. These rooms were added to the booking system 3 months earlier for advance booking purposes and if adjusted for the occupancy level stood stable at the 87% level, in-line with 2015. The hotel has continuously improved its gross operating profit margin, which stood at 48.1% in 2015 and increased to 61.4% in 2017. Moreover, Sea Pebbles Boutique Hotel has for the historically presented above outperformed the benchmark performance in terms of the GOP/PAR and the Gross operating profit margin.

Management estimates that the occupancy level will remain constant with its historic average of 89% over the projected period based on the strategic location of the hotel, its historical performance and the upward trend of the tourism sector in Malta. GOP/PAR is projected to increase by 2% every year, where it expected to be €16.5 thousand for F2018 and subsequently increase to €16.9 thousand in P2019.

1.4.2 San Pawl Hotel

San Pawl hotel, to be re-branded as Pebbles Resort, is a 3-star 234-room hotel situated in St. Paul's Bay. Pebbles Resort Limited will operate the hotel under a 15-year lease term, which will commence from the first quarter of 2019. As part of its lease commitments the Group will carry out refurbishment to the hotel with an estimated cost of €3 million, which should be completed in quarter 3 of 2019 and following which the hotel will be upgraded to a 4-star hotel.

Operational Performance

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

San Pawl Hotel	F2018	P2019
	€000s	€000s
Revenue	-	1,049
Gross operating profit	-	472
Gross operating profit margin	n/a	45.0%
Occupancy level	n/a	70.0%
Average daily rate (€)	n/a	69.6
Revenue per available room (Rev/PAR) (€)	n/a	17.8
Gross operating profit per available room (GOP/PAR)	n/a	8.0
Rooms	n/a	59

Management expects San Pawl Hotel to initially open with 59-rooms in 2019 and will be fully functional in 2020 with a total of 234-rooms. Management projects that the hotel will have a constant occupancy level of 70%. The GOP/PAR is anticipated to be €8 thousand for the first year of operation that is 2019. Subsequently, the GOP/PAR is projected to grow each year by 2%.

1.4.3 Pebbles St Julians Hotel

The Group, through Pebbles St Julians Limited, entered into a lease agreement for the construction and management of a hotel overlying Ryan's Pub for a 20-year term. The Group has applied for development permits and subject to the requisite permits being issued, the Group is expected to commence construction of the proposed hotel in 2019 and to complete the project by the end of 2019.

Pebbles St Julians Hotel capacity is expected to be of 18-rooms and the estimated cost for such development is valued at €0.6 million. Such cost shall include the finishing of the hotel rooms and the common parts and, subject to the necessary development permits being issued as previously mentioned, the hotel's first full year of operations is expected to be 2020.

Operational Performance

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

Pebbles St Julians Hotel	F2018	P2019
	€000s	€000s
Revenue	-	360
Gross operating profit	-	180
Gross operating profit margin	n/a	50.0%
Occupancy level	n/a	85.0%
Average daily rate (€)	n/a	128.9
Revenue per available room (Rev/PAR) (€)	n/a	40.0
Gross operating profit per available room (GOP/PAR)	n/a	20.0
Rooms	n/a	9

Pebbles St Julians Hotel will initially open to 9-rooms in 2019 and as explained above it will be fully functional in 2020 with 18-rooms. Management projects that the hotel will have a constant occupancy level of 85%. The GOP/PAR is anticipated to be €20 thousand for the first year of operation that is 2019. Subsequently, the GOP/PAR is projected to grow each year by 2%.

Part 2 – Historical Performance and Forecasts

The Issuer was incorporated on 19 November 2018 and, accordingly, has no trading record or history of operations. Furthermore, the Issuer does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company solely for the needs of the Group, and, as such, its assets are intended to consist primarily of loans issued to the Group's fellow subsidiaries. The issuer will act as the parent company of the Group, consequently it will issue consolidated financial figures that will capture the operations of all the companies within the Group. Therefore, the projected figures of the issuer has not been presented as they are captured in the Group's forecasts as set out in section 2.4 of this Analysis.

For the purpose of this document, the focus is on a review of the performance of the Guarantor and the Group. The Guarantor's historical financial information for the period ended 31 December 2015 to 31 August 2018 is set out in the audited financial statements of the Guarantor section 2.1 to 2.3 of this Analysis. Forecasts of the Group's consolidated figures are based on management projections and are set out in section 2.4 of this Analysis.

2.1 Guarantor' Statement of Comprehensive Income

The Guarantor, Sea Pebbles Limited, carries out all or any of the business of hotel-keepers, hotel managers or operators, and to manage and operate one or more hotels and guest houses. The audited historical performance for the period ended 31 December 2015 to 31 December 2017, inclusive of the interim unaudited management accounts covering the period 1 January to 31 August 2017 and 2018 are presented below.

Statement of Comprehensive Income	Dec-15	Dec-16	Dec-17	Jan - Aug 17	Jan - Aug 18
	Audited	Audited	Audited	Interim	Interim
	€000s	€000s	€000s	€000s	€000s
Revenue	925	1,284	1,372	910	1,030
Cost of sales	(212)	(250)	(237)	(165)	(171)
Gross profit	713	1,034	1,135	744	859
Administrative expenses (excl. Depreciation)	(268)	(320)	(292)	(193)	(236)
Other operating income	47	54	61	33	33
EBITDA	492	768	904	584	656
Depreciation	(128)	(166)	(174)	(112)	(117)
EBIT	364	602	730	472	539
Profit on sale of property	126	-	-	-	358
Investment income	65	1	-	-	-
Finance costs	(135)	(138)	(141)	(94)	(89)
Profit before tax	420	465	589	377	809
Income tax	(148)	(44)	(205)	-	-
Profit after tax	272	421	384	377	809
Other comprehensive income					
Revaluation of property	1,129	-	4,056	-	-
Total comprehensive income	1,401	421	4,440	377	809

Ratio Analysis	Dec-15	Dec-16	Dec-17	Jan - Aug 17	Jan - Aug 18
Gross Profit Margin (Gross Profit / Revenue)	77.1%	80.5%	82.7%	81.8%	83.4%
EBITDA Margin (EBITDA / Revenue)	53.2%	59.8%	65.9%	64.2%	63.7%
Net Margin (Profit for the year / Revenue)	29.4%	32.8%	28.0%	41.5%	78.5%

The Guarantor generates revenue from room rentals. In 2017, Sea Pebbles Hotel had all of its 52-rooms rented out with an average occupancy of 88.7%. Revenue has increased by 48.3% from 2015 to 2017. As explained above, the increase is attributable to the increase in the number of rooms from 35 to 52 in 2016, and improved rental rates.

Cost of sales mainly represents booking fees paid to the third party online booking portals like "booking.com". Administrative expenses mainly consists of salaries and wages, water and electricity expenses, repairs and maintenance expenses and bank charges, representing 82.0% of the total administrative expenses in 2017. Administrative expenses decreased by 8.8% in 2017 from 2016. This was mainly due to a decrease in legal and professional fees from €40 thousand in 2016 to €9 thousand in 2017. Wages and salaries increased to €86 thousand in 2017 from €59 thousand in 2016 due to the increase in average number of employees from five employees in 2016 to six employees in 2017. In addition, the average salary cost per employee increased by 77.8% during the historic data presented above. In 2016, the Guarantor secured new loans from HSBC, which resulted in an increase in bank charges of 50.7% from €29 thousand in 2015 to €44 thousand in 2016.

Other income represents rental income generated by the Guarantor from its properties at ground floor level that are rented out to two restaurants being, TexMex and MedAsia. The rental income aggregated to €61 thousand in 2017.

Both the company's gross profit margin and the EBITDA margin has continuously improved for the audited historic data presented above. The gross profit margin and the EBITDA margin stood at 82.7% and 65.9% in 2017 respectively, which shows an improved position from the gross profit margin and the EBITDA margin of 2015, which stood at 77.1% and 53.2% respectively.

2.2 Guarantor' Statement of Financial Position

Statement of Financial Position	Dec-15	Dec-16	Dec-17	Jan - Aug 17	Jan - Jun 18
	Audited	Audited	Audited	Interim	Interim
	€000s	€000s	€000s	€000s	€000s
Assets					
Non-current assets					
Property, plant and equipment	15,486	16,284	20,539	16,390	23,645
Investment in associate	47	-	-	-	-
	15,533	16,284	20,539	16,390	23,645
Current assets					
Trade and other receivables	626	490	338	303	1,023
Current tax recoverable	9	10	-	-	-
Cash and cash equivalents	341	399	60	64	114
	976	899	398	367	1,137
Total assets	16,509	17,183	20,937	16,757	24,783
Equity and liabilities					
Capital and reserves					
Share capital	466	466	466	466	466
Revaluation reserve	12,628	12,628	14,793	12,628	17,738
Retained earnings	750	1,071	731	824	1,435
Total equity	13,844	14,165	15,990	13,917	19,638
Non-current liabilities					
Long-term borrowings	2,108	2,439	2,160	2,258	2,070
Deferred taxation	112	151	2,058	151	2,428
	2,220	2,590	4,218	2,409	4,498
Current liabilities					
Short-term borrowings	365	295	306	265	263
Trade and other payables	80	128	235	161	211
Current tax payable	-	5	188	5	172
	445	428	729	431	646
Total liabilities	2,665	3,018	4,947	2,839	5,144
Total equity and liabilities	16,509	17,183	20,937	16,757	24,783

Total assets mainly comprise of property, plant and equipment, which account for 98.1% of the company's total assets as of 2017. Non-current assets mainly comprise of land and buildings. A revaluation of land and buildings was carried out in 2015, in 2017 and in the interim accounts of August 2018. In the latter period, land and buildings were revalued upwards by €3.7 million and disposals net of additions amounted to €0.5 million, resulting in an ending balance of €23.0 million.

In 2017, current assets comprised only 1.9% of the total assets of the Guarantor as at 31 December 2017. Trade and other receivables represent the primary component of current assets, where they mainly comprise of amounts receivable from related parties. As a result of a decrease in the amounts due from related parties, trade and other receivables in 2017 declined by €0.2 million in comparison to the previous financial year. In the interim accounts of August 2018 trade and other receivables increased by €0.7 million when compared to the prior period, due to an increase in the amounts receivable from related parties

Non-current liabilities represented 85.3% of the Guarantor's liabilities in 2017. Non-current liabilities comprise of six loans taken from HSBC, these loans have interest rates ranging from 5.05% to 5.35%. The Guarantor also has an overdraft facility of €93 thousand with HSBC to fund its working capital requirements out of which €25 thousand was availed in 2017. Out of the €2.5 million bank loans as at

2017, 17.7% are due over the next five years. As described in the use of proceeds, these loans will be paid-off from the proceeds of the proposed bond issue.

The current liabilities represented 14.7% of the total Guarantor's liabilities in 2017. Current liabilities comprise of trade and other payables, current tax liability and short-term borrowings. Trade and other payables mainly consist of amounts payable to related parties.

2.3 Guarantor' Statement of Cash Flows

Statement of Cash Flows	Dec-15	Dec-16	Dec-17	Jan - Aug 17	Jan - Jun 18
	Audited	Audited	Audited	Interim	Interim
	€000s	€000s	€000s	€000s	€000s
Cash flows from operating activities					
EBITDA	492	768	904	584	656
Interest and Tax paid	(222)	(140)	(146)	(1)	(17)
Dividend received	65	1	-	-	-
Tax refunded	19	-	10	10	-
Change in trade and other receivables	(174)	137	152	186	(686)
Change in trade and other payables	(62)	47	106	35	(24)
Net cash flows generated from operating activities	118	813	1,026	813	(70)
Cash flows from investing activities					
Capex	(76)	(962)	(371)	(218)	(130)
Proceeds from the sale of property, plant and equipment	419	-	-	-	580
Other investing activities	126	47	-	-	-
Net cash flows generated from/(used in) investing activities	469	(915)	(371)	(218)	450
Cash flows from financing activities					
Movement in related party loan	-	(100)	-	-	-
Movement in bank loan	(271)	360	(294)	(287)	(272)
Dividend paid	(50)	(100)	(725)	(625)	(105)
Net cash flows used in/(generated from) financing activities	(321)	160	(1,019)	(912)	(377)
Movement in cash and cash equivalents	266	58	(364)	(317)	3
Cash and cash equivalents at start of year	75	341	399	399	35
Cash and cash equivalents at end of year	341	399	35	82	38

In 2017, the EBITDA of the company improved from €0.8 million to €0.9 million, and consequently so did the cash flow from operations, which increased to €1.0 million in 2017 from €0.8 million in 2016. The latter increase in the cash flow from operations is also attributable to the change in trade and other payables, which was €59 thousand higher in 2017 when compared to 2016.

2.4 The Group's Financial Forecast

Projected Income Statement	F2018	P2019
	€000s	€000s
Revenue	1,399	2,836
Cost of sales	(241)	(517)
Gross profit	1,158	2,319
Administrative expenses	(298)	(790)
Other operating income	55	127
EBITDA	915	1,656
Depreciation	(195)	(687)
EBIT	720	969
Finance costs	(152)	(861)
Profit before tax	568	108
Income tax	(198)	(160)
Profit after tax	370	(52)

The gross profit of the Group for forecasted year 2018 is comprised of the gross profit generated by Sea Pebbles Hotel. The gross operating profit per room is estimated to be of €16.5 thousand in 2018, which represents an increase of 2% over the prior year. The occupancy level is projected to remain constant at 89% as further described in section 1.4.1 of this Analysis. Further to the gross profit contribution of Sea Pebbles Hotel in 2019, gross profit will comprise also of the gross profit generated from the San Pawl Hotel and the Pebbles St Julians Hotel. The latter two hotels will be partially open in 2019, as San Pawl Hotel will be closed for most of 2019 for refurbishment and Pebbles St Julians Hotel will also be mostly closed in 2019 as it will be under construction as further described in section 1.4.2 and 1.4.3 respectively, of this Analysis.

Other operating income comprises of the rental income that will be generated from the two retail outlets situated at street level. In forecast year 2018, the income from the two retail outlets is estimated to be €55 thousand and this is projected to remain constant for the next five years. In 2019, other operating income will increase by €72 thousand to a total of €127 thousand, as a result of the rental of the guesthouse, which will be acquired through the proposed bond issue.

Depreciation costs for 2018 are estimated to be in-line with that of 2017, experiencing an increase of €21 thousand. In 2019, depreciation costs will increase significantly as it captures the depreciation of San Pawl Hotel and Pebbles St Julians Hotel, experiencing an increase of €492 thousand. Following revised accounting standards on accounting for leases, as from January 2019 all leases will be classified as a finance lease the result of which is that the lease payments for the above two hotels have been capitalised and accordingly the depreciation on property, plant and equipment increased.

Finance costs for 2018 are estimated to be slightly higher than 2017, experiencing an increase of €11 thousand. In 2019, finance cost will increase significantly experiencing an increase of €709 thousand from 2018, which reflects the interest payable on the proposed bond issue and the interest expense on the lease payments of the two new hotels as required by the new accounting standard on accounting for leases, as described above.

Projected Balance Sheet	F2018	P2019
	€000s	€000s
Assets		
Non-current assets		
Property, plant and equipment	21,534	34,847
	<u>21,534</u>	<u>34,847</u>
Current assets		
Trade and other receivables	338	338
Cash and cash equivalents	364	1,716
	<u>702</u>	<u>2,054</u>
Total assets	<u>22,236</u>	<u>36,901</u>
Equity and liabilities		
Capital and reserves		
Share capital	466	466
Revaluation reserve	14,793	14,793
Retained earnings	1,101	1,049
Total equity	<u>16,360</u>	<u>16,308</u>
Non-current liabilities		
Debt facilities	2,276	11,865
Other financial liabilities	1,119	6,247
	<u>3,395</u>	<u>18,112</u>
Current liabilities		
Trade and other payables	235	235
Current tax liability	188	188
Deferred tax liability	2,058	2,058
	<u>2,481</u>	<u>2,481</u>
Total liabilities	<u>5,876</u>	<u>20,593</u>
Total equity and liabilities	<u>22,236</u>	<u>36,901</u>

Total assets in 2018, mainly comprise of property, plant and equipment, which represents 96.8% of total assets. Total Assets will mainly be impacted in 2019, where property, plant and equipment will increase by €13.3 million representing the addition of the lease capitalisation of Pebbles St Julians Hotel and San Pawl Hotel. In comparison, total liabilities will remain relatively stable in 2018 and will increase by €14.7 million in 2019. This is the result of an increase in debt facilities due to the proposed bond issue and the recognition of the total lease payments as other financial liabilities.

The gearing level (Net Debt / Total Equity) in 2018 stands at 18.5%. Following the increase in liabilities as described above, the gearing level will increase to 100.5% in 2019. The return on common equity stands at 2.3% in 2018. The Group is anticipated to record a marginal loss in 2019, following the renovation of the San Pawl Hotel and the construction of the Pebbles St Julians Hotel. Despite this, the Group's interest coverage ratio (EBITDA / Interest Paid) stands at 6.5x in 2018 and will remain at a healthy level of 3.5x in 2019.

Projected Cash Flows	F2018	P2019
	€000s	€000s
Cash flows from operating activities		
EBITDA	915	1656
Interest paid	(140)	(480)
Tax paid	(198)	(160)
Net cash flows generated from operating activities	577	1,016
Cash flows from investing activities		
Investment Capex	-	(8,600)
Recurrent Capex	(70)	(142)
Net cash flows generated from/(used in) investing activities	(70)	(8,742)
Cash flows from financing activities		
Debt proceeds received	-	12,000
Payment of finance lease liabilities	(13)	(496)
Bond costs	-	(150)
Principal payments	(190)	(2,276)
Net cash flows generated from / (used in) financing activities	(203)	9,078
Movement in cash and cash equivalents	304	1,352
Cash and cash equivalents at start of year	60	364
Cash and cash equivalents at end of year	364	1,716

The Group is anticipated to have a positive net cash from operations for both the projected years 2018 and 2019, which stands at €0.6 million and €1.0 million respectively. Cash from investing activities will mainly be affected in 2019, following the implementation of the capital investments, as further described in the *Operational Developments* section of this analysis. Recurrent Capex has been estimated at 5% of revenue throughout the projected period. Cash flows from financing activities will largely be impacted in 2019 following the receipt of the bond proceeds.

Ratio Analysis	2018P	2019P
Profitability		
Growth in Revenue (YoY Revenue Growth)	2.0%	102.7%
EBITDA Margin (EBITDA / Revenue)	65.4%	58.4%
Operating (EBIT) Margin (EBIT / Revenue)	51.5%	34.2%
Net Margin (Profit for the year / Revenue)	26.4%	n/a
Return on Common Equity (Net Income / Total Equity)	2.3%	n/a
Return on Assets (Net Income / Total Assets)	1.7%	n/a
Cash Flow		
Free Cash Flow (Net cash from operations - Capex)	€507	€(7,726)
Financial Strength		
Gearing 1 (Net Debt / Total Equity)	18.5%	100.5%
Gearing 2 (Total Liabilities / Total Assets)	26.4%	55.8%
Net Debt / EBITDA	3.3x	9.9x
Current Ratio (Current Assets / Current Liabilities)	0.3	0.8
Net Debt / Net cash from operations	5.3	16.1
Interest Coverage (EBITDA / Cash interest paid)	6.5	3.5

Part 3 – Key Market and Competitor Data

3.1 General Market Conditions²

The tourism industry in Malta has been progressively growing over the years, benefiting from a surge in tourism with records broken year-on-year. In 2018, tourists arrivals increased by 0.3 million from 2.3 million in 2017 to 2.6 million in 2018, an increase of 14.3%. This is comparable to previous year when in 2017 tourists arrivals increased by 15.7%, where in 2016 inbound tourists stood at 2.0 million.

Hotel accommodations benefited from the increasing number of tourists coming to Malta over the recent years, which translated into higher number of guests and occupancy.

In 2018, total nights spent by inbound tourists to Malta reached 18.6 million, an increase of 12.5% over 2017, where total nights stood at 16.5 million. This shows an improved growth when compared to 2017, where total nights increased by 10.3% or 1.5 million from 2016 (total nights 15.0 million). The increase in tourism activity in 2018 has not resulted in a proportional increase in the total expenditure per capita, where in 2018 it stood at €809 per capita, experiencing a decrease of 5.5% from 2017, where it stood at €856 per capita. This was mainly due to a decrease on other expenditure and a decrease on non-package accommodation expenditure, where compared to 2017 these decreased by 14.5% and 7.1% respectively. The average length of stay in Malta has slightly decreased from 2016, where it stood at 7.6 nights in 2016, decreased to 7.3 nights in 2017 and decreased further to 7.1 nights in 2018.

The top three localities for tourist accommodation in 2016 were St Julians (25%), St Paul's Bay/Bugibba/Qawra area (23%) and Sliema (17%), while the net occupancy rate increased from 64.0% to 64.5%.

This trend in the increase in the number of tourist arrivals over the last three years has been stable as can be demonstrated by the table below:

	2016	2017	2018	Change 2018/17
Inbound tourists	1,965,928	2,273,837	2,598,690	14.3%
Tourist guest nights	14,961,366	16,509,141	18,569,716	12.5%
Average length of stay	7.6	7.3	7.1	-2.7%
Tourist expenditure (€'000s)	1,708,952	1,946,894	2,101,765	8.0%
Tourist expenditure per capita (€)	869	856	809	-5.5%

² Inbound Tourism December 2018 (NSO)

3.2 Comparative Analysis

The purpose of the table below compares the proposed debt issuance of the Group to other debt instruments with similar duration. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore different.

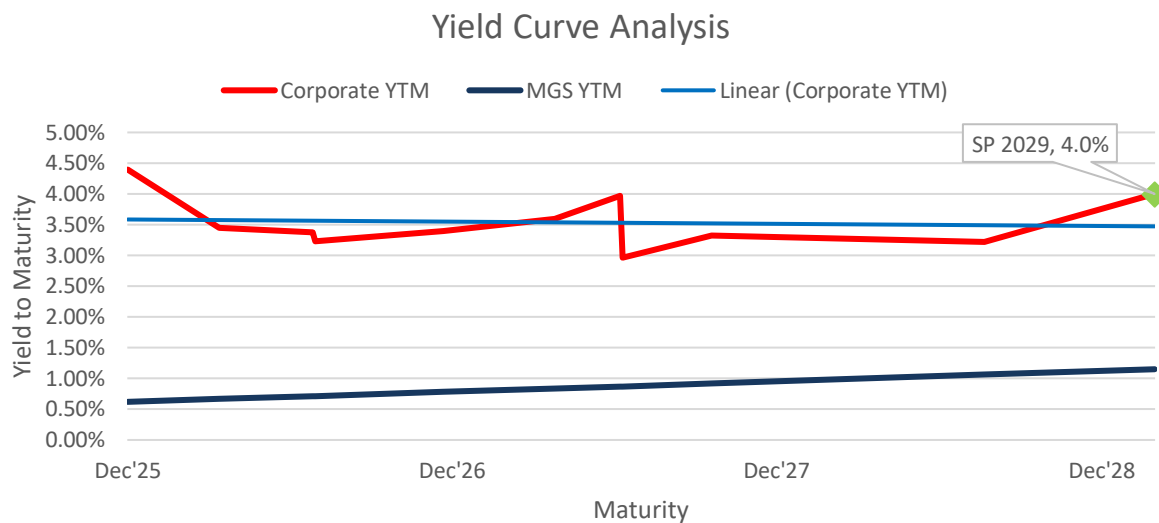
Security	Nom Value	Last Price*	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)
	€000's		(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)
5.25% Central Business Centres plc Unsecured € 2025 S2T1	3,000	105.00	4.40%	0.3	28.57	15.93	44.2%	67.1%	73.0	8.6	-1.1%	-43.7%	47.1%
4.25% Corinthia Finance plc Unsecured € 2026	40,000	105.00	3.45%	2.6	1,765.07	901.60	48.9%	67.9%	8.5	1.0	0.7%	2.0%	40.0%
4% MIDI plc Secured € 2026	50,000	104.00	3.38%	(0.9)	0.24	0.09	63.2%	64.7%	(25.3)	2.4	27.0%	448.1%	-46.5%
4% International Hotel Investments plc Secured € 2026	55,000	105.00	3.23%	2.7	1,602.32	884.63	44.8%	57.1%	7.9	1.5	1.9%	6.1%	53.5%
4% International Hotel Investments plc Unsecured € 2026	40,000	104.10	3.39%	2.7	1,602.32	884.63	44.8%	57.1%	7.9	1.5	1.9%	6.1%	53.5%
4.35% SD Finance plc Unsecured € 2027	65,000	105.25	3.60%	5.5	217.60	65.70	69.8%	92.1%	3.2	0.3	11.0%	14.5%	9.3%
4.4% Central Business Centres plc Unsecured € 2027 S1/17 T1	6,000	103.00	3.97%	0.3	28.57	15.93	44.2%	67.1%	73.0	8.6	-1.1%	-43.7%	47.1%
3.75% Tumas Investments plc Unsecured € 2027	25,000	105.75	2.96%	7.5	198.82	89.24	55.1%	51.8%	2.0	1.6	13.0%	20.1%	31.4%
4% Stivala Group Finance plc Secured € 2027	45,000	104.97	3.33%	9.5	179.73	100.12	44.3%	55.8%	8.3	1.6	59.9%	483.9%	29.2%
4% Exalco Finance plc Secured € 2028	15,000	106.25	3.22%	3.7	55.39	35.47	36.0%	34.0%	6.0	0.3	8.6%	33.6%	24.7%
4% SP Finance plc Secured € 2029 **	12,000	100.00	4.00%	6.4	20.94	15.99	23.6%	15.0%	2.7	0.5	2.5%	28.0%	6.9%
Average ***	34,400	104.83	3.49%	3.4	567.86	299.33	49.5%	61.5%	16.4	2.8	12.2%	92.7%	28.9%

* Last price as at 20/02/2019

Source: Audited financial statements, 2017

** The financial analysis of SP Finance reflects the financial position of the Guarantor for the year ended 31st December 2017.

*** Average figures do not capture the financial analysis of the Group



As at 20 February 2019, the average spread over the Malta Government Stock (MGS) for corporates with maturity range of 8-10 years was 250 basis points. The proposed SP Finance bond is being priced with a 4.0% coupon issued at par, meaning a spread of 285 basis points over the equivalent MGS, and therefore at a premium to the average on the market.

Part 4 - Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
Operating Profit (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Company during the financial year net of any income taxes incurred.
Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by total assets.
Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.

Balance Sheet	
Total Assets	What the Group/Company owns which can be further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can be further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Total Debt	All debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.
Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
Gearing Ratio Level 1 Gearing Ratio Level 2	Is calculated by dividing Net Debt by Total Equity. Is calculated by dividing Total Liabilities by Total Assets.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.
Other Definitions	
Yield to Maturity (YTM)	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.