

## **PROSPECTUS**

Dated 21 March 2007

**Lm15,000,000 7% Secured Bonds of a nominal value of Lm100 per Bond issued at par**

*or*

**€35,000,000 7% Secured Bonds of a nominal value of €100 per Bond issued at par**

**due 30 April 2013**

(subject to early redemption at the option of the Issuer on 30 April 2011 and 30 April 2012)

by

### **GAP DEVELOPMENTS P.L.C.**

(incorporated in Malta with limited liability under registration number C 38040)

ISIN MT0000331208 Lm Bond

ISIN MT0000331216 € Bond

#### **Underwriter**

Charts Investment Management Service Limited

#### **Sub-underwriter**

Collins Stewart (CI) Limited

#### **Manager & Registrar**

HSBC Bank Malta p.l.c.

#### **Sponsors**

Charts Investment Management Service Limited

Curmi & Partners Limited

Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Alternative Companies List once the Bonds are authorised as admissible to listing by the Listing Authority. The Alternative Companies List is a second tier market which is a market designed primarily for companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration of all the information contained in the Prospectus as a whole and consultation with his or her own independent financial adviser.

The Listing Authority accepts no responsibility for the accuracy or completeness of this document and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

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.



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## **PART 1 - SUMMARY**

SUMMARY OF THE PROSPECTUS  
Dated 21 March 2007

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## **WARNINGS**

This Summary has to be read as an introduction to the Prospectus dated 21 March 2007 written in English (the “Prospectus”) and composed of the following parts:

1. Summary of the Prospectus
2. Registration Document
3. Securities Note

Any decision to invest in the Bonds has to be based on an exhaustive analysis by the investor of the Prospectus as a whole.

The Directors assume responsibility for the content of this Summary, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of 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 advisers before deciding to make an investment in the Bonds.

## **IMPORTANT INFORMATION**

### **Introduction**

This document constitutes a summary to the Prospectus dated 21 March 2007 and contains information on the issue by GAP Developments p.l.c. (the “Issuer”) of an amount not exceeding Lm15,000,000 7% Secured Bonds of a nominal value of Lm100 per Bond or an amount not exceeding €35,000,000 7% Secured Bonds of a nominal value of €100 per Bond or any proportion of both such amounts (the “Bond Issue”). The Bonds are being issued at par. Interest on the Bonds will become due and payable annually in arrears at the rate of 7% per annum, on 30 April of each year, between 2008 and the year in which the Bonds are redeemed, both years included, (each, an “Interest Payment Date”), the first Interest Payment Date falling on 30 April 2008. 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. The nominal value of the Bonds on offer will be repayable in full at maturity on 30 April 2013, unless the Bonds are previously re-purchased and cancelled. The Issuer has the option to redeem all or any part of the Bonds at their nominal value on 30 April 2011 or 30 April 2012 by giving not less than sixty (60) days prior notice to Bondholders. The Bond Issue will be underwritten by Charts Investment Management Service Limited (and sub-underwritten by Collins Stewart (CI) Limited) up to €10,000,000, subject to a minimum value of Lm11,000,000 or €25,000,000 having been subscribed.

The Prospectus, of which this Summary forms part, also contains information about the Issuer and the Bonds in accordance with the requirements of the Listing Rules of the Listing Authority, the Companies Act, 1995 (Cap. 386, Laws of Malta) (the “Act”) and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

The Directors, whose names appear under the heading “**Directors**” on page 6 below are the persons responsible for the information contained in the Prospectus. To the best of the knowledge and belief of the Directors who have taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

No broker, dealer, salesman or other person has been authorised by the Issuer or by its Directors to issue any advertisement or to give any information or to make any representations in connection with the Bond Issue, other than those contained in this Prospectus and in the documents referred to herein, and if given or made such information and representations must not be relied upon as having been authorised by the Issuer or its Directors.

All the Advisers to the Issuer named in the Prospectus under the heading “**Advisers to the Issuer**” on page 7 below are acting exclusively for the Issuer in relation to this offer and will not be responsible to any investor or any other person whomsoever in relation to the transactions proposed in the Prospectus.

The Prospectus, a copy of which has been registered with the Registrar of Companies in accordance with the Act, has been published with the consent of the Registrar of Companies in terms of regulation 5(2) of the Companies Act (The Prospectus Regulations (L.N. 389 of 2005)).

A copy of the Prospectus has also been submitted to the Listing Authority for its authorisation for admissibility of the Bonds to listing on a second tier market in satisfaction of the requirements under the Listing Rules. Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Alternative Companies List of the Malta Stock Exchange once the Bonds are authorised as admissible to listing by the Listing Authority.

An Application Form, together with a guide on how to complete it, is provided with the Prospectus. The Terms and Conditions of the Offer are set out on page 68 of the Prospectus.

Statements in the Prospectus are, except where otherwise stated, based on the law and practice currently in force in Malta and are subject to changes therein.

### **Adoption of the Euro**

If the Euro becomes the legal currency of Malta at any time during which the Bonds are outstanding, the MTL Bonds will automatically be redenominated in Euro and the amount of each MTL Bond will be converted at the irrevocable fixed rate of exchange in accordance with any applicable law or guidelines. Thereafter the MTL Bonds will be treated in all respects as EUR Bonds and the MTL Global Bond will be consolidated in the EUR Global Bond. Upon such occurrence, references in the Prospectus to MTL Bonds will be interpreted to mean EUR Bonds and references to the MTL Global Bond will be interpreted to mean the EUR Global Bond as consolidated to include the MTL Global Bond.

### **Selling Restrictions**

The Prospectus does not constitute, and may not be used for purposes of an offer or invitation to subscribe for Bonds by any person in any jurisdiction: (i) in which such offer or invitation is not authorised; or (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation.

It is the responsibility of any persons in possession of the Prospectus and any persons wishing to apply for Bonds to inform themselves of, and to observe and comply with, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Bonds should inform 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 public offering in the Republic of Malta, no action has been or will be taken by the Issuer or the Manager 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 (the "1933 Act"), 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 "United States") or to or for the benefit of, directly or indirectly, any United States person (as defined in Regulation "S" of the 1933 Act, as amended from time to time). Furthermore the Issuer will not be registered under the United States Investment Company Act, 1940 (the "1940 Act") as amended and investors will not be entitled to the benefits of the 1940 Act.

## **DEFINITIONS**

Words and expressions used in this Summary shall, except where the context otherwise requires, bear the same meaning as defined in the Registration Document forming part of the Prospectus.

## **DIRECTORS, SENIOR MANAGEMENT, AUDITORS AND ADVISERS**

### **Directors**

As at the date of this Summary, the Board of the Issuer is composed of the following persons:

George Muscat	Chairman
Paul Attard	Executive Director
Adrian Muscat	Executive Director
Rene H. Formosa	Non-executive Director
Mark Castillo	Non-executive Director

George Muscat, Paul Attard and Adrian Muscat undertake, save in the event of death or an intervening court order, not to dispose of the interest they hold in the securities of the Issuer through GAP Holdings for at least one (1) year from the date the Bonds are authorised as admissible to listing on the Alternative Companies List.

#### *Company Secretary*

Adrian Muscat

### **Board Committees**

As at the date of this Summary, the Directors have established the following board committees:

#### *Audit Committee*

As at the date of this Summary, the Audit Committee is composed of Rene H. Formosa as chairman and Mark Castillo and George Muscat as members.

#### *Risk Management Committee*

As at the date of this Summary, the Risk Management Committee is chaired by Rene H. Formosa. The other members sitting on the Risk Management Committee are George Muscat who is a director of the Company and Prof. Alex Torpiano and Dr. Chris Cilia who are external advisers to the Company.

### **Senior Management**

As at the date of this Summary, the Issuer is reliant on the resources which are made available to it by its parent company, GAP Holdings, including the services of its senior management, whose names and responsibilities are set out hereunder:

George Muscat	Chairman
Paul Attard	Head, Sales and Marketing
Adrian Muscat	Head, Site Supervision
Edward Camilleri Bonici	Financial Controller
Raymond Grixti	Project Manager
Chris Gauci	Sales Executive

### **Remuneration of Directors and Senior Management**

The Directors have not received any emoluments for the financial period ended 31 December 2006.

### **Auditors**

The financial statements of the Issuer for the financial period ended 31 December 2006 have been audited by Emanuel P. Fenech FIA, ACIB, CPA.

## **Advisers to the Issuer**

### ***Reporting Accountants***

Emanuel P. Fenech FIA, ACIB, CPA  
1, Tal-Providenza Mansions, Main Street, Balzan, Malta.

Deloitte & Touche  
1, Col. Savona Street, Sliema, Malta.

### ***Legal Advisers to the Issuer***

Dr. Chris Cilia LL.D.  
53, Doni Street, Rabat, Malta.

### ***Legal Advisers to the Issuer on the Bond Issue***

Zammit Pace & Co. Advocates  
215/1, Old Bakery Street, Valletta, Malta.

### ***Financial Adviser***

Francis J. Vassallo & Associates Ltd  
259, St Paul's Street, Valletta, Malta.

### ***Manager and Registrar***

HSBC Bank Malta p.l.c.  
233, Republic Street, Valletta, Malta.

### ***Sponsors***

Charts Investment Management Service Limited  
18a, 3rd Floor, Europa Centre, Floriana, Malta.

Curmi & Partners Limited  
"Finance House", Princess Elizabeth Street, Ta' Xbiex, Malta.

## **OFFER STATISTICS**

<b>Issuer:</b>	GAP Developments p.l.c., a company registered in Malta with registration number C 38040.
<b>ISIN:</b>	MT0000331208 Lm Bond MT0000331216 € Bond
<b>Amount:</b>	The amount not exceeding Lm15,000,000 or €35,000,000 respectively or any proportion of both such Lm and € amounts.
<b>Form:</b>	The Bonds will be issued in fully registered form, without interest coupons, and will be represented by a Global Bond for Lm15,000,000 (the “MTL Global Bond”) or for €35,000,000 (the “EUR Global Bond”) or by both a MTL Global Bond and a EUR Global Bond each for any proportion of such Lm and € amounts. If and for as long as the Bonds are admitted to listing on the Alternative Companies List of the Malta Stock Exchange, certificates will not be delivered to Bondholders in respect of the Bonds as each Bondholder’s entitlement will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Bond Trustee at the Central Securities Depository, Garrison Chapel, Castille Place, Valletta CMR01, or at such other equivalent securities depository.
<b>Denomination:</b>	Maltese Lira (Lm) and/or Euro (€).
<b>Minimum amount per subscription:</b>	Minimum of one thousand Maltese Liri (Lm1,000) or two thousand five hundred Euros (€2,500) and integral multiples of one hundred Maltese Liri (Lm100) or one hundred Euros (€100) thereafter.
<b>Maturity Date:</b>	30 April 2013 (subject to Early Redemption at the option of the Issuer, described below).
<b>Bond Offer Price:</b>	At par (Lm100 for each MTL Bond and €100 for each EUR Bond).
<b>Status of the Bonds, Security and Postponement:</b>	<p>The Bonds constitute the general, direct, unconditional and secured obligations of the Company, and shall at all times rank <i>pari passu</i> without any priority or preference among themselves. The Bonds shall be subordinated and shall rank junior to the Senior Loan and consequently the Bond Security Interest shall, at all times, rank junior and subsequent to the Senior Loan Security Interest and also to any prior ranking security interest arising by operation of law. Subject to the foregoing the Bonds shall rank with priority and preference to all other present and future obligations of the Company by virtue of the general hypothec and special hypothec over the Hypothecated Property which the Company has agreed to constitute in favour of the Bondholders.</p> <p>With respect to the special privilege competent to contractors, masons and other workmen for debts due to them in terms of section 2010 of the Civil Code (Cap. 16, Laws of Malta), the Principal Contractor has agreed to postpone its rights to the said special privilege for any amounts due to it in respect of the development of the Fort Cambridge Area up to the sum of Lm31,000,000 in favour of (i) the Senior Loan Security Trustee for the benefit of the Senior Lenders; and (ii) the Bond Trustee for the benefit of the Bondholders. The Principal Contractor has also undertaken to procure that all sub-contractors engaged by it shall likewise postpone their right to register a special privilege for any amounts due to them in respect of the Fort Cambridge Area development up to the sum of Lm31,000,000 in favour of (i) the Senior Loan Security Trustee for the benefit of the Senior Lenders; and (ii) the Bond Trustee for the benefit of the Bondholders.</p>
<b>Bond Trustee:</b>	BAWAG Malta Bank Ltd.

<b>Listing:</b>	Application has been made to the Listing Authority for the admissibility of the Bonds to listing on a second tier market and to the Malta Stock Exchange for the Bonds to be listed and traded on its Alternative Companies List.
<b>Offer Period:</b>	The period between 16 April and 20 April 2007 (or such earlier date as may be determined by the Issuer in the event of over-subscription) during which the Bonds are on offer.
<b>Interest:</b>	Seven per cent (7%) per annum.
<b>Yield:</b>	The gross yield calculated on the basis of the Interest, the Bond Offer Price and the Redemption Value of the Bonds at maturity is seven per cent (7%).
<b>Interest Payment Date(s):</b>	30 April of each year, between 2008 and the year in which the Bonds are redeemed (both years included), 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.
<b>Redemption Value:</b>	At par (Lm100 for each MTL Bond and €100 for each EUR Bond).
<b>Early Redemption at the option of the Issuer:</b>	The Issuer has the option to redeem all or any part of the Bonds at their nominal value on 30 April 2011 or 30 April 2012 by giving not less than sixty (60) days advance notice in writing to Bondholders.
<b>Underwriting:</b>	The Bond Issue will be underwritten by Charts Investment Management Service Limited (and sub-underwritten by Collins Stewart (CI) Limited) up to €10,000,000 subject to a minimum value of Lm11,000,000 or €25,000,000 having been subscribed.
<b>Manager and Registrar:</b>	HSBC Bank Malta p.l.c.
<b>Sponsors:</b>	Charts Investment Management Service Limited and Curmi & Partners Limited.
<b>Notices:</b>	Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty-four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his/her registered address and posted.
<b>Governing Law:</b>	The Bonds are governed by and shall be construed in accordance with Maltese law.
<b>Submission to Jurisdiction:</b>	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds shall be brought exclusively before the Maltese Courts.

## **EXPECTED TIME-TABLE OF PRINCIPAL EVENTS**

Application Forms Available	28 March 2007
Opening of Subscription Lists	16 April 2007
Closing of Subscription Lists	20 April 2007
Announcement of Basis of Acceptance	27 April 2007
Commencement of Interest on the Bonds	27 April 2007
Expected dispatch of Allotment Advice and Refunds of Unallocated Monies	4 May 2007

The Issuer reserves the right to close the Offer before 20 April 2007 in the event of over-subscription, in which case, the remaining events set out in the "Expected Time-table of Principal Events" shall be anticipated in the same chronological order in such a way as to retain the same number of Business Days between the said principal events.

## **KEY INFORMATION**

### **Selected Financial Data**

Financial information about the Issuer is being incorporated by reference pursuant to Article 28 of the Regulation. Accordingly, the audited financial statements of the Issuer for the period 21 February 2006 (being the date of incorporation) to 31 December 2006, are available for inspection as laid out under the heading “**Documents on Display**” on page 20 below.

Extracts from the audited financial statements are set out below:

#### **Balance Sheet Extracts**

As at 31 December 2006

	Lm'000
Total assets	11,392
Current liabilities	10,394
Capital and reserves	998
Total liabilities and shareholders' funds	11,392

The Company did not trade during the period ended 31 December 2006 and incurred a loss of Lm2,000.

The Company was incorporated on 21 February 2006 to acquire and develop the Fort Cambridge Area. The Tender was awarded in favour of the Company on 20 June 2006 further to which the Issuer entered into a preliminary agreement to acquire the Fort Cambridge Area on 29 December 2006.

To date the Company has paid a deposit of Lm10.3 million to the Government on account of the total acquisition cost. This payment was financed through two bridge loan facilities (Lm7.5 million by Bank of Valletta p.l.c. and Lm2.8 million by FIMBank p.l.c.) which are repayable by 30 April 2007 and 30 May 2007 respectively.

In addition to the cost of acquisition and the related capitalised interest costs the Company has also incurred project related expenses amounting to Lm187,540 and has paid a bid-bond of Lm100,000 in favour of the Government. The Company has made short-term temporary advances of uncommitted funds amounting to Lm730,000 to related companies. These funds are repayable on demand and the Directors anticipate that repayment of the said amount of Lm730,000 will be made by 31 December 2007.

Subsequent to the balance sheet date, the Company increased its paid up issued share capital by Lm1 million to Lm2 million pursuant to an allotment of 1,000,000 Ordinary Shares of Lm1.00 each, as fully paid up, made on 16 January 2007 in favour of GAP Holdings for consideration in cash.

### **Loan Capital and Indebtedness**

The Issuer has outstanding bridge loan facilities with Bank of Valletta p.l.c. of Lm7,500,000 (the “BOV Bridging Facility”) and with FIMBank p.l.c. of Lm2,800,000 (the “FIMBank Bridging Facility”) which facilities were utilised to finance the deposit of Lm10,300,000 paid to the Government on account of the price of the Tender Freehold Property on the agreement entered into *inter alia* between the Government and the Issuer on 29 December 2006 in furtherance of the award of the Tender.

The BOV Bridging Facility is repayable by 30 April 2007, carries interest at a floating rate and the interest payable thereon is secured by a guarantee of GAP Holdings. As at the date of the Prospectus the BOV Bridging Facility bears interest at a rate of 5% per annum.

The FIMBank Bridging Facility is repayable by 30 May 2007, carries interest at a floating rate and the interest payable thereon is secured by a general hypothec for Lm84,000 by GAP Holdings and a guarantee and indemnity also for Lm84,000 by each of GAP Holdings, George and Carmen spouses Muscat, Paul and Lorraine spouses Attard and Adrian and Kim spouses Muscat. As at the date of the Prospectus, the FIMBank Bridging Facility bears interest at a rate of 6.25% per annum.

It is envisaged that upon execution of the Tender the Issuer shall effect payment of the full price of Lm23,300,000 partly through the Bond proceeds and partly through the Senior Lenders to allow and enable the Senior Lenders to register a special privilege for the full amount of the Senior Loan over the Fort Cambridge Area. It is also envisaged that the Government will simultaneously refund to the Issuer the amount of Lm10,300,000 representing the deposit of Lm10,300,000 paid by the Issuer on account of the price of the Tender Freehold Property, which amount will be utilised to settle the BOV Bridging Facility and the FIMBank Bridging Facility.

The Issuer has obtained a borrowing facility of €34,000,000 (equivalent to approximately Lm14,600,000) from the Senior Lenders for the purpose of co-financing the execution of the Tender.

The payment of principal, interest and charges under the Senior Loan shall be secured by a general hypothec on the Issuer's property, present and future, and by a special hypothec and special privilege over the Fort Cambridge Area to be registered in favour of the Senior Loan Security Trustee for the benefit of the Senior Lenders. The Senior Loan shall rank senior, as to the payment of principal and interest, to the Bonds and to all other present and future obligations of the Issuer, except for obligations mandatorily preferred by law applying to companies generally.

The Senior Loan carries a floating rate of interest equivalent to 1.5% per annum above the floating 3-month Euribor rate.

Drawdown by the Issuer under the Senior Loan shall be allowed subject *inter alia* to evidence of approximately Lm15,000,000 being received by the Issuer in an account held by the Bond Trustee.

The Senior Loan also contains provision whereby all cash flows emanating from: (i) preliminary agreements; and (ii) final deeds of sale, in either case in respect of the sale of units are to be deposited in an escrow account with the Senior Loan Security Trustee who shall be required to maintain a credit balance on the said escrow account to satisfy the Company's payment obligations (whether such obligations refer to fees, interest, principal or otherwise) accruing and maturing on each next repayment date under the Senior Loan (the "Next Repayment Obligation"). Any balance in excess of the Next Repayment Obligation shall be released by the Senior Loan Security Trustee in favour or to the order of the Company.

The Senior Loan is available for inspection as laid out under the heading "Documents on Display" on page 20 below.

Other than as set out in the Prospectus the Issuer has no other material borrowings or indebtedness which are outstanding.

### **Reasons for the Offer and Use of Proceeds**

The net proceeds from the issue of the Bonds will be used by the Issuer principally to co-finance the execution of the Tender (approximately Lm13,934,000) and the balance will be used for working capital purposes of the Issuer.

## **RISK FACTORS**

***An investment in the Bonds involves certain risks. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in the Prospectus before deciding to make an investment in the Bonds.***

***The Prospectus contains forward-looking statements which by their nature involve substantial risks and uncertainties, certain of which are beyond the Issuer's control. No assurance can be given that future results or expectations covered by such forward-looking statements will be achieved.***

### **Risks Relating to the Issuer**

The Issuer is subject to a number of risks which could have an adverse affect on its business, the value of its assets and results of operations. These risks include:

- market and economic conditions generally as well as those affecting the Issuer's business, such as the health of the local property market, inflation and fluctuations in interest rates, exchange rates and property prices;

- the increasingly competitive nature of the up-market property sector, and an increase in supply and/or a reduction in demand in the property segments in which the Issuer operates;
- reliance on important business arrangements such as those with architects, building contractors and suppliers and exposure to counter-party risks;
- risks arising from the Issuer's operations, project risks such as the risk of delays and cost overruns, including the risk of delays in planning permissions and other risks inherent in the building and construction industry;
- risks arising from reliance on key individuals, concentration of ownership and from dilution in shareholding;
- changes in the laws and regulations to which the Issuer is subject including changes in the interpretation thereof.

### **Risks relating to the Bonds**

An investment in the Bonds involves certain risks including those described below:

- application has been made to the MSE for the Bonds to be listed and traded on its Alternative Companies List. The ACL is a second tier market which is a market designed primarily for companies to which a higher investment risk than that associated with established companies tends to be attached;
- it is not possible to predict the price at which the Bonds will trade on the secondary market nor can there be any assurance that an active secondary market for the Bonds will develop;
- an investor in the Bonds will bear the risk of changing exchange rates and spot rates;
- the Bonds are subject to early redemption, at the option of the Issuer, in 2011 and 2012, upon giving advance notice to Bondholders;
- a number of security interests protecting third party interests are identified on page 10 under the heading "**Loan Capital and Indebtedness**" which will rank in priority to Bondholders against the assets of the Issuer for so long as such security interests remain in effect;
- the Issuer has not sought the credit rating of an independent rating agency and there has been no assessment by any independent rating agency of the Bonds.

## **INFORMATION ON THE ISSUER**

### **History and Development**

The Issuer was registered in Malta as a private limited liability company under registration number C 38040 and is domiciled in Malta. It was incorporated on 21 February 2006 for an unlimited duration in terms of the Companies Act, 1995 (Cap. 386, Laws of Malta) under which it is regulated. The status of the Issuer was changed to that of a public limited liability company (p.l.c.) on 5 March 2007 at which time the name of the Issuer was changed from Imperial Point Company Limited to GAP Developments p.l.c. to reflect the status of the Issuer as a subsidiary of GAP Holdings.

The Issuer has no subsidiaries as at the date of the Prospectus but it is envisaged that upon execution of the Tender, Tigne Development Company Limited ("TDCL") will become a wholly owned subsidiary of the Issuer.

The Issuer's registered office and principal place of business is situated at GAP Holdings Head Office, Censu Scerri Street, Tigné, Sliema SLM 15, Malta (web: [www.gap.com.mt](http://www.gap.com.mt) - telephone number: +356 2327 1000).

### **Business Overview - Principal activities**

#### ***Property Construction and Development***

The Issuer is a property development company set up principally to acquire the Fort Cambridge Area situated at Tigné, Sliema, and to reconstruct and develop the site for a combination of uses within the parameters of the Fort Cambridge Development Brief. The first phase of this development shall consist entirely of the construction of residential apartments and underground parking spaces for resale while the second phase shall consist of the construction of corporate office space and hospitality facilities which may be re-sold, managed, leased or otherwise operated for profit by the Issuer. It is anticipated that the second phase of the development will only get underway following completion of the first phase of development and maturity of the Bond.

## **OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

### **Operating and Financial Review**

Financial information about the Issuer is being incorporated by reference pursuant to Article 28 of the Regulation. Accordingly, the audited financial statements of the Issuer for the period 21 February 2006 (being the date of incorporation) to 31 December 2006, are available for inspection as laid out under the heading "**Documents on Display**" on page 20 below.

### **Prospects**

#### ***Forecast or Estimates***

There have been no material adverse changes to the prospects of the Issuer since the date of the last published financial statements.

At the time of publication of the Prospectus, the Directors consider that the Company will be subject to the normal business risks associated with the property industry in Malta and does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have a material effect on the upcoming prospects of the Issuer and its business.

## Construction and Development

The overall construction and financing expenditure on the development of Zone A is expected to total *circa* Lm33 million as detailed below:

	Lm'000
<b>Construction expenditure</b>	
Demolition and excavation	1,139
Construction	9,047
Finishing	8,190
Landscaping, utilities etc.	521
Other related expenses	1,027
Contingency	1,967
	<u>21,891</u>
Professional fees	340
	<u>22,231</u>
 <b>Financing costs</b>	
Interest due to banks and contractors	3,680
Bond interest	6,300
Other financing costs	746
	<u>10,726</u>
	<u>32,957</u>

The Directors are projecting that the demolition, excavation, construction and finishing of residential apartments and garage parking spaces over the site referred to as Zone A and comprising the existing hotel and its car park will carry on for approximately forty-two months from commencement and therefore project completion is expected in the latter half of 2010. The Directors anticipate that payments to contractors and sub-contractors will be settled according to agreed fixed monthly payments over a six-year period ending in 2013.

The Directors are confident that the final contract values will be within the overall budgeted parameters. The Company's projected costs have been reviewed by TBA Periti, architects, civil and structural engineering consultants, of no. 43, Main Street, Balzan, BZN06, whose report is set out in Annex 3 of the Prospectus.

On the basis of their experience the Directors consider that the projected development costs are reasonable and that potential cost overruns can be contained within the contingency allowance built into the Company's estimates.

The Issuer will carry insurance with respect to building works in accordance with normal standards in the construction industry and depending on available terms of cover from time to time.

It is the intention of the Directors that, in the short term, the site referred to as Zone B which comprises the ex-military barracks, will be converted into a hospitality facility at a total conversion cost of approximately Lm160,000. In the long term Zone B will be developed into corporate office space. It is also the intention to restore Fort Cambridge in accordance with the Fort Cambridge Development Brief at an estimated cost of *circa* Lm1.5 million. It is envisaged that the projects for the restoration of Fort Cambridge and redevelopment of Zone B into office space will commence in the second phase of the development subsequent to the completion of Zone A and maturity of the Bond.

Zones A and B are indicated on the plan (Site Plan 2) set out in Annex 4 of the Prospectus.

## Sales Revenue

The Issuer plans to build approximately 340 luxury apartments which will vary in size from one to three/four bedrooms. These are expected to have a total net saleable area (including terraces and parking spaces) of 63,432 sq.m. Prospective purchasers will be offered a selection of apartments at a range of price levels dictated *inter alia* by the choice of terraces and open sea views available. The Directors aim to achieve an optimum balance between the quality of apartments on offer and affordability with a view to maximising its potential customer base.

The Fort Cambridge Area development will also include the construction of four levels of car parking spaces at basement level comprising approximately 1,000 car parking spaces.

The following table illustrates the average projected selling price per unit applicable in relation to the different types of apartments which will be offered for sale, as well as the average selling price per parking space and the respective total gross sales proceeds:

Apartment type	Number of apartments/ parking spaces	Average selling price per apartment/ parking space Lm'000	Total Gross Sales proceeds Lm'000
No views	19	80	1,510
Partial views	71	101	7,200
Open sea views with terrace	221	258	57,041
Open sea views with larger terrace	24	308	7,380
Duplex apartment	6	698	4,190
	341		77,321
Car parking spaces	1,000	7	7,000
Total Sales Revenue			84,321

The Directors anticipate that all 340 apartments and 1,000 parking spaces (approximately in both cases) will be sold over a four-year period from the issuance of the relative building permits as follows:

	2007	2008	2009	2010	2011	2012-13 18 months	Total
<b>Sales schedule</b>							
<i>Apartments</i>							
Preliminary agreement	91	138	105	7	-	-	341
Stage payment	-	49	220	72	-	-	341
Contract payment	-	-	91	200	50	-	341
<i>Parking spaces</i>							
Contract payment	-	-	267	587	146	-	1,000
	Lm'000	Lm'000	Lm'000	Lm'000	Lm'000	Lm'000	Lm'000
<b>Projected receipts</b>							
<i>Apartments &amp; parking spaces</i>							
Preliminary agreement	2,250	3,420	2,602	160	-	-	8,432
Stage payment	-	2,427	10,890	3,547	-	-	16,864
Contract payment	-	-	15,719	34,677	8,629	-	59,025
	2,250	5,847	29,211	38,384	8,629	-	84,321

The Directors anticipate that gross sales proceeds will be received in three stages as follows:

	%
Signing of preliminary agreement	10
Finishing of the apartment to shell form	20
Hand over of the finished apartment and final deed of sale	70

The Bond Trustee shall be empowered to release individual units of the Hypothecated Property from the Bond Security Interest encumbering such unit/s upon receipt by it from the Company or from a prospective purchaser of twenty per cent (20%) of the average gross sales proceeds depending on the type of apartment as indicated in clause 19 and in Appendix 1 to the Bond Trust Deed which is attached as Annex 5 to the Prospectus. The funds so received by the Bond Trustee shall be held by it under trust in a segregated bank account with a bank licensed under the Banking Act, 1994 (the "Reserve Account") for the benefit of the Bondholders and shall be so held with a view to meeting the redemption of the Bonds on the Maturity Date.

Provided that any amount receivable by the Bond Trustee in terms of clause 19 of the Bond Trust Deed shall be subject to the prior deduction from the sale proceeds in respect of any such unit of such amounts as may be required: (i) by law to be deducted, withheld or otherwise paid in respect of any taxes, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed upon the sale of such unit; and/or (ii) under the terms and conditions of the Senior Loan to be credited to any escrow account to satisfy the Company's payment obligations (whether such obligations refer to fees, interest, principal or otherwise) under the Senior Loan; and/or (iii) under the terms of any estate agency agreement to be payable to any estate agent in respect of the sale of such unit.

Provided further that any shortfall in the amount receivable by the Bond Trustee pursuant to the foregoing shall be required to be made up, in whole or in part, out of the available sale proceeds (after deduction of any of the items referred to in (i), (ii) and (iii) of the foregoing proviso) from any subsequent sale or sales until such shortfall shall have been made up in its entirety.

Provided further that the proceeds standing to the credit of the Reserve Account shall at no time exceed the aggregate value of Bonds outstanding.

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

- (i) investment or re-investment in any EU Government debt securities or other debt securities issued or guaranteed by an OECD sovereign state and without any currency exchange risk, in either case for a term not exceeding the Maturity Date; or
- (ii) Pre-payment of the Bonds at the Optional Redemption Dates; or
- (iii) Re-purchase of the Bonds, on the open market or by tender offer, for cancellation.

In the absence of unforeseen circumstances and subject to there being no material adverse changes in circumstances the Directors are of the view that the percentages available for cash flows that will be credited to the Reserve Account will be sufficient to cover the redemption of the Bonds on Maturity Date. The Issuer expects to generate adequate cash flows to repay the Bonds on maturity from the sale of approximately 75% of the apartments and car parking spaces within four years from the issuance of the relative building permits. This is illustrated in the summary cash flow expectations set out below:

#### Illustrative Prospective Cash Flow Information

	2007	2008	2009	2010	2011	2012-13 18 months
	Lm'000	Lm'000	Lm'000	Lm'000	Lm'000	Lm'000
<b>Cash flows from operating activities</b>						
Cash flows from operations	(14,140)	3,849	23,173	30,126	6,918	(3,343)
Income taxes paid	(2)	(11)	(1,604)	(4,406)	(3,535)	(457)
<b>Net cash flows from operating activities</b>	<u>(14,142)</u>	<u>3,838</u>	<u>21,569</u>	<u>25,720</u>	<u>3,383</u>	<u>(3,800)</u>
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(2,842)	-	-	-	-	-
Reserve Account	-	-	(4,491)	(9,908)	(601)	15,000
Investment income	16	70	211	558	1,192	1,958
<b>Net cash flows from investing activities</b>	<u>(2,826)</u>	<u>70</u>	<u>(4,280)</u>	<u>(9,350)</u>	<u>591</u>	<u>16,958</u>
<b>Cash flows from financing activities</b>						
Proceeds/(Repayment) of bond issue	15,000	-	-	-	-	(15,000)
Proceeds/(Repayment) of bank borrowings	4,300	-	(7,600)	(7,000)	-	-
Proceeds from issue of share capital	1,000	-	-	-	-	-
Interest paid	(622)	(1,983)	(1,969)	(1,117)	(1,050)	(3,236)
<b>Net cash flows from financing activities</b>	<u>19,678</u>	<u>(1,983)</u>	<u>(9,569)</u>	<u>(8,117)</u>	<u>(1,050)</u>	<u>(18,236)</u>
Net movement in cash and cash equivalents	2,710	1,925	7,720	8,253	2,924	(5,078)
Cash and cash equivalents at the beginning of the year	(63)	2,647	4,572	12,292	20,545	23,469
<b>Cash and cash equivalents at the end of the year</b>	<u>2,647</u>	<u>4,572</u>	<u>12,292</u>	<u>20,545</u>	<u>23,469</u>	<u>18,391</u>

## **EMPLOYEES**

As at the date of the Prospectus the Issuer has no employees. It is envisaged, however, that following execution of the Tender the Issuer will be employing one full-time employee to serve as health and safety officer with responsibility for on-site supervision of the Fort Cambridge Area development. The Company will therefore be reliant on the human resources made available to it by GAP Holdings, its parent company.

As at the date of the Prospectus TDCL has 106 employees. In accordance with the terms and conditions of the Tender, the Issuer has undertaken to employ all the employees presently employed with TDCL and that none of the foregoing employees shall be made redundant during the term of the next forty-one (41) years or until they reach pensionable age, whichever is the earlier. The Directors anticipate that following execution of the Tender the number of TDCL employees shall be reduced to 10 since 96 employees have applied to participate in the voluntary early retirement scheme to be implemented by the Issuer subsequent to its acquisition of the Tender Shares. The employees remaining in the employment of TDCL will be engaged to perform security, general maintenance and carpentry duties.

## **MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **Interests of Major Shareholders**

As at the date of this Summary the following hold in excess of 5% of the Issuer's ordinary shares:

	Ordinary shares	%
GAP Holdings	1,999,999	99.99

### **Related-Party Transactions**

The Issuer has entered into a contract of works dated 21 March 2007 (the "Principal Contract") with GAP Contracting Limited (the "Principal Contractor") a wholly-owned subsidiary of the Issuer's parent, GAP Holdings, by virtue of which the Principal Contractor has agreed to execute the necessary demolition, excavation, construction and finishing works necessary to complete the Fort Cambridge Area development on behalf of the Issuer. The Principal Contract is available for inspection as laid out under the heading "**Documents on Display**" on page 20 below. George Muscat, Paul Attard and Adrian Muscat are also directors of the Principal Contractor.

The Principal Contract follows accepted industry practice in relation to matters such as "definition of works", "warranty for good workmanship", "contractor's liability" and "dispute resolution". The Principal Contract also makes provision for sub-contracting and it is the intention of the Principal Contractor to sub-contract the works it has been contracted to execute to third party sub-contractors.

The Principal Contractor has agreed to postpone its right to register a special privilege for any amounts due to it under the Principal Contract up to the sum of Lm31,000,000 in favour of (i) the Senior Loan Security Trustee for the benefit of the Senior Lenders; and (ii) the Bond Trustee for the benefit of the Bondholders. The Principal Contract also contains provisions whereby the Principal Contractor has undertaken to require all third party sub-contractors engaged by it in the performance of works to postpone their right to register a special privilege for any amounts due to them in respect of the Fort Cambridge Area development up to the sum of Lm31,000,000 in favour of (i) the Senior Loan Security Trustee for the benefit of the Senior Lenders; and (ii) the Bond Trustee for the benefit of the Bondholders.

Reference is also made to page 10 of this Summary in connection with short-term temporary advances of uncommitted funds amounting to Lm730,000 made by the Issuer to related companies.

## **FINANCIAL INFORMATION**

### **Historical Financial Information**

The historical financial information about the Issuer has been incorporated by reference in the manner set out under the heading “**Financial Statements**” below. There have been no significant changes to the financial or trading position of the Issuer since the end of the financial period to which the historical financial information is updated, save for the increase of the Issuer’s issued and fully paid up share capital on 16 January 2007 from Lm1 million to Lm2 million.

### **Financial Statements**

Financial information about the Issuer is being incorporated by reference pursuant to article 28 of the Regulation. Accordingly the audited financial statements of the Issuer for the period ended 31 December 2006 are available for inspection as laid out on page 20 below.

### **Auditing of Historical Annual Financial Information**

The annual statutory financial statements of the Issuer have been audited since incorporation by Emanuel P. Fenech FIA, ACIB, CPA of 1, Tal-Providenza Mansions, Main Street, Balzan, Malta.

### **Age of latest Financial Information**

The latest audited financial information available in respect of the Issuer relates to the period ended on 31 December 2006 and was approved for issuance by the Board on 8 February 2007.

### **Interim and other Financial Information**

No interim or other financial information has been issued by the Issuer since the audited statutory financial statements for the financial period ended 31 December 2006.

## **DETAILS ON THE OFFER**

### **Admission to Trading**

Application has been made to the Listing Authority for the admission of the Bonds to listing on a second tier market and to the Malta Stock Exchange for the Bonds to be listed and traded on its Alternative Companies List.

### **Distribution**

The Issuer may enter into conditional placement agreements with investors prior to the commencement of the Offer Period whereby the Issuer binds itself to allocate to such investors, which shall bind themselves to purchase, upon closing of subscription lists, an amount not exceeding sixty per cent (60%) in aggregate of the Bonds.

During the Offer Period, Applications for subscription to the Bonds may be made through any of the Authorised Distributors whose names are set out in Annex 7 of the Prospectus.

## Estimated Expenses of the Offer

Professional fees, publicity, advertising, printing, listing, registration, underwriting, sponsor, management and registrar fees and other miscellaneous costs incurred in connection with this Offer, are estimated not to exceed Lm450,000 and shall be borne by the Issuer.

Selling commission is payable to Authorised Distributors. Each Authorised Distributor shall be entitled to a selling commission on the value of the Bonds allotted to Applicants applying through such Authorised Distributor at the rate of 1%.

## ADDITIONAL INFORMATION

### Share Capital

The Issuer's authorised share capital as at the date of this Summary is Lm10,000,000 divided into 10,000,000 ordinary shares of Lm1.00 each. The Issuer's issued share capital as at the date of this Summary is Lm2,000,000 divided into 2,000,000 ordinary shares of Lm1.00 each (the "Ordinary Shares"). The Ordinary Shares of the Issuer which have been fully paid up rank *pari passu* between themselves and carry the right to vote at general meetings of the Company.

The Issuer has no other classes of shares in issue.

### Memorandum and Articles of Association

The Memorandum and Articles of Association of the Issuer may be inspected, free of charge at the registered office of GAP Developments p.l.c., at GAP Holdings Head Office, Censu Scerri Street, Tigné, Sliema SLM15, Malta.

### Documents on Display

The following documents (or copies thereof), where applicable, may be inspected at the registered office of the Issuer at GAP Holdings Head Office, Censu Scerri Street, Tigné, Sliema SLM15, Malta:

- The Memorandum and Articles of Association of the Issuer;
- The Audited Financial Statements of the Issuer for the period ended 31 December 2006;
- The Accountants' Report on the projected financial statements of the Issuer dated 21 March 2007;
- The Tender;
- The Architect's Valuation Report dated 10 March 2007;
- The Architect's Report on the Issuer's projected costs dated 12 March 2007;
- The Principal Contract dated 21 March 2007;
- The Senior Loan dated 21 March 2007.

## **PART 2 – REGISTRATION DOCUMENT**

This document is a Registration Document issued in accordance with the provisions of Chapter 17 of the Listing Rules issued by the Listing Authority and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 (the “Regulation”) 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.

This Registration Document is issued pursuant to the requirements of listing rule 17.26 of the Listing Rules and contains information about GAP Developments p.l.c. (the “Issuer”) as the issuer of securities for which application has been made for admission to listing on a second tier market and trading on the Alternative Companies List of the Malta Stock Exchange. This document should be read in conjunction with the most updated Securities Note issued by the Issuer from time to time that will provide the details of the securities to which it relates.

This document is dated 21 March 2007.

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## 1. DEFINITIONS

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

“Act”	The Companies Act, 1995, Cap. 386, Laws of Malta;
“Advisers”	The Advisers to the Issuer whose names and addresses are set out under the heading “ADVISERS TO THE ISSUER” on page 26 of this Registration Document;
“Alternative Companies List” or “ACL”	The list prepared and published by the Malta Stock Exchange as its second tier market in accordance with the Malta Stock Exchange Bye-Laws;
“Applicant”	A person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
“Application/s”	The application/s to subscribe for Bonds made by an Applicant by completing an Application Form and delivering it to the Registrar or to any of the Authorised Distributors;
“Application Form”	The form of application for subscription of the Bonds issued by the Issuer, a specimen of which is set out in Annex 6 of this Prospectus;
“Authorised Distributors”	The financial intermediaries set out in Annex 7 of this Prospectus;
“Beneficiary”	A Bondholder whose interest in and benefit of the Bond Trust Property is recognised by the Bond Trustee by means of an appropriate entry in the register of Bondholders maintained at the Central Securities Depository of the MSE;
“Bond/s”	The MTL Bonds and/or the EUR Bonds as appropriate;
“Bondholders”	The holders of the Bonds, each a “Bondholder”;
“Bond Issue”	The issue of (i) Lm15,000,000 7% Secured Bonds due 2013 (subject to the Issuer’s option to redeem all or any part of the Bonds at their nominal value on the Optional Redemption Dates) of a nominal value of Lm100 per Bond or of (ii) €35,000,000 7% Secured Bonds due 2013 (subject to the Issuer’s option to redeem all or any part of the Bonds at their nominal value on the Optional Redemption Dates), or of (iii) any proportion of both such Lm and € amounts;
“Bond Offer Price”	The price of Lm100 for each MTL Bond and €100 for each EUR Bond;
“Bond Security Interest”	(i) the general hypothec over all its present and future property by the Issuer; and (ii) the special hypothec over the Hypothecated Property; and (iii) any other document, real or personal right, which the Bond Trustee and the Company agree at any time is to be comprised within the “Bond Security Interest” for the purposes of the Bond Trust Deed;  Provided that, in any event the Bond Security Interest shall always be subordinated to and rank after the Senior Loan Security Interest and to any prior ranking Security Interest (as defined under the Terms and Conditions below) arising by operation of law;
“Bond Trustee” and “Senior Loan Security Trustee”	BAWAG Malta Bank Ltd, which is authorised to conduct banking business by the Malta Financial Services Authority;

“Bond Trust Deed”	The trust deed set out in Annex 5 of this Prospectus signed between the Company and the Bond Trustee, dated 21 March 2007;
“Bond Trust Property”	Initially the undertaking to grant the Bond Security Interest as stated in clause 2 of the Bond Trust Deed and subsequently: (i) the rights attaching to and emanating from the Bonds, including the right to the payment of principal, interest and other dues; (ii) the rights emanating from the Bond Trust Deed; and (iii) the rights attaching to and emanating from the Bond Security Interest;
“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;
“Central Securities Depository”	The Central Securities Depository of the Malta Stock Exchange established pursuant to Chapter 4 of the Malta Stock Exchange Bye-Laws;
“Directors” or “Board”	The Directors of the Issuer whose names and addresses are set out under the heading “ <b>Directors of the Issuer</b> ” on page 40 of this Registration Document;
“EUR Bond/s”	The amount of Bonds to be issued as denominated in € not exceeding in aggregate €35,000,000, having a nominal value of €100 per Bond, bearing interest at the rate of 7% per annum and falling due for redemption on the Maturity Date at their nominal value;
“EUR Global Bond”	The form of Bond representing the EUR Bonds or any proportion of such EUR Bonds issued by the Company and held by the Bond Trustee pursuant to and in such form as set out in the Bond Trust Deed;
“Euro” or “€”	The single currency recognised as legal tender by the member countries of the European Monetary Union;
“Fort Cambridge Area”	The area consisting of the Tender Freehold Property and the Tender Emphyteutical Property including all buildings and structures erected thereon;
“GAP Holdings”	Gap Holdings Limited, a company registered in Malta with registration number C 27803;
“Global Bond”	The MTL Global Bond and/or the EUR Global Bond as appropriate;
“Government”	The Government of Malta;
“Interest Payment Date”	30 April of each year, between 2008 and the year in which the Bonds are redeemed (both years included), provided that if any such day is not a Business Day, such Interest Payment Date will be carried over to the next following day that is a Business Day;
“Issuer” or “Company”	Gap Developments p.l.c., a company registered in Malta with registration number C 38040 (formerly Imperial Point Company Limited);
“Listing Authority”	The MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act, 1990, (Cap. 345, Laws of Malta) by virtue of L.N. 1 of 2003;
“Listing Rules”	The Listing Rules of the Listing Authority;
“Malta Stock Exchange”, “Exchange” or “MSE”	The Malta Stock Exchange established by the Financial Markets Act, 1990, (Cap. 345, Laws of Malta);
“Maltese Liri” or “Lm”	The lawful currency of the Republic of Malta as at the date of this Prospectus;

“Manager” and “Registrar”	HSBC Bank Malta p.l.c. which is authorised to conduct banking and investment services business by the Malta Financial Services Authority;
“Maturity Date”	30 April 2013 (subject to the Issuer’s option to redeem all or any part of the Bonds at their nominal value on the Optional Redemption Dates by giving not less than sixty (60) advance written notice to all Bondholders);
“MFSA”	The Malta Financial Services Authority established in terms of the Malta Financial Services Authority Act, 1988, (Cap. 330, Laws of Malta);
“MTL Bond/s”	The amount of Bonds to be issued as denominated in Maltese Liri not exceeding in aggregate Lm15,000,000, having a nominal value of Lm100 per Bond, bearing interest at the rate of 7% per annum and falling due for redemption on the Maturity Date at their nominal value;
“MTL Global Bond”	The form of Bond representing the MTL Bonds or any proportion of such MTL Bonds issued by the Company and held by the Bond Trustee pursuant to and in such form as set out in the Bond Trust Deed;
“Offer Period”	The period between 16 April and 20 April 2007 (or such earlier date as may be determined by the Issuer) during which the Bonds are on offer;
“Offer”	The invitation to subscribe for Bonds contained in this Prospectus;
“Optional Redemption Dates”	The dates falling on 30 April 2011 and 30 April 2012 when the Company may, at its option, redeem all or any part of the Bonds then outstanding at their nominal value by giving at least sixty (60) days advance written notice to all Bondholders;
“Prepayment”	The early repayment of the principal amount of the Bonds in whole and all interests accrued up to the date of prepayment;
“Principal Contractor”	Gap Contracting Limited, a company registered in Malta with registration number C 40764;
“Prospectus”	This document in its entirety, comprising the Summary, the Registration Document and the Securities Note;
“Redemption Value”	Lm100 for each MTL Bond and €100 for each EUR Bond;
“Registration Document”	The document set out as Part 2, in pages 21 to 46 (both pages included) of this Prospectus;
“Securities Note”	The document set out as Part 3, in pages 47 to 72 (both pages included) of this Prospectus;
“Senior Loan”	The syndicated loan facility of €34,000,000 made available to the Issuer by virtue of a loan facility agreement signed amongst others by the Senior Lenders and the Company dated 21 March 2007;
“Senior Loan Security Interest”	The security created and held on trust pursuant to the Senior Loan Security Trust;
“Senior Loan Security Trust”	The security trust deed signed between the Company and the Senior Loan Security Trustee, dated 21 March 2007;
“Senior Lenders”	BAWAG P.S.K. and London Forfaiting Company Ltd and any bank, financial institution, trust, fund or other entity which may, from time to time, become a lender in accordance with the terms of the Senior Loan, and which in each case has not ceased to be a lender in accordance with the terms of the Senior Loan;

“Sponsors”	Charts Investment Management Service Limited and Curmi & Partners Limited, each of which is authorised to conduct investment services business by the Malta Financial Services Authority;
“Summary”	The document set out as Part 1, in pages 3 to 20 (both pages included) of this Prospectus and which is also available separately from this Prospectus;
“TDCL”	Tigne Development Company Limited, a company registered in Malta with registration number C 3514;
“Tender”	The tender published by the Government by means of Tender Advert No. 25 issued in the Government Gazette on 3 February 2006 as extended by Advert No. 50 issued in the Government Gazette on 13 March 2006;
“Tender Emphyteutical Property”	The immovable property situated at Tigné Street, Sliema including all buildings and structures without name and number, having a superficial area of <i>circa</i> nineteen thousand, three hundred and forty four square meters (19,344 sq.m.) and bounded on the North West by Dragut Point Road, on the North East by Qui-Si-Sana Road and on the South East by Tigné Road, as shown edged in blue on the Government Property Division Plan P.D. 2005_172. The said immovable property is accessible from Dragut Point Road and Qui-Si-Sana Road. Part of this land is occupied by an unnumbered military fort named Fort Cambridge and the Barrack Building without number known as the ex-Military Barracks Building. Excluded from this temporary emphyteutical concession is an Enemalta Corporation substation without number abutting on Dragut Point Road at Sliema from one point eight (1.8) meters below street level up to four point nine (4.9) meters above street level as shown washed in green on the said Government Property Division Plan P.D. 2005_172;
“Tender Freehold Property” or “Hypothecated Property”	The immovable property situated at Tigné Street, Sliema having a superficial area of <i>circa</i> eight thousand seven hundred and thirteen square meters (8,713 sq.m.) and bounded on the North East by Government property, on the South West by Tigne Road and on the South East by property of MIDI p.l.c. or its successors in title, as shown bordered in red on the Government Property Division Plan P.D. 2005_172 including the structures and buildings built thereon without name and number. Amongst the buildings found on this immovable property which are also incorporated in the Tender is part of a hotel complex named Crowne Plaza without number and accessible from Dragut Point Road;
“Tender Shares”	The four hundred and ten thousand (410,000) “A” Ordinary Shares, one hundred thousand (100,000) “B” Ordinary Shares, three hundred and thirty nine thousand nine hundred and ninety nine (339,999) “C” Ordinary Shares, one hundred and fifty thousand (150,000) “D” Ordinary Shares and two hundred and fourteen thousand (214,000) Preference Shares all held by Air Malta p.l.c. in TDCL and the one (1) “C” Ordinary Share held by Malta Air Charter Company Ltd in TDCL;
“Terms and Conditions”	The terms and conditions of issue applicable to the Bonds as set out on pages 58 to 68 (both pages included) of the Prospectus;
“Underwriter”	Charts Investment Management Service Limited which is authorised to conduct investment services business by the MFSa and which has entered into a sub-underwriting agreement with Collins Stewart (CI) Limited as sub-underwriter, dated 21 March 2007. Collins Stewart (CI) Limited is registered in Guernsey, no. 22761 and is licensed to conduct business by the Guernsey Financial Services Commission, the Isle of Man Financial Services Commission and the Jersey Financial Services Commission.

All references in this 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 also the feminine gender and vice-versa;
- (c) the word “may” shall be construed as “permissive” and the word “shall” shall be construed as imperative.

## **2. PERSONS RESPONSIBLE**

This document includes information given in compliance with the Listing Rules of the Listing Authority for the purpose of giving information with regard to the Issuer. All of the Directors whose names appear on page 40, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

## **3. STATUTORY AUDITORS**

The financial statements of the Issuer for the period ended 31 December 2006 have been audited by Emanuel P. Fenech FIA, ACIB, CPA of 1, Tal-Providenza Mansions, Main Street, Balzan. Emanuel P. Fenech is a certified public accountant holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act, 1979 (Cap. 281, Laws of Malta) and is a member of the Malta Institute of Accountants.

## **4. ADVISERS TO THE ISSUER**

### ***Reporting Accountants***

Emanuel P. Fenech FIA, ACIB, CPA  
1, Tal-Providenza Mansions, Main Street, Balzan, Malta.

Deloitte & Touche  
1, Col. Savona Street, Sliema, Malta.

### ***Legal Advisers to the Issuer***

Dr. Chris Cilia LL.D.  
53, Doni Street, Rabat, Malta.

### ***Legal Advisers to the Issuer on the Bond Issue***

Zammit Pace & Co. Advocates  
215/1, Old Bakery Street, Valletta, Malta.

### ***Financial Adviser***

Francis J. Vassallo & Associates Ltd  
259, St Paul's Street, Valletta, Malta.

### ***Manager and Registrar***

HSBC Bank Malta p.l.c.  
233, Republic Street, Valletta, Malta.

### ***Sponsors***

Charts Investment Management Service Limited  
18a, 3rd Floor, Europa Centre, Floriana, Malta.

Curmi & Partners Limited  
"Finance House", Princess Elizabeth Street, Ta' Xbiex, Malta.

As at the date of this Registration Document, the advisers named herein under the heading "ADVISERS TO THE ISSUER" have no beneficial interests in the share capital of the Issuer.

## 5. SELECTED FINANCIAL INFORMATION

Financial information about the Issuer is being incorporated by reference pursuant to Article 28 of the Regulation. Accordingly, the audited financial statements of the Issuer for the period 21 February 2006 (being the date of incorporation) to 31 December 2006, are available for inspection as laid out in Section 19 below of this Registration Document.

Extracts from the audited financial statements are set out below:

### Balance Sheet Extracts

As at 31 December 2006

	Lm'000
Total assets	11,392
Current liabilities	10,394
Capital and reserves	998
Total liabilities and shareholders' funds	11,392

The Company did not trade during the period ended 31 December 2006 and incurred a loss of Lm2,000.

The Company was incorporated on 21 February 2006 to acquire and develop the Fort Cambridge Area. The Tender was awarded in favour of the Company on 20 June 2006 further to which the Issuer entered into a preliminary agreement to acquire the Fort Cambridge Area on 29 December 2006.

To date the Company has paid a deposit of Lm10.3 million to the Government on account of the total acquisition cost. This payment was financed through two bridge loan facilities (Lm7.5 million by Bank of Valletta p.l.c. and Lm2.8 million by FIMBank p.l.c.) which are repayable by 30 April 2007 and 30 May 2007 respectively.

In addition to the cost of acquisition and the related capitalised interest costs the Company has also incurred project related expenses amounting to Lm187,540 and has paid a bid-bond of Lm100,000 in favour of the Government. The Company has made short-term temporary advances of uncommitted funds amounting to Lm730,000 to related companies. These funds are repayable on demand and the Directors anticipate that repayment of the said amount of Lm730,000 will be made by 31 December 2007.

Subsequent to the balance sheet date, the Company increased its paid up issued share capital by Lm1 million to Lm2 million pursuant to an allotment of 1,000,000 Ordinary Shares of Lm1.00 each, as fully paid up, made on 16 January 2007 in favour of GAP Holdings for consideration in cash.

## **6. RISK FACTORS**

An investment in the Bonds involves certain risks including those described below. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in this 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 a view 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.

This document contains forward-looking statements, relating to the Issuer's objectives and plans and other statements of expectation and belief, which can be identified by the use of forward-looking terminology such as "expect", "may", "will", "could", "intend", "estimate", or "anticipate", or the negative thereof or other variations or comparable terminology. No assurance can be given that future results or expectations covered by such forward-looking statements will be achieved. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond the Issuer's control. The following factors could cause actual experience to vary materially from the matters covered in such forward-looking statements.

### **Risks relating to the Issuer**

#### ***Project risk***

The Issuer is a company incorporated to acquire, reconstruct and develop the Fort Cambridge Area into a property development, targeting, predominantly, the up-market residential property sector. The Issuer anticipates that demolition and excavation works on the site should commence soon after execution of the Tender and that the residential area of the development will be completed approximately 42 months thereafter. Accordingly the development of the Fort Cambridge Area is subject to a number of risks associated with property development projects, amongst which are the risk of delays and cost overruns.

The ability of the Issuer to meet its obligations under the Bonds punctually when due will be dependent on the receipt by it of funds from the sale of residential apartments and its ability to generate and maintain sales on economically favourable terms. The Issuer's projected sales revenue is set out under the heading "Sales Revenue" on page 37 of this Registration Document. As substantially all of the income by the Issuer will be derived from sales, the Issuer's ability to make payments on the Bond could be adversely affected if sales revenues fail to materialise within the time scales projected. Projections in sales revenues are inherently subject to the risk of adverse unexpected events which may result, for instance, in shortfalls in projected revenues or in delays in the receipt of projected cash inflows. Material delays could necessitate the rescheduling of the Issuer's obligations which may require the consent, amongst others, of the Senior Lenders and contractors engaged in the redevelopment of the Fort Cambridge Area.

#### **Planning Permission**

The risk of delays in obtaining the necessary planning permissions is a risk commonly associated with property development projects. While such delays may depend on factors some of which may be beyond the control of the Issuer, the Directors consider that this risk is mitigated on account of the issuance by the Malta Environment and Planning Authority ("MEPA"), on 8 March 2007, of an outline development permit, further to the application made by the Issuer bearing number PA04144/06. Although this permit does not actually allow any construction works to start on the Tender Freehold Property, it vests the Issuer with the same rights, in terms of development potential of the site, as a full development permit. Indeed there is no distinction under the Development Planning Act, (Cap. 356, Laws of Malta) between an "outline" and a "full development" permit in that neither type of permit can be revoked (other than on exceptional grounds such as in the case of fraud or public safety).

The conditions attaching to the said outline development permit, however, identify a series of reserved matters, generally relating to phasing, internal layouts and external elevations, which need to be approved by MEPA before any construction works can start. One such phase is, for instance, that for the demolition of the existing buildings in Zone A and the excavation of Zone A and Zone C (each as indicated on the plan (Site Plan 2) as set out in Annex 4). A full development permit in connection with this phase has also been approved by MEPA on 8 March 2007 further to the application made by the Issuer bearing number PA06952/06.

The Directors consider that the next phase will be that for the construction of the residential units in Zone A. In this respect the Directors expect that the Company will be filing an application for a full development permit within approximately 4 weeks from 8 March 2007. Such a full development application requires the submission of detailed apartment layouts and of the elevations for the apartment blocks, many of which are already in an advanced state of preparation as at the date of this Prospectus. A number of additional studies will also have to be submitted according to the conditions of the relevant outline development permit, including detailed construction and waste, environmental, utility, and energy management plans, a monitoring plan, a landscaping plan, a fire safety and ventilation report, a refuse collection report, a wind impact study and a lighting design. Any delays in the submission of these plans and studies may result, however, in delays in the issuance of a full development permit.

In terms of law a valid full development application is to be decided upon by MEPA in approximately 16 weeks. While it is possible for MEPA to extend this period to approximately 26 weeks for valid reasons based on planning issues, the Directors consider that it is unlikely that there may be any planning grounds to justify an extension beyond the 16 week period referred to above since the proposed development of the Fort Cambridge Area is based on the Fort Cambridge Development Brief approved by MEPA, which is a subsidiary plan issued in terms of the Development Planning Act. Furthermore, the issuance by MEPA of an outline development permit pursuant to the Issuer's application confirms that the proposed project is in accordance with this subsidiary plan. The Development Planning Act also provides for remedial procedures in the event that MEPA does not observe the time periods set out under the law for processing a valid full development application.

While an eventual full development permit would be subject to the possibility of appeal by any person aggrieved, the Directors consider that for the reasons stated above it is unlikely that there may be grounds to justify such an appeal. Moreover, save for those cases established by law where a precautionary injunction might be issued by a court of law, an appeal from the issuance of a full development permit does not in itself prevent development works from commencing pending the determination of such an appeal.

In view of the foregoing and taking into account approximately 4 weeks for the submission of a full development application together with a further allowance of approximately 4 weeks for the issuance of statutory notices and the like, the Directors expect that a full development permit will be issued by MEPA in approximately 6 months from 8 March 2007, that is in September 2007.

#### ***Gearing and interest rate risk***

The Issuer is anticipated to have net borrowings in the region of Lm29.6 million upon execution of the Tender and fully paid up issued share capital of Lm2 million representing a gearing ratio of 14.8 : 1. While this is expected to decrease significantly in 2009 and 2010 upon repayment of the Senior Loan, such gearing may, in the event of unexpected adverse events such as delays or unfavourable market conditions, result in liquidity strain, higher interest cost and erosion of the Issuer's profitability.

While the Bonds are subject to a fixed interest rate of 7% the Senior Loan is subject to a floating rate of interest equivalent to 1.5% per annum above the floating 3-month Euribor rate. The Issuer will therefore be exposed to interest rate risk, particularly in the immediate years until such time as its indebtedness is reduced. Material project delays could also serve to prolong the Issuer's exposure to interest rate risk.

#### ***Counter-party risks***

The Issuer is also subject to various counter-party risks, including the risk of counter-parties, such as contractors and sub-contractors engaged for the demolition, excavation, construction and finishing of the development, and prospective purchasers defaulting on their obligations with the Company. Such parties (which may include both third parties as well as related parties) may fail to perform or default on their obligations to the Issuer due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond the Issuer's control.

A number of related party transactions are identified on page 43 of the Prospectus.

**General market conditions**

Sales revenue and property values are also affected by changes in the general economic climate. The health of the local property market may be affected by a number of factors such as political developments, government regulations, changes in planning or tax laws, interest rate fluctuations, inflation, the availability of financing and yields of alternative investments. Such factors may be expected to cause property prices to fluctuate over the life-span of the development. Confidence in the local property market may be expected to have a beneficial effect on the value of the Issuer's assets and income streams. Conversely an increase in supply and/or a reduction in demand in the property segments in which the Issuer intends to operate could impact negatively upon capital values and income streams.

**Competition**

The Issuer expects to face competition from a number of property developments which are currently underway or projected in the vicinity of the Fort Cambridge Area, particularly in the Tigné, Sliema, Manoel Island, St. Julians and Gzira areas. Competition in the residential property market may be expected to be affected by the quality of development and finishing standards, location and vehicular accessibility and the amenities and facilities on offer.

**Key individuals and concentration of ownership**

GAP Holdings has a 99.99% interest in the issued share capital of the Issuer. GAP Holdings is in turn owned as to 33.33% by George Muscat, 33.33% by Adrian Muscat and 33.33% by Paul Attard who together exercise effective control over the Issuer. Each of these individuals is considered to be important to the success of the Company and the unexpected loss of any of these persons or a dilution in their influence over the Company and its business could have an adverse affect on the Issuer. While George Muscat, Adrian Muscat and Paul Attard have undertaken, save in the event of death or an intervening court order, not to dispose of their interest in the securities of the Issuer for at least one (1) year from the date the Bonds are authorised as admissible to listing on the Alternative Companies List there can be no assurance that GAP Holdings, or any of the foregoing individuals, will not, at any time following the lapse of the said one (1) year period, dispose of any interest, direct or indirect, in the securities of the Issuer and whether to a significant extent or otherwise.

**Applicable law and regulation**

The Issuer is subject to taxation, planning, environmental, health and safety laws and regulations. The timing and effects of changes in the laws and regulations to which the Issuer is subject, including changes in the interpretation thereof cannot be predicted, are beyond the control of the Issuer, and could have an adverse affect on the business, financial condition and profitability of the Issuer.

**7. INFORMATION ABOUT THE ISSUER****History and Development of the Issuer**

The Issuer was registered in Malta as a private limited liability company under registration number C 38040 and is domiciled in Malta. It was incorporated on 21 February 2006 for an unlimited duration in terms of the Companies Act, 1995 (Cap. 386, Laws of Malta) under which it is regulated. The status of the Issuer was changed to that of a public limited liability company (p.l.c.) on 5 March 2007 at which time the name of the Issuer was changed from Imperial Point Company Limited to GAP Developments p.l.c. to reflect the status of the Issuer as a subsidiary of GAP Holdings.

The Issuer is a property development company which has been incorporated for the purpose of acquiring, reconstructing and developing the Fort Cambridge Area. As at the date of this Prospectus the Issuer has no subsidiaries. It is envisaged, however, that upon execution of the Tender, TDCL, which is presently a wholly-owned subsidiary of Air Malta p.l.c., will become a wholly-owned subsidiary of the Issuer. Up to April 2006, TDCL operated the Crowne Plaza Hotel situated within the Fort Cambridge Area. Presently the Crowne Plaza Hotel is not in operation and the hotel building will be demolished in the course of the development of the Fort Cambridge Area. Accordingly it is envisaged that following execution of the Tender TDCL may eventually be reorganised to carry on activities ancillary to the business of the Company or alternatively it may be wound up or otherwise amalgamated with the Company.

Specific risks associated with the Issuer's business are set out on page 28 under the heading "RISK FACTORS".

The Issuer's registered office and business address is situated at GAP Holdings Head Office, Censu Scerri Street, Tigné, Sliema, Malta (web: [www.gap.com.mt](http://www.gap.com.mt) - telephone number: + 356 2327 1000).

As at the date of this Prospectus the Issuer has no employees. It is envisaged, however, that following execution of the Tender the Issuer will be employing one full-time employee to serve as health and safety officer with responsibility for on-site supervision of the Fort Cambridge Area development. The Company will therefore be reliant on the human resources made available to it by GAP Holdings, its parent company as further set out on page 40 below.

As at the date of this Prospectus TDCL has 106 employees. In accordance with the terms and conditions of the Tender, the Issuer has undertaken to employ all the employees presently employed with TDCL and that none of the foregoing employees shall be made redundant during the term of the next forty-one (41) years or until they reach pensionable age, whichever is the earlier. The Directors anticipate that following execution of the Tender the number of TDCL employees shall be reduced to 10 since 96 employees have applied to participate in the voluntary early retirement scheme to be implemented by the Issuer subsequent to its acquisition of the Tender Shares. The employees remaining in the employment of TDCL will be engaged to perform security, general maintenance and carpentry duties.

## **8. BUSINESS OVERVIEW**

### ***Principal Activities***

The Issuer's principal object is to acquire the Fort Cambridge Area situated at Tigné, Sliema, and to reconstruct and develop the site for a combination of uses within the parameters of the Fort Cambridge Development Brief issued by the Malta Environment and Planning Authority ("MEPA") and the outline development permit approved by MEPA on 8 March 2007. The first phase of this development shall consist entirely of the construction of residential apartments and underground parking spaces for resale while the second phase shall consist of the construction of corporate office space and hospitality facilities which may be re-sold, managed, leased or otherwise operated for profit by the Issuer. It is anticipated that the second phase of the development will only get underway following completion of the first phase of development and maturity of the Bond. The second phase will also include the restoration of Fort Cambridge and its environs in accordance with the Development Brief.

For the purpose of fulfilling its objects, the Issuer may also invest in or otherwise hold the whole or any part of the securities of any other company engaged, concerned or interested in any business which may be conveniently carried on in connection with the business of the Issuer.

### ***The Fort Cambridge Area and Development***

#### *Site Location, Description and Tenure*

The Fort Cambridge Area is located within Tigné Point, Sliema having an overall total area of approximately 29,225 sq.m. The site is bounded to the north-east by Qui-si-Sana Road, to the north west by Dragut Point Road, to the south west by Tigné Street and to the south-east by a major project area, property of MIDI p.l.c., that will include the secondary town centre for Tigné. The predominant land use in the Tigné Peninsula area is residential.

The Fort Cambridge Area comprises (i) a developable site currently occupied by the vacant Crowne Plaza Hotel, measuring approximately 8,700 sq.m.; (ii) a site which is developable, subject to the retention of a heritage façade of the existing remains of ex-military barracks, measuring approximately 1,750 sq.m.; and (iii) an open site, including Fort Cambridge and its surrounding glaciis and other open urban spaces, measuring approximately 18,760 sq.m. on which development will not be allowed.

Fort Cambridge (also known as the Cambridge Battery), from which the area derives its name dates to the 1880s and is an important heritage site. The restaurant and internal facilities, located in or on Fort Cambridge are vacant and abandoned. The hotel buildings within the site consist of two main blocks. The western block dates back to the British military period, whilst the larger eastern block is a more recent development dating to the early 1980s. The western block is proposed as a landmark building in the North Harbours Local Plan due to its historical and architectural importance. The eastern block on the other hand is of no conservation importance. The existing hotel building which extends into the zone occupied by the ex-military barracks is currently vacant. The site also includes an extensive open space that includes the fortifications and an area which formerly formed the glacis but which was remodelled in recent years. The open space and heritage areas also contribute to long distance sea views towards the north in the direction of Qui-Si-Sana Gardens and the coast.

The Fort Cambridge Area is presently held by TDCL by title of temporary emphyteusis from the Government under the following emphyteutical concessions over three sites which together make up the Fort Cambridge Area: (i) a temporary emphyteusis for a period of ninety-nine years commencing on 16 September 1976 on the site edged in red on Government Property Division plan L.D. 179/76/A, granted in favour of TDCL by the Government in virtue of a deed in the records of Notary Anthony Borg Barthet dated 16 September 1976; (ii) a temporary emphyteusis commencing on 13 October 1980 and ending on 15 September 2075 on the site edged in red on Government Property Division plan L.D. 179A/76/A, granted in favour of TDCL by the Government in virtue of a deed in the records of Notary Alexander Grech of 13 October 1980; and (iii) a temporary emphyteusis for a period commencing on 21 October 1988 and ending on 15 September 2075 on the site shown edged in red on Government Property Division plan L.D. 148/88, granted by the Government in favour of TDCL in virtue of a deed in the records of Notary Vincent Miceli of 21 October 1988.

In accordance with the terms and conditions of the Tender, simultaneously with the execution of the Tender, TDCL and the Government have agreed to terminate the said three emphyteutical concessions over the Fort Cambridge Area against a payment of twelve million five hundred thousand Maltese Liri (Lm12,500,000) to be made by the Government in favour of TDCL.

#### *The Tender*

The Tender for the sale of the site at Tigne Sliema including the hotel, structures and buildings built thereon, as shown edged in red on Government Property Division Plan P.D. 2005\_172 was awarded by the Government in favour of the Issuer in terms of Letter of Acceptance numbered 83 dated 20 June 2006. In furtherance of this award, on 29 December 2006, the Issuer entered into an agreement with the Government, TDCL, Air Malta p.l.c., Malta Air Charter Company Limited and George and Carmen Muscat whereby *inter alia*:

- (i) The Government promised and bound itself to execute, in its entirety, the Tender for the sale and transfer to the Issuer which accepted, promised and undertook to acquire from the Government the Tender Freehold Property for the price of twenty three million, three hundred thousand Maltese Liri (Lm23,300,000) under all the other terms and conditions of the Tender.
- (ii) The Government also promised to execute the Tender by granting by title of temporary emphyteusis for a period of 99 years commencing on the date of final deed to the Issuer, who promised to acquire by same title of temporary emphyteusis the Tender Emphyteutical Property in consideration of the annual and temporary groundrent of twenty thousand Maltese Liri (Lm20,000), which groundrent shall be payable yearly in advance and the pro tempore groundrent shall be increased every five (5) years based on the proportionate increase in the index of inflation or ten (10) per cent of the pro tempore groundrent whichever is the higher and under all the other terms and conditions of the Tender.
- (iii) The Issuer promised to execute the Tender by purchasing and acquiring under the terms and conditions of the Tender:
  - (a) from Air Malta p.l.c. which promised to sell and transfer all of the Tender Shares save for the 1 "C" Ordinary Share held by Malta Air Charter Company Limited in TDCL in consideration for the price of eight million nine hundred and sixty five thousand Maltese Liri (Lm8,965,000); and
  - (b) from Malta Air Charter Company Limited which promised to sell and transfer 1 "C" Ordinary Share in TDCL at a nominal value of one Maltese Lira (Lm1.00).

The Tender is to be executed in its entirety by 30 April 2007.

### *The Fort Cambridge Development Brief*

In January 2006 MEPA published a development brief outlining the parameters for the development of the Fort Cambridge Area (the "Development Brief"). The site of the existing hotel and its car park ("Zone A") is earmarked for development for high quality residential use, with a specified mix of 1-bedroomed, 2-bedroomed and 3-bedroomed apartments. This site may also be developed for use as a hotel, or as a research establishment part of a higher level educational institution or as corporate quality offices. The Issuer proposes to develop the whole of Zone A for residential use.

The Development Brief allows a maximum developable volume of 64,432 sq.m., mainly on Zone A, with the possibility that some of this volume be accommodated underground in Zone E. The Development Brief defines a number of building height limitations, particularly on Tigné Street, where the Fort Cambridge Area fronts existing adjacent buildings across the street, and requires that the building volume steps up from west to east, with a maximum of 16 floors indicated as guidance. The Development Brief also requires that not more than 60% of this site together with another area which is designated as a public open space between the proposed residential development and Dragut Street ("Zone C") be developed.

The Development Brief also indicates that while the heritage elevations of the military barracks have to be retained, the interior can be developed to a maximum height of four storeys and a total gross area of 5,680 sq.m. ("Zone B"). The Development Brief allows this site to be developed as a hotel, or as part of a higher level education institute or as corporate quality offices but not for residential apartments. The Issuer proposes to develop Zone B within the retained heritage façade for use as corporate quality office space and hospitality and tourist facilities.

The Development Brief allows limited development for retail, catering and conference facilities in Zones A and B in deference to the Local Plan policies that concentrate retail and ancillary services to a primary town centre located in the triangle between Tower Road and Bisazza Street, Sliema and a secondary town centre in the Tigné Point Development, currently under construction to the east.

Most of the remaining "open" space is taken up by Fort Cambridge and its environs. The Development Brief imposes a requirement that recent accretions on the fort are to be removed and that the fort and the adjacent open spaces including the ditch and the glacis be restored and integrated with the redevelopment of the site.

Zones A, B and C are indicated on the plan (Site Plan 2) in Annex 4.

### *The Proposed Development*

The Fort Cambridge development is conveniently located within walking proximity of both the Sliema primary town centre (located between Tower Road and Bisazza Street) and the secondary town centre presently under construction in the Tigné Point Development.

The proposed development consists of three blocks of residential apartments having eleven separate entrances and underground parking spaces to be built on Zone A in phase one and office space and hospitality facilities to be built on Zone B in a second phase. It is anticipated that the second phase of the development will only get underway following completion of the first phase of development and maturity of the Bond. The Directors also consider that the proposed renovation of Fort Cambridge and its heritage importance together with the exclusively residential character of Zone A will enhance the attraction of this development.

Zone A is divided into three sections, as indicated on the attached plan (Site Plan 1) in Annex 4, Section 1 overlooking Censu Scerri Street and having direct views of the sea, Section 2 overlooking Fort Cambridge and also having direct views of the sea and Section 3 overlooking Tigné Street with some oblique views of the sea, and in the case of the higher apartments having also southward views of Manoel Island, Marsamxett Port and the Valletta bastions.

The proposed residential development envisages a total of approximately 340 apartments with a balanced mix between 1-bedroomed, 2-bedroomed and 3/4-bedroomed apartments having average gross floor areas of 80 sq.m., 140 sq.m. and 195 sq.m. respectively, totalling approximately 63,432 sq.m. gross floor area. These apartments will be offered for sale on a freehold basis. The project also includes four levels of underground car parking facilities beneath Zones A and C totalling 34,800 sq.m. with capacity for approximately 1,000 cars. It is also intended to develop underground leisure amenities, extending over approximately 1,000 sq.m., and an open-air swimming pool in line with the Development Brief and the Directors' vision for a quality up-market development.

It is envisaged that the apartments and common areas will be completed to high standards of finishing and specifications in keeping with the Directors' philosophy to construct quality residential properties and that following completion of the residential apartments in Zone A the open spaces, circulation areas and other common areas will be maintained and serviced by GAP Holdings or any of its related companies to ensure that service levels are maintained to a high standard.

A number of risks associated with a project of this nature are identified on page 28 of the Prospectus.

#### *Permits*

Further to the application made by the Issuer bearing number PA06952/06, MEPA has on 8 March 2007 issued a full development permit for the demolition of all existing structures on the Tender Freehold Property and the excavation of the Tender Freehold Property and of part of the Tender Emphyteutical Property.

MEPA has also issued an outline development permit on 8 March 2007, further to the application made by the Issuer bearing number PA04144/06, which allows and entitles the Issuer to develop the Tender Freehold Property. In terms of this outline development permit a full development permit is expected to be issued by September 2007.

A number of risks associated with planning permission are set out on page 28 of the Prospectus.

### **Principal markets**

The Issuer operates exclusively in and from Malta.

### **Investments**

The Issuer has not undertaken any material investments since the date of its last published financial statements.

Upon execution of the Tender, the Fort Cambridge Area will represent the Issuer's principal investment. The cash outflows and inflows relating to the execution of the Tender and the financing resources available to the Issuer may be summarised as follows:

	Lm'000
Cost of Tender Freehold Property	23,300
Acquisition of Tender Shares	8,965
Settlement of liabilities of TDCL	5,725
Receipt from the Government by TDCL	(12,500)
Capital gains tax, duty on documents and other transaction costs	3,044
	<u>28,534</u>
Financed by:	
Senior Loan (in its entirety)	14,600
Bond Issue (in part)	13,934
	<u>28,534</u>

## **9. ORGANISATIONAL STRUCTURE**

The Issuer is a wholly-owned subsidiary of GAP Holdings which was established in 2001 by George Muscat, Adrian Muscat and Paul Attard to carry on the business of property development. GAP Holdings is managed by its board of directors consisting of George Muscat as chairman, Adrian Muscat as site supervision director and Paul Attard as sales and marketing director and has a staff complement of 12 including a financial controller and a project manager. Since 2001 George Muscat, Adrian Muscat and Paul Attard have overseen the construction of approximately 665 apartments/maisonettes, 6 semi-detached villas, 710 garage/parking spaces and 3 commercial outlets.

The Issuer will be utilising the human resources made available to it by GAP Holdings as further set out on page 40 below.

## **10. TREND INFORMATION**

There have been no material adverse changes to the prospects of the Issuer since the date of the last published financial statements.

**At the time of publication of this Registration Document, the Directors consider that the Company will be subject to the normal business and project risks associated with the property construction industry in Malta and do not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have a material effect on the upcoming prospects of the Issuer and its business.**

The Tender for the Fort Cambridge Area was awarded by the Government in favour of the Issuer on 20 June 2006 and is to be executed in its entirety by 30 April 2007.

On 8 March 2007 MEPA issued a full development permit for the demolition of all existing structures on the Tender Freehold Property and the excavation of the Tender Freehold Property and of part of the Tender Emphyteutical Property. On the same day it also issued an outline development permit which allows and entitles the Issuer to develop the Tender Freehold Property. In terms of this outline development permit a full development permit for the construction of approximately 340 residential units and approximately 1,000 car parking spaces is expected to be issued by September 2007, by which time the Directors expect the Principal Contractor to have successfully concluded fixed-price contracts with third party sub-contractors for approximately 80% of the works involved.

It is envisaged that demolition and excavation works on the Tender Freehold Property and part of the Tender Emphyteutical Property will commence soon after the execution of the Tender.

## **11. FORECASTS OR ESTIMATES**

### **Construction and Development**

The overall construction and financing expenditure on the development of Zone A is expected to total *circa* Lm33 million as detailed below:

	Lm'000
<b>Construction expenditure</b>	
Demolition and excavation	1,139
Construction	9,047
Finishing	8,190
Landscaping, utilities etc.	521
Other related expenses	1,027
Contingency	1,967
	<hr/> 21,891
Professional fees	340
	<hr/> 22,231
<b>Financing costs</b>	
Interest due to banks and contractors	3,680
Bond interest	6,300
Other financing costs	746
	<hr/> 10,726
	<hr/> 32,957
	<hr/> <hr/>

The Directors are projecting that the demolition, excavation, construction and finishing of Zone A will carry on for approximately forty-two months from commencement and therefore project completion is expected in the latter half of 2010. The Directors anticipate that payments to the Principal Contractor and to third party sub-contractors will be settled according to agreed fixed monthly payments over a six-year period ending in 2013. In general such payment terms are subject to negotiation and agreement by the Issuer and the Principal Contractor with third party sub-contractors. As at the date of this Prospectus the Issuer has already entered into the Principal Contract with the Principal Contractor as further set out on page 43 of this Prospectus and with a third party sub-contractor for demolition, excavation and building works for an estimated value of approximately Lm8 million (the "Principal Sub-contract"). Payment under the Principal Contract and under the Principal Sub-contract will be settled by the Issuer and by the Principal Contractor respectively according to agreed fixed monthly payments over a six-year period ending in 2013.

The Directors are confident that the final contract values will be within the overall budgeted parameters. The Company's projected costs have been reviewed by TBA Periti, architects, civil and structural engineering consultants, of no. 43. Main Street, Balzan, BZN06, whose report is set out in Annex 3 of the Prospectus.

The timely commencement of the project is dependent on the issue of a full development permit in respect of the construction of residential apartments on Zone A. The Directors anticipate that such a full development permit should be issued by September 2007 as further set out on page 29 of this Prospectus. In view of the issue by MEPA, on 8 March 2007, of an outline development permit in respect of the construction of residential apartments on Zone A and a full development permit for the demolition of the existing buildings in Zone A and the excavation of Zone A and Zone C, this timeline is dependent also on the submission of a valid full development application by the Issuer within approximately 4 weeks from 8 March 2007. The Directors consider that the Issuer will be in a position to file a valid full development application within approximately 4 weeks as aforesaid as many of the detailed layouts and elevations to be submitted to MEPA are already in an advanced state of preparation as at the date of the Prospectus.

Certain risks and uncertainties associated with the Issuer's business are set out on page 28 of this Prospectus. In particular the risks of delays and cost overruns, which could cause actual sales revenues and costs to differ from those projected are affected, amongst others, by factors attributable to counter-parties, general market conditions and competition which are beyond the Issuer's control. The Directors consider, however, that the projected development costs are reasonable and that, save in the case of unforeseen circumstances, potential cost overruns can be contained within the contingency allowance built into the Company's estimates.

The Issuer will carry insurance with respect to building works in accordance with normal standards in the construction industry and depending on available terms of cover from time to time.

It is the intention of the Directors that, in the short term, Zone B which comprises the ex-military barracks, will be converted into a hospitality facility at a total conversion cost of approximately Lm160,000. In the long term Zone B will be developed into corporate office space. It is also the intention to restore Fort Cambridge in accordance with the Fort Cambridge Development Brief at an estimated cost of circa Lm1.5 million. It is envisaged that the projects for the restoration of Fort Cambridge and redevelopment of Zone B into office space will commence in the second phase of the development subsequent to the completion of Zone A and maturity of the Bond.

## Sales Revenue

The Issuer plans to build approximately 340 luxury apartments which will vary in size from one to three/four bedrooms. These are expected to have a total net saleable area (including terraces and parking spaces) of 63,432 sq. m. Prospective purchasers will be offered a selection of apartments at a range of price levels dictated *inter alia* by the choice of terraces and open sea views available. The Directors aim to achieve an optimum balance between the quality of apartments on offer and affordability with a view to maximising its potential customer base.

The Fort Cambridge Area development also includes the construction of four levels of car parking spaces at basement level comprising approximately 1,000 parking spaces.

The following table illustrates the average projected selling price per unit applicable in relation to the different types of apartments which will be offered for sale, as well as the average selling price per parking space and the respective total gross sales proceeds:

Apartment type	Number of apartments/ parking spaces	Average selling price per apartment/ parking space Lm'000	Total Gross Sales proceeds Lm'000
No views	19	80	1,510
Partial views	71	101	7,200
Open sea views with terrace	221	258	57,041
Open sea views with larger terrace	24	308	7,380
Duplex apartment	6	698	4,190
	341		77,321
Car parking spaces	1,000	7	7,000
Total Sales Revenue			84,321

The Directors anticipate that all 340 apartments and 1,000 parking spaces (approximately in both cases) will be sold over a four-year period from the issuance of the relative building permits as follows:

	2007	2008	2009	2010	2011	2012-13 18 months	Total
<b>Sales schedule</b>							
<i>Apartments</i>							
Preliminary agreement	91	138	105	7	-	-	341
Stage payment	-	49	220	72	-	-	341
Contract payment	-	-	91	200	50	-	341
<i>Parking spaces</i>							
Contract payment	-	-	267	587	146	-	1,000
	Lm'000	Lm'000	Lm'000	Lm'000	Lm'000	Lm'000	Lm'000
<b>Projected receipts</b>							
<i>Apartments &amp; parking spaces</i>							
Preliminary agreement	2,250	3,420	2,602	160	-	-	8,432
Stage payment	-	2,427	10,890	3,547	-	-	16,864
Contract payment	-	-	15,719	34,677	8,629	-	59,025
	2,250	5,847	29,211	38,384	8,629	-	84,321

The Directors anticipate that gross sales proceeds will be received in three stages as follows:

	%
Signing of preliminary agreement	10
Finishing of the apartment to shell form	20
Hand over of the finished apartment and final deed of sale	70

The Bond Trustee shall be empowered to release individual units of the Hypothecated Property from the Bond Security Interest encumbering such unit/s upon receipt by it from the Company or from a prospective purchaser of twenty per cent (20%) of the average gross sales proceeds depending on the type of apartment as indicated in clause 19 and in Appendix 1 to the Bond Trust Deed which is attached as Annex 5 to the Prospectus. The funds so received by the Bond Trustee shall be held by it under trust in a segregated bank account with a bank licensed under the Banking Act, 1994 (the "Reserve Account") for the benefit of the Bondholders and shall be so held with a view to meeting the redemption of the Bonds on the Maturity Date.

Provided that any amount receivable by the Bond Trustee in terms of clause 19 of the Bond Trust Deed shall be subject to the prior deduction from the sale proceeds in respect of any such unit of such amounts as may be required: (i) by law to be deducted, withheld or otherwise paid in respect of any taxes, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed upon the sale of such unit; and/or (ii) under the terms and conditions of the Senior Loan to be credited to any escrow account to satisfy the Company's payment obligations (whether such obligations refer to fees, interest, principal or otherwise) under the Senior Loan; and/or (iii) under the terms of any estate agency agreement to be payable to any estate agent in respect of the sale of such unit.

Provided further that any shortfall in the amount receivable by the Bond Trustee pursuant to the foregoing shall be required to be made up, in whole or in part, out of the available sale proceeds (after deduction of any of the items referred to in (i), (ii) and (iii) of the foregoing proviso) from any subsequent sale or sales until such shortfall shall have been made up in its entirety.

Provided further that the proceeds standing to the credit of the Reserve Account shall at no time exceed the aggregate value of Bonds outstanding.

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

- (i) investment or re-investment in any EU Government debt securities or other debt securities issued or guaranteed by an OECD sovereign state and without any currency exchange risk, in either case for a term not exceeding the Maturity Date; or
- (ii) Pre-payment of the Bonds at the Optional Redemption Dates; or
- (iii) Re-purchase of the Bonds, on the open market or by tender offer, for cancellation.

In the absence of unforeseen circumstances and subject to there being no material adverse changes in circumstances the Directors are of the view that the percentages available for cash flows that will be credited to the Reserve Account will be sufficient to cover the redemption of the Bonds on Maturity Date. The Issuer expects to generate adequate cash flows to repay the Bonds on maturity from the sale of approximately 75% of the apartments and car parking spaces within four years from the issuance of the relative building permits.

This is illustrated in the summary cash flow expectations set out below:

#### Illustrative Prospective Cash Flow Information

	2007	2008	2009	2010	2011	2012-13 18 months
	Lm'000	Lm'000	Lm'000	Lm'000	Lm'000	Lm'000
<b>Cash flows from operating activities</b>						
Cash flows from operations	(14,140)	3,849	23,173	30,126	6,918	(3,343)
Income taxes paid	(2)	(11)	(1,604)	(4,406)	(3,535)	(457)
<b>Net cash flows from operating activities</b>	<b>(14,142)</b>	<b>3,838</b>	<b>21,569</b>	<b>25,720</b>	<b>3,383</b>	<b>(3,800)</b>
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(2,842)	-	-	-	-	-
Reserve Account	-	-	(4,491)	(9,908)	(601)	15,000
Investment income	16	70	211	558	1,192	1,958
<b>Net cash flows from investing activities</b>	<b>(2,826)</b>	<b>70</b>	<b>(4,280)</b>	<b>(9,350)</b>	<b>591</b>	<b>16,958</b>
<b>Cash flows from financing activities</b>						
Proceeds/(Repayment) of bond issue	15,000	-	-	-	-	(15,000)
Proceeds/(Repayment) of bank borrowings	4,300	-	(7,600)	(7,000)	-	-
Proceeds from issue of share capital	1,000	-	-	-	-	-
Interest paid	(622)	(1,983)	(1,969)	(1,117)	(1,050)	(3,236)
<b>Net cash flows from financing activities</b>	<b>19,678</b>	<b>(1,983)</b>	<b>(9,569)</b>	<b>(8,117)</b>	<b>(1,050)</b>	<b>(18,236)</b>
Net movement in cash and cash equivalents	2,710	1,925	7,720	8,253	2,924	(5,078)
Cash and cash equivalents at the beginning of the year	(63)	2,647	4,572	12,292	20,545	23,469
<b>Cash and cash equivalents at the end of the year</b>	<b>2,647</b>	<b>4,572</b>	<b>12,292</b>	<b>20,545</b>	<b>23,469</b>	<b>18,391</b>

The Accountants' Report on the projected financial statements of the Issuer is set out in Annex 1 of this Prospectus.

## 12. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The Directors are elected by ordinary resolution of the shareholders at the annual general meeting of the Issuer by those members entitled to exercise voting rights to elect directors at general meeting.

The chairman of the Board, is, in terms of the articles of association of the Issuer, appointed from amongst the appointed Directors by the Board. The first chairman appointed by the memorandum of association is George Muscat.

The Directors are responsible for the general governance of the Issuer and to set its strategic aims, for its proper administration and management and for the general supervision of its affairs.

## Directors of the Issuer

As at the date of this Prospectus the Board of the Issuer is composed of the following persons:

### **Executive Directors:**

**George Muscat**, Chairman, started his property development and construction business in the late seventies. While originally focusing on single building units, predominantly residential and car-parking units, in more recent years Mr. Muscat embarked on larger and more ambitious projects including the construction of up-market multiple residential units. George Muscat is also a shareholder and director of various other companies in the construction, property development and real estate business including GAP Holdings which has undertaken various property developments since 2001. George Muscat is also a director and the ultimate beneficial holder of 33% of the equity share capital of Bay Street Holdings Limited which owns, manages and operates the Bay Street Tourist Complex and of Bay Street Company Limited which owns and operates the Bay Street Hotel, located within the Bay Street Tourist Complex, through its subsidiary, Bay Street Hotel Complex Limited.

**Paul Attard**, Sales and Marketing Director, is a founder and director of GAP Holdings. Having previously worked as a property consultant with a number of leading estate agencies in Malta, Paul Attard has been responsible, since the incorporation of GAP Holdings in 2001, for driving and overseeing its sales and marketing initiatives.

**Adrian Muscat**, Site Supervision Director, began his career as a property consultant before moving on to project management. As a founder and director of GAP Holdings, Adrian Muscat has led the project team responsible for on-site management of the projects undertaken by GAP Holdings since 2001.

### **Non-Executive Directors:**

**Rene H. Formosa**, Director, a retired banker served as general manager of Bank of Valletta p.l.c. from 1987 to 1996 during which time he also held various directorships within the Bank of Valletta Group, including Valletta Investment Bank Limited, BOV Centre Limited and Cotswold Development Limited. Following his retirement Rene Formosa acted as a consultant to Bank of Valletta p.l.c. in human resources and industrial relations. Mr. Formosa has also served as chairman of the Foundation for Medical Services between 2003 – 2004 and in 2002 was appointed director of Bay Street Finance p.l.c., a post which he still holds today.

**Mark Castillo**, Director, a retired banker and Associate of the Chartered Institute of Bankers held various positions with Barclays Bank and Mid-Med Bank p.l.c. from 1964 to 1982 following which he held the position of Senior Vice President with Banco Central Hispano of Canada from 1982 to 1994 and later Assistant General Manager of Bank of Valletta International from 1994 to 2005. Following his retirement Mark Castillo was appointed and continues to act as consultant to the Chairman of Sparkasse Bank Malta p.l.c.

## Company Secretary

**Adrian Muscat**, also holds office as company secretary to the Issuer.

## Senior Management

As at the date of this Registration Document the Issuer has no employees although it is envisaged that following execution of the Tender the Issuer will be employing one full-time employee to serve as health and safety officer.

The Issuer is therefore reliant on the resources which are made available to it by its parent company, GAP Holdings, including the services of its senior management, whose names and responsibilities are set out hereunder:

George Muscat	Chairman
Paul Attard	Head, Sales and Marketing
Adrian Muscat	Head, Site Supervision
Edward Camilleri Bonici	Financial Controller
Raymond Grixti	Project Manager
Chris Gauci	Sales Executive

**Edward Camilleri Bonici**, FCCA, FIA, CPA joined GAP Holdings as group financial controller in 2004. Edward Camilleri Bonici obtained his ACCA in the UK in the mid-1980's and following a 6 year spell in the UK and Belgium returned to Malta in 1990 where he has since held several posts as accountant / financial controller, principally in the hospitality and leisure industry.

**Raymond Grixti**, joined GAP Holdings in 2003 as project manager with responsibility for managing construction projects undertaken by GAP Holdings and its related companies. Raymond Grixti commenced his career in 1979 with the Public Works Department and was later promoted to Works Technical Officer during which time he was involved in various projects including the reconstruction of the Mediterranean Conference Centre and the Gozo Sports Complex. In 1992 he joined a private building contractor and was directly responsible for a number of major projects including the Floriana Car Park, the Portomaso Tower, the Baystreet Hotel and the Intercontinental Hotel.

**Chris Gauci**, joined GAP Holdings in 2005 as sales executive with responsibility for the sales and marketing activities of GAP Holdings and its related companies. Formerly Chris Gauci was employed in the insurance and investment services industry and more recently, since 2002, in the real estate sector.

Each of the foregoing individuals under the heading “**Directors of the Issuer**” and “**Senior Management**” have their business address at GAP Holdings Head Office, Censu Scerri Street, Tigné, Malta.

## Interests of Directors

### *Directors' interests in the share capital of the Issuer*

	As at 21 February 2007	As at 21 February 2006
George Muscat	33.33%	33.33%
Paul Attard	33.33%	33.33%
Adrian Muscat	33.33%	33.33%

George Muscat, Paul Attard and Adrian Muscat have a 33.33% beneficial interest each in GAP Holdings. Reference is made to the heading “**Major Shareholders**” on page 43 in relation to the shareholding of GAP Holdings in the Issuer.

George Muscat, Paul Attard and Adrian Muscat undertake, save in the event of death or an intervening court order, not to dispose of the interest they hold in the securities of the Issuer through GAP Holdings for at least one (1) year from the date the Bonds are authorised as admissible to listing on the Alternative Companies List.

Save for the matters disclosed herein and on page 43 under the headings “**Interests of Major Shareholders**” and “**Related-party Transactions**” there are no known potential conflicts of interests between any duties to the Issuer of the persons referred to above under the headings “**Directors of the Issuer**” and their private interests and/or other duties.

## Remuneration of Directors and Senior Management

The Board determines the remuneration of both executive and non-executive directors. None of the Directors hold a contract of service with the Company.

In accordance with the Issuer's articles of association, the total emoluments payable to all Directors, whether as fees and/or salaries by virtue of holding employment with the Issuer, is subject to shareholder approval at general meeting.

The Directors have not received any emoluments for the financial period ended 31 December 2006.

## **13. BOARD PRACTICES**

### **Corporate Governance**

The Board is committed to following best practice in corporate governance and is endeavouring to adopt the Code of Principles of Good Corporate Governance (the “Code”).

### **Board Committees**

The Directors have established the following board committees:

#### *Audit Committee and Risk Management Committee*

The Issuer considers that its non-executive directors have the necessary experience, independence and standing to balance any possible concentration of authority on the Board. The Board also considers that at the present time the scope for a constituting a remuneration committee in line with the recommendations of the Listing Authority’s Code of Principles of Good Corporate Governance is limited since none of its executive directors are presently attributed any remuneration for their services. The Board remains open to the constitution of a remuneration committee should this become appropriate in the future.

#### **Audit Committee**

The Audit Committee assists the Board amongst others in monitoring and reviewing the Company’s financial reporting and performance, financial policies and internal procedures and control mechanisms.

The Audit Committee meets at least once every two months. Meetings may also be convened at the request of the external auditors. The Issuer’s external auditors are invited to attend Audit Committee meetings.

As at the date of this Prospectus, the audit committee is composed of Rene H. Formosa as chairman and Mark Castillo and George Muscat as members.

#### **Risk Management Committee**

The Board has established a risk management committee as a separate committee which is responsible for the identification, assessment, management and monitoring of key risks applicable to the Issuer’s business, including health and safety, environmental and legal risks, and for making recommendations to the Board on the development, operation and monitoring of internal control systems.

As at the date of this Prospectus, the Risk Management Committee is composed of Rene H. Formosa as chairman, George Muscat, Prof. Dr. Alex Torpiano and Dr. Chris Cilia as members. Prof. Dr. Alex Torpiano and Dr. Chris Cilia are not directors of and do not hold executive positions with the Company but are external advisers to the Company.

**Prof. Dr. Alex Torpiano**, a practicing architect holds a Doctorate of Philosophy (Building Engineering) from the University of Bath and the state warrant as Perit (Architect and Civil Engineer) from the Republic of Malta. He is also a Chartered Engineer (UK) and a Corporate Member of the Institution of Structural Engineers (UK). Prof. Torpiano is a partner with the firm TBA Periti (previously TBA Structural Engineers) and a Director of Design Solutions Limited and AOM Partnership in respect of which he also acts as lead consultant. Prof. Torpiano is also an Associate Professor at the University of Malta and director of the Institute for Masonry and Construction Research within the University of Malta. Prof. Dr. Torpiano acts as lead consultant to the Issuer on the Fort Cambridge Area development.

**Dr. Chris Cilia**, a practicing civil and commercial law advocate graduated Doctor of Laws in 1993. Dr. Cilia practised within the legal department of the Malta Development Corporation and also served as a judicial assistant within the Superior Courts of Justice of the Republic of Malta. He is today an accredited arbitrator with the Malta Arbitration Centre. Dr. Cilia has acted as legal adviser to GAP Holdings since its inception in 2001 and also acts as legal adviser to various other companies and entities in the construction industry, amongst which the Association of Building Contractors and Haulers.

## **14. MAJOR SHAREHOLDERS**

### **Interests of Major Shareholders**

The following holds in excess of 5% of the Issuer's ordinary shares:

	Ordinary shares	%
GAP Holdings	1,999,999	99.99

The risks associated with the concentration of ownership in the hands of any of the Issuer's shareholders are described on page 30 of this Prospectus under the heading "**Risks relating to the Issuer – Key individuals and concentration of ownership**".

### **Related-Party Transactions**

The Issuer has entered into a contract of works dated 21 March 2007 (the "Principal Contract") with GAP Contracting Limited (the "Principal Contractor") a wholly-owned subsidiary of the Issuer's parent, GAP Holdings, by virtue of which the Principal Contractor has agreed to execute the necessary demolition, excavation, construction and finishing works necessary to complete the Fort Cambridge Area development on behalf of the Issuer. The Principal Contract is available for inspection as laid out under the heading "**Documents on Display**" on page 46 below. George Muscat, Paul Attard and Adrian Muscat are also directors of the Principal Contractor.

The Principal Contract follows accepted industry practice in relation to matters such as "definition of works", "warranty for good workmanship", "contractor's liability" and "dispute resolution". The Principal Contract also makes provision for sub-contracting and it is the intention of the Principal Contractor to sub-contract the works it has been contracted to execute to third party sub-contractors.

The Principal Contractor has agreed to postpone its right to register a special privilege for any amounts due to it under the Principal Contract up to the sum of Lm31,000,000 in favour of (i) the Senior Loan Security Trustee for the benefit of the Senior Lenders; and (ii) the Bond Trustee for the benefit of the Bondholders. The Principal Contract also contains provisions whereby the Principal Contractor has undertaken to require all third party sub-contractors engaged by it in the performance of works to postpone their right to register a special privilege for any amounts due to them in respect of the Fort Cambridge Area development up to the sum of Lm31,000,000 in favour of (i) the Senior Loan Security Trustee for the benefit of the Senior Lenders; and (ii) the Bond Trustee for the benefit of the Bondholders.

Reference is also made to page 27 of this Registration Document in connection with short-term temporary advances of uncommitted funds amounting to Lm730,000 made by the Issuer to related companies.

## **15. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

### **Historical financial information**

The historical financial information about the Issuer has been incorporated by reference in the manner set out under the heading "**Financial Statements**" below. There have been no significant changes to the financial or trading position of the Issuer since the end of the financial period to which the historical financial information is updated, save for the increase of the Issuer's issued and fully paid up share capital on 16 January 2007 from Lm1 million to Lm2 million.

### **Financial statements**

Financial information about the Issuer is being incorporated by reference pursuant to article 28 of the Regulation. Accordingly the audited financial statements of the Issuer for the period ended 31 December 2006 are available for inspection as laid out on page 46 below of this Registration Document.

### **Auditing of historical annual financial information**

The annual statutory financial statements of the Issuer have been audited since incorporation by Emanuel P. Fenech FIA, ACIB, CPA of 1, Tal-Providenza Mansions, Main Street, Balzan, Malta.

### **Age of latest financial information**

The latest audited financial information available in respect of the Issuer relates to the financial period ended on 31 December 2006 and was approved for issuance by the Board on 8 February 2007.

### **Interim and other financial information**

No interim or other financial information has been issued by the Issuer since the audited statutory financial statements for the period ended 31 December 2006.

### **Legal and arbitration proceedings**

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during a period covering twelve months prior to the date of this Registration Document which may have, or have had, in the recent past significant effects on the financial position or profitability of the Issuer.

### **Significant change in the Issuer's financial or trading position**

There has been no significant change in the financial or trading position of the Issuer which has occurred since 31 December 2006, save for the increase of the Issuer's issued and fully paid up share capital on 16 January 2007 from Lm1 million to Lm2 million.

## **16. ADDITIONAL INFORMATION**

### **Share capital**

The Issuer's authorised share capital as at the date of this Registration Document is Lm10,000,000 divided into 10,000,000 ordinary shares of Lm1.00 each. The Issuer's issued share capital as at the date of this Registration Document is Lm2,000,000 divided into 2,000,000 ordinary shares of Lm1.00 each (the "Ordinary Shares"). The Ordinary Shares of the Issuer which have been fully paid up rank *pari passu* between themselves and carry the right to vote at general meetings of the Company.

The Issuer has no other classes of shares in issue.

### **Loan capital and Indebtedness**

The Issuer has outstanding bridge loan facilities with Bank of Valletta p.l.c. of Lm7,500,000 (the "BOV Bridging Facility") and with FIMBank p.l.c. of Lm2,800,000 (the "FIMBank Bridging Facility") which facilities were utilised to finance the deposit of Lm10,300,000 paid to the Government on account of the price of the Tender Freehold Property on the agreement entered into *inter alia* between the Government and the Issuer on 29 December 2006 in furtherance of the award of the Tender.

The BOV Bridging Facility is repayable by 30 April 2007, carries interest at a floating rate and the interest payable thereon is secured by a guarantee of GAP Holdings. As at the date of this Prospectus, the BOV Bridging Facility bears interest at a rate of 5% per annum.

The FIMBank Bridging Facility is repayable by 30 May 2007, carries interest at a floating rate and the interest payable thereon is secured by a general hypothec for Lm84,000 by GAP Holdings and a guarantee and indemnity also for Lm84,000 by each of GAP Holdings, George and Carmen spouses Muscat, Paul and Lorraine spouses Attard and Adrian and Kim spouses Muscat. As at the date of this Prospectus the FIMBank Bridging Facility bears interest at a rate of 6.25% per annum.

It is envisaged that upon execution of the Tender the Issuer shall effect payment of the full price of Lm23,300,000 partly through the Bond proceeds and partly through the Senior Lenders to allow and enable the Senior Lenders to register a special privilege for the full amount of the Senior Loan over the Fort Cambridge Area. It is also envisaged that the Government will simultaneously refund to the Issuer the amount of Lm10,300,000 representing the deposit of Lm10,300,000 paid by the Issuer on account of the price of the Tender Freehold Property, which amount will be utilised to settle the BOV Bridging Facility and the FIMBank Bridging Facility.

The Issuer has obtained a borrowing facility of €34,000,000 (equivalent to approximately Lm14,600,000) from the Senior Lenders for the purpose of co-financing the execution of the Tender.

The payment of principal, interest and charges under the Senior Loan shall be secured by a general hypothec on the Issuer's property, present and future, and by a special hypothec and special privilege over the Fort Cambridge Area to be registered in favour of the Senior Loan Security Trustee for the benefit of the Senior Lenders. The Senior Loan shall rank senior, as to the payment of principal and interest, to the Bonds and to all other present and future obligations of the Issuer, except for obligations mandatorily preferred by law applying to companies generally.

The Senior Loan carries a floating rate of interest equivalent to 1.5% per annum above the floating 3-month Euribor rate.

Drawdown by the Issuer under the Senior Loan shall be allowed subject inter alia to evidence of approximately Lm15,000,000 being received by the Issuer in an account held by the Bond Trustee.

The Senior Loan also contains provision whereby all cash flows emanating from: (i) preliminary agreements; and (ii) final deeds of sale, in either case in respect of the sale of units are to be deposited in an escrow account with the Senior Loan Security Trustee who shall be required to maintain a credit balance on the said escrow account to satisfy the Company's payment obligations (whether such obligations refer to fees, interest, principal or otherwise) accruing and maturing on each next repayment date under the Senior Loan (the "Next Repayment Obligation"). Any balance in excess of the Next Repayment Obligation shall be released by the Senior Loan Security Trustee in favour or to the order of the Company.

The Senior Loan is available for inspection as laid out under the heading "**Documents on Display**" on page 46 below.

Other than as set out in this Prospectus the Issuer has no other material borrowings or indebtedness which are outstanding.

## **Memorandum and Articles of Association**

The Issuer is registered under the Act with registration number C 38040.

The principal object and purpose of the Issuer is to acquire the site known as the Fort Cambridge Area situated at Tigné, Sliema, including the hotel, structures and buildings built thereon and to redevelop the site for a combination of uses within the parameters of the Fort Cambridge Development Brief, including the construction thereon of residential apartments, hotel and tourist accommodation facilities, and quality office space and to turn such properties to account including by the re-sale, management, operation or lease of such properties as more fully set out in clause 3 of the Memorandum of Association of the Issuer.

## **17. MATERIAL CONTRACTS**

Reference is made to the BOV Bridging Facility and to the FIMBank Bridging Facility and to the Senior Loan under the heading “**Loan Capital and Indebtedness**” on page 44 of this Registration Document. Save for the foregoing, there are no material contracts that are not entered into in the ordinary course of the Issuer’s business, which could result in the Issuer being under an obligation or entitlement that is material to the Issuer’s ability to meet its obligation to Bondholders.

## **18. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**

Save for the 2006 auditor’s report (which is available for inspection together with the 2006 audited financial statements of the Issuer as laid out under the heading “**DOCUMENTS ON DISPLAY**” below), the Accountants’ Report on the projected financial statements of the Issuer set out as Annex 1 and the Architect’s Reports set out as Annex 2 and 3 respectively, this Registration Document does not contain any statement or report attributed to any person as an expert. The 2006 audit report dated 8 February 2007, the Accountants’ Report dated 21 March 2007 and the Architect’s Reports dated 10 March 2007 and 12 March 2007 respectively have been included in the form and context in which they appear with the authorisation of Emanuel P. Fenech, FIA, ACIB, CPA, of 1, Tal-Providenza Mansion, Main Street, Balzan, Malta, Deloitte & Touche of 1, Col. Savona Street, Sliema, Malta and TBA Periti, architects, civil and structural engineering consultants, of No. 43, Main Street, Balzan, Malta respectively who have given and have not withdrawn their consent to its inclusion herein. None of the foregoing experts have any beneficial interest in the Issuer. The Issuer confirms that the Accountants’ Report dated 21 March 2007 and the Architect’s Reports dated 10 March 2007 and 12 March 2007 respectively have been accurately reproduced in this 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.

## **19. DOCUMENTS ON DISPLAY**

For the life of the Registration Document the following documents (or copies thereof), where applicable, may be inspected at the registered office of the Issuer at GAP Holdings Head Office, Censu Scerri Street, Tigné, Sliema, Malta:

- The Memorandum and Articles of Association of the Issuer;
- The Audited Financial Statements of the Issuer for the period ended 31 December 2006;
- The Accountants’ Report on the projected financial statements of the Issuer dated 21 March 2007;
- The Tender;
- The Architect’s Valuation Report dated 10 March 2007;
- The Architect’s Report on the Issuer’s projected costs dated 12 March 2007;
- The Principal Contract dated 21 March 2007;
- The Senior Loan dated 21 March 2007.

## **PART 3 – SECURITIES NOTE**

This document is a Securities Note issued in accordance with the provisions of Chapter 17 of the Listing Rules issued by the Listing Authority and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

This Securities Note is issued pursuant to the requirements of listing rule 17.26 of the Listing Rules and contains information about the Bonds being offered by GAP Developments p.l.c. (the “Issuer”). Application has been made for the admission to listing on a second tier market and trading of the Bonds on the Alternative Companies List of the Malta Stock Exchange. This document should be read in conjunction with the most updated Registration Document issued by the Issuer from time to time that provides details of the Issuer.

This document is dated 21 March 2007.

The Bonds constitute the general, direct, unconditional and secured obligations of the Company, and shall at all times rank *pari passu* without any priority or preference among themselves. The Bonds shall be subordinated and shall rank junior to the Senior Loan and consequently the Bond Security Interest shall, at all times, rank junior and subsequent to the Senior Loan Security Interest and also to any prior ranking Security Interest arising by operation of law. Subject to the foregoing the Bonds shall rank with priority and preference to all other present and future obligations of the Company by virtue of the general hypothec and special hypothec over the Hypothecated Property which the Company has agreed to constitute in favour of the Bondholders.

ISIN MT0000331208 Lm Bond  
ISIN MT0000331216 € Bond

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Words and expressions used in this Securities Note shall, except where the context otherwise requires, bear the same meaning as defined in the Registration Document forming part of this Prospectus.

## **1. PERSONS RESPONSIBLE**

This document includes information given in compliance with the Listing Rules of the Listing Authority for the purpose of giving information with regard to the Issuer. All of the Directors whose names and functions appear below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

The financial statements of the Issuer for the financial period ended 31 December 2006 have been audited by Emanuel P. Fenech, FIA, ACIB, CPA of 1, Tal-Providenza Mansions, Main Street, Balzan, Malta.

### **Directors, Senior Management, Auditors and Advisers**

#### **Directors**

As at the date of this Securities Note, the Board of the Issuer is composed of the following persons:

George Muscat	Chairman
Paul Attard	Executive Director
Adrian Muscat	Executive Director
Rene H. Formosa	Non-executive Director
Mark Castillo	Non-executive Director

#### **Senior Management**

As at the date of this Securities Note the Issuer is reliant on the resources which are made available to it by its parent company, GAP Holdings, including the services of its senior management, whose names and responsibilities are set out hereunder:

George Muscat	Chairman
Paul Attard	Head, Sales and Marketing
Adrian Muscat	Head, Site Supervision
Edward Camilleri Bonici	Financial Controller
Raymond Grixti	Project Manager
Chris Gauci	Sales Executive

#### **Auditors**

The financial statements of the Issuer for the financial period ended 31 December 2006 have been audited by Emanuel P. Fenech FIA, ACIB, CPA of 1, Tal-Providenza Mansions, Main Street, Balzan, Malta.

#### **Advisers to the Issuer**

##### **Reporting Accountants**

Emanuel P. Fenech FIA, ACIB, CPA  
1, Tal-Providenza Mansions, Main Street, Balzan, Malta.

Deloitte & Touche  
1, Col. Savona Street, Sliema, Malta.

##### **Legal Advisers to the Issuer**

Dr. Chris Cilia LL.D.  
53, Doni Street, Rabat, Malta.

**Legal Advisers to the Issuer on the Bond Issue**

Zammit Pace & Co. Advocates  
215/1, Old Bakery Street, Valletta, Malta.

**Financial Adviser**

Francis J. Vassallo & Associates Ltd  
259, St Paul's Street, Valletta, Malta.

**Manager and Registrar**

HSBC Bank Malta p.l.c.  
233, Republic Street, Valletta, Malta.

**Sponsors**

Charts Investment Management Service Limited  
18a, 3rd Floor, Europa Centre, Floriana, Malta.

Curmi & Partners Limited  
"Finance House", Princess Elizabeth Street, Ta' Xbiex, Malta.

**2. RISK FACTORS****Risks relating to the Bond**

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. An investment in the Bonds involves certain risks including those described below. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in this Prospectus before deciding to make an investment in the Bonds. The sequence in which the risks below are listed is not intended to be indicative of any order of priority or of the extent of their consequences.

This document contains forward-looking statements, relating to the Issuer's objectives and plans and other statements of expectation and belief, which can be identified by the use of forward-looking terminology such as "expect", "may", "will", "could", "intend", "estimate" or "anticipate" or the negative thereof or other variations or comparable terminology. No assurance can be given that future results or expectations covered by such forward-looking statements will be achieved. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond the Issuer's control. The following factors could cause actual experience to vary materially from the matters covered in such forward-looking statements.

## Planning permission

The risk of delays in obtaining the necessary planning permissions is a risk commonly associated with property development projects. While such delays may depend on factors some of which may be beyond the control of the Issuer, the Directors consider that this risk is mitigated on account of the issuance by the Malta Environment and Planning Authority (“MEPA”), on 8 March 2007, of an outline development permit, further to the application made by the Issuer bearing number PA04144/06. Although this permit does not actually allow any construction works to start on the Tender Freehold Property, it vests the Issuer with the same rights, in terms of development potential of the site, as a full development permit. Indeed there is no distinction under the Development Planning Act, (Cap. 356, Laws of Malta) between an “outline” and a “full development” permit in that neither type of permit can be revoked (other than on exceptional grounds such as in the case of fraud or public safety).

The conditions attaching to the said outline development permit, however, identify a series of reserved matters, generally relating to phasing, internal layouts and external elevations, which need to be approved by MEPA before any construction works can start. One such phase is, for instance, that for the demolition of the existing buildings in Zone A and the excavation of Zone A and Zone C (each as indicated on the plan (Site Plan 2) as set out in Annex 4). A full development permit in connection with this phase has also been approved by MEPA on 8 March 2007 further to the application made by the Issuer bearing number PA06952/06.

The Directors consider that the next phase will be that for the construction of the residential units in Zone A. In this respect the Directors expect that the Company will be filing an application for a full development permit within approximately 4 weeks from 8 March 2007. Such a full development application requires the submission of detailed apartment layouts and of the elevations for the apartment blocks, many of which are already in an advanced state of preparation as at the date of this Prospectus. A number of additional studies will also have to be submitted according to the conditions of the relevant outline development permit, including detailed construction and waste, environmental, utility, and energy management plans, a monitoring plan, a landscaping plan, a fire safety and ventilation report, a refuse collection report, a wind impact study and a lighting design. Any delays in the submission of these plans and studies may result, however, in delays in the issuance of a full development permit.

In terms of law a valid full development application is to be decided upon by MEPA in approximately 16 weeks. While it is possible for MEPA to extend this period to approximately 26 weeks for valid reasons based on planning issues, the Directors consider that it is unlikely that there may be any planning grounds to justify an extension beyond the 16 week period referred to above since the proposed development of the Fort Cambridge Area is based on the Fort Cambridge Development Brief approved by MEPA, which is a subsidiary plan issued in terms of the Development Planning Act. Furthermore, the issuance by MEPA of an outline development permit pursuant to the Issuer’s application confirms that the proposed project is in accordance with this subsidiary plan. The Development Planning Act also provides for remedial procedures in the event that MEPA does not observe the time periods set out under the law for processing a valid full development application.

While an eventual full development permit would be subject to the possibility of appeal by any person aggrieved, the Directors consider that for the reasons stated above it is unlikely that there may be grounds to justify such an appeal. Moreover, save for those cases established by law where a precautionary injunction might be issued by a court of law, an appeal from the issuance of a full development permit does not in itself prevent development works from commencing pending the determination of such an appeal.

In view of the foregoing and taking into account approximately 4 weeks for the submission of a full development application together with a further allowance of approximately 4 weeks for the issuance of statutory notices and the like, the Directors expect that a full development permit will be issued by MEPA in approximately 6 months from 8 March 2007, that is in September 2007.

## Trading and liquidity

There is currently no trading record in respect of the Bonds as there has never been a public market for the Bonds prior to the offering contained in this Prospectus. Application has been made to the Listing Authority for the admissibility of the Bonds to listing on a second tier market and to the Malta Stock Exchange for the Bonds to be listed and traded on its Alternative Companies List. There can be no assurance, however, that an active secondary market for the Bonds will develop or, if it develops, that it will continue nor can there be any assurance that an investor will be able to re-sell his Bonds at or above the Bond Offer Price or at all. The Alternative Companies List is a second tier market which is a market designed primarily for companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration of all the information contained in the Prospectus as a whole and consultation with his or her own independent financial adviser.

A public trading market having the desired characteristics of depth, liquidity and orderliness depends on a number of factors including the presence in the market place of willing buyers and sellers of the Issuer's Bonds at any given time, which presence is dependent upon the individual decisions of investors 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. These factors include 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.

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.

## Credit rating

The Issuer has not sought the credit rating of an independent rating agency and there has been no assessment by an independent rating agency of the Bonds.

## Exchange rate risk

An investor in foreign currency instruments is exposed to the risk of changing exchange rates and spot rates.

## Redemption at the option of the Issuer

The Bonds are subject to early redemption, at the option of the Issuer in 2011 and 2012 upon giving advance notice in writing to Bondholders as set out in condition 4.8 on page 61 under the Terms and Conditions of the Bonds. In the event that the Issuer redeems the Bonds at a time when prevailing interest rates are relatively low, Bondholders may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate equivalent to that of the Bonds being redeemed.

## Prior ranking charges

A number of security interests protecting third party interests are identified on page 53 of the Prospectus which will rank in priority to Bondholders against the assets of the Issuer for so long as such security interests remain in effect.

## Independent review and advice

Each prospective purchaser of Bonds should determine whether an investment in the Bonds is appropriate in its particular circumstances and make an investment decision based on its own independent review of the financial condition and affairs and the creditworthiness of the Issuer, the Terms and Conditions of the Bonds and, in general, the information included in the complete Prospectus (and not only in this Securities Note) and should seek such professional advice (including, without limitation, tax, accounting, credit, legal and regulatory advice) as it deems appropriate under the circumstances.

Neither this Securities Note, nor any other parts of the Prospectus or any other information supplied in connection with any Bonds: (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or the Underwriter, Sponsor, Manager, Registrar or Authorised Distributors that any recipient of this Securities Note, any other part of the Prospectus or any other information supplied in connection with the Prospectus or any Bonds should purchase any Bonds.

## 3. KEY INFORMATION

### Summarised key Financial Information

Financial information about the Issuer is being incorporated by reference pursuant to Article 28 of the Regulation. Accordingly, the audited financial statements of the Issuer for the period 21 February 2006 (being the date of incorporation) to 31 December 2006, are available for inspection as laid out on page 72 below of this Securities Note.

Extracts from the audited financial statements are set out below:

#### Balance Sheet Extracts

As at 31 December 2006

	Lm'000
Total assets	11,392
Current liabilities	10,394
Capital and reserves	998
Total liabilities and shareholders' funds	11,392

The Company did not trade during the period ended 31 December 2006 and incurred a loss of Lm2,000.

The Company was incorporated on 21 February 2006 to acquire and develop the Fort Cambridge Area. The Tender was awarded in favour of the Company on 20 June 2006 further to which the Issuer entered into a preliminary agreement to acquire the Fort Cambridge Area on 29 December 2006.

To date the Company has paid a deposit of Lm10.3 million to the Government on account of the total acquisition cost. This payment was financed through two bridge loan facilities (Lm7.5 million by Bank of Valletta p.l.c. and Lm2.8 million by FIMBank p.l.c.) which are repayable by 30 April 2007 and 30 May 2007 respectively.

In addition to the cost of acquisition and the related capitalised interest costs the Company has also incurred project related expenses amounting to Lm187,540 and has paid a bid-bond of Lm100,000 in favour of the Government. The Company has made short-term temporary advances of uncommitted funds amounting to Lm730,000 to related companies. These funds are repayable on demand and the Directors anticipate that repayment of the said amount of Lm730,000 will be made by 31 December 2007.

Subsequent to the balance sheet date, the Company increased its paid up issued share capital by Lm1 million to Lm2 million pursuant to an allotment of 1,000,000 Ordinary Shares of Lm1.00 each, as fully paid up, made on 16 January 2007 in favour of GAP Holdings for consideration in cash.

### Loan Capital and Borrowings

The Issuer has outstanding bridge loan facilities with Bank of Valletta p.l.c. of Lm7,500,000 (the “BOV Bridging Facility”) and with FIMBank p.l.c. of Lm2,800,000 (the “FIMBank Bridging Facility”) which facilities were utilised to finance the deposit of Lm10,300,000 paid to the Government on account of the price of the Tender Freehold Property on the agreement entered into *inter alia* between the Government and the Issuer on 29 December 2006 in furtherance of the award of the Tender.

The BOV Bridging Facility is repayable by 30 April 2007, carries interest at a floating rate and the interest payable thereon is secured by a guarantee of GAP Holdings. As at the date of this Prospectus the BOV Bridging Facility presently bears interest at a rate of 5% per annum.

The FIMBank Bridging Facility is repayable by 30 May 2007, carries interest at a floating rate and the interest payable thereon is secured by a general hypothec for Lm84,000 by GAP Holdings and a guarantee and indemnity also for Lm84,000 by each of GAP Holdings, George and Carmen spouses Muscat, Paul and Lorraine spouses Attard and Adrian and Kim spouses Muscat. As at the date of this Prospectus the FIMBank Bridging Facility bears interest at a rate of 6.25% per annum.

It is envisaged that upon execution of the Tender the Issuer shall effect payment of the full price of Lm23,300,000 partly through the Bond proceeds and partly through the Senior Lenders to allow and enable the Senior Lenders to register a special privilege for the full amount of the Senior Loan over the Fort Cambridge Area. It is also envisaged that the Government will simultaneously refund to the Issuer the amount of Lm10,300,000 representing the deposit of Lm10,300,000 paid by the Issuer on account of the price of the Tender Freehold Property, which amount will be utilised to settle the BOV Bridging Facility and the FIMBank Bridging Facility.

The Issuer has obtained a borrowing facility of €34,000,000 (equivalent to approximately Lm14,600,000) from the Senior Lenders for the purpose of co-financing the execution of the Tender.

The payment of principal, interest and charges under the Senior Loan shall be secured by a general hypothec on the Issuer’s property, present and future, and by a special hypothec and special privilege over the Fort Cambridge Area to be registered in favour of the Senior Loan Security Trustee for the benefit of the Senior Lenders. The Senior Loan shall rank senior, as to the payment of principal and interest, to the Bonds and to all other present and future obligations of the Issuer, except for obligations mandatorily preferred by law applying to companies generally.

The Senior Loan carries a floating rate of interest equivalent to 1.5% per annum above the floating 3-month Euribor rate.

Drawdown by the Issuer under the Senior Loan shall be allowed subject *inter alia* to evidence of approximately Lm15,000,000 being received by the Issuer in an account held by the Bond Trustee.

The Senior Loan also contains provision whereby all cash flows emanating from: (i) preliminary agreements; and (ii) final deeds of sale, in either case in respect of the sale of units are to be deposited in an escrow account with the Senior Loan Security Trustee who shall be required to maintain a credit balance on the said escrow account to satisfy the Company’s payment obligations (whether such obligations refer to fees, interest, principal or otherwise) accruing and maturing on each next repayment date under the Senior Loan (the “Next Repayment Obligation”). Any balance in excess of the Next Repayment Obligation shall be released by the Senior Loan Security Trustee in favour or to the order of the Company.

The Senior Loan is available for inspection as laid out under the heading “**Documents on Display**” on page 72 below.

Other than as set out in this Prospectus the Issuer has no other material borrowings or indebtedness which are outstanding.

## Interest of Natural and Legal Persons involved in the Offer

Potential investors should pay attention to the fact that various potential conflicts of interest may arise.

Charts Investment Management Service Limited (“Charts”) is acting as Sponsor and as Underwriter in respect of the issue of Bonds. The underwriting commitment of Charts is supported by a sub-underwriting agreement dated 21 March 2007 with Collins Stewart (CI) Limited as sub-underwriter. In the event that the Bond Offer is not fully subscribed at the end of the Offer Period, Collins Stewart (CI) Limited will be the ultimate purchaser of the outstanding Bonds at the Bond Issue Price, subject to a minimum aggregate value of €25,000,000 (or the equivalent thereof in Maltese Liri) in Bond having been subscribed.

## Reasons for the Offer and Use of Proceeds

The net proceeds from the issue of the Bonds will be used by the Issuer principally to co-finance the execution of the Tender as set out on page 34 and the balance will be used for working capital purposes of the Issuer.

The Directors consider that the Issuer’s asset base together with the proceeds of the issue and the other sources of finance available to the Issuer will be adequate to meet the demands of its present business operations and immediate plans for future capacity during the current financial year.

## Estimated Expenses of the Offer

Professional fees, publicity, advertising, printing, listing, registration, underwriting, sponsor, management and registrar fees and other miscellaneous costs incurred in connection with this Offer, are estimated not to exceed Lm450,000 and shall be borne by the Issuer.

Selling commission is payable to Authorised Distributors. Each Authorised Distributor shall be entitled to a selling commission on the value of the Bonds allotted to Applicants applying through such Authorised Distributor at the rate of 1%.

## Estimated Net Proceeds of the Offer

It is estimated that the total net proceeds of the Offer would amount to Lm14,550,000 or €33,950,000, after deduction of a total amount of Lm450,000 or €1,050,000 representing the aggregate of estimated expenses of the Offer.

## Underwriting

The Bond Offer will be underwritten by Charts Investment Management Service Limited (the “Underwriter”) and sub-underwritten by Collins Stewart (CI) Limited (the Sub-underwriter). By an agreement dated 21 March 2007, between the Issuer and the Underwriter, it was agreed that in the event that the Bond Offer of Lm15,000,000 or €35,000,000 7% Secured Bonds is not fully subscribed after the end of the Offer Period, the Underwriter shall procure the purchase of such outstanding Bonds at the Bond Issue Price subject to a minimum value of Lm11,000,000 or €25,000,000 having been subscribed. The Underwriter has entered into a sub-underwriting agreement dated 21 March 2007 by which the Sub-underwriter has agreed to purchase up to €10,000,000 outstanding Bonds subject to a minimum value of Lm11,000,000 or €25,000,000 as aforesaid having been subscribed.

## Interests of Advisers

As at the date of this Prospectus none of the Advisers mentioned on page 48 of the Prospectus have any beneficial interest in the Issuer nor are any of such Advisers employed by the Issuer on a contingent basis.

### **Admission to Trading**

Application has been made to the Listing Authority for the admissibility of the Bonds to listing on a second tier market and to the Malta Stock Exchange for the Bonds to be listed and traded on its Alternative Companies List.

### **Distribution of the Bonds**

#### ***Placing Arrangements***

The Issuer may enter into conditional placement agreements with financial intermediaries prior to the commencement of the Offer Period whereby the Issuer binds itself to allocate to such financial intermediaries, which shall bind themselves to purchase, upon closing of subscription lists, an amount not exceeding sixty per cent (60%) in aggregate of the Bonds on offer.

#### ***Public Offering in Malta***

During the Offer Period, Applications for subscription to the Bonds may be made through any of the Authorised Distributors whose names are set out in Annex 7 of the Prospectus.

#### ***Allocation Policy***

Within 5 Business Days of the closing of subscription lists, the Issuer shall, directly or through the Registrar, announce the basis of acceptance of Applications and the allocation policy to be adopted.

## OFFER STATISTICS

<b>Issuer:</b>	GAP Developments p.l.c., a company registered in Malta with registration number C 38040.
<b>ISIN:</b>	MT0000331208 Lm Bond MT0000331216 € Bond
<b>Amount:</b>	The amount not exceeding Lm15,000,000 or €35,000,000 respectively or any proportion of both such Lm and € amounts.
<b>Form:</b>	The Bonds will be issued in fully registered form, without interest coupons, and will be represented by a Global Bond for Lm15,000,000 (the “MTL Global Bond”) or for €35,000,000 (the “EUR Global Bond”) or by both a MTL Global Bond and a EUR Global Bond each for any proportion of such Lm and € amounts. If and for as long as the Bonds are admitted to listing on the Alternative Companies List of the Malta Stock Exchange, certificates will not be delivered to Bondholders in respect of the Bonds as each Bondholder’s entitlement will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Bond Trustee at the Central Securities Depository, Garrison Chapel, Castille Place, Valletta CMR01 or at such other equivalent securities depository.
<b>Denomination:</b>	Maltese Lira (Lm) and/or Euro (€).
<b>Minimum amount per subscription:</b>	Minimum of one thousand Maltese Liri (Lm1,000) or two thousand five hundred Euros (€2,500) and integral multiples one hundred Maltese Liri (Lm100) or one hundred Euros (€100) thereafter.
<b>Maturity Date:</b>	30 April 2013 (subject to Early Redemption at the option of the Issuer, described below).
<b>Bond Offer Price:</b>	At par (Lm100 for each MTL Bond and €100 for each EUR Bond).
<b>Status of the Bonds, Security and Postponement:</b>	<p>The Bonds constitute the general, direct, unconditional and secured obligations of the Company, and shall at all times rank <i>pari passu</i> without any priority or preference among themselves. The Bonds shall be subordinated and shall rank junior to the Senior Loan and consequently the Bond Security Interest shall, at all times, rank junior and subsequent to the Senior Loan Security Interest and also to any prior ranking security interest arising by operation of law. Subject to the foregoing the Bonds shall rank with priority and preference to all other present and future obligations of the Company by virtue of the general hypothec and special hypothec over the Hypothecated Property which the Company has agreed to constitute in favour of the Bondholders.</p> <p>With respect to the special privilege competent to contractors, masons and other workmen for debts due to them in terms of section 2010 of the Civil Code (Cap. 16, Laws of Malta), the Principal Contractor has agreed to postpone its rights to the said special privilege for any amounts due to it in respect of the development of the Fort Cambridge Area up to the sum of Lm31,000,000 in favour of (i) the Senior Loan Security Trustee for the benefit of the Senior Lenders; and (ii) the Bond Trustee for the benefit of the Bondholders. The Principal Contractor has also undertaken to procure that all sub-contractors engaged by it shall likewise postpone their right to register a special privilege for any amounts due to them in respect of the Fort Cambridge Area development up to the sum of Lm31,000,000 in favour of (i) the Senior Loan Security Trustee for the benefit of the Senior Lenders; and (ii) the Bond Trustee for the benefit of the Bondholders.</p>
<b>Bond Trustee:</b>	BAWAG Malta Bank Ltd.

<b>Listing:</b>	Application has been made to the Listing Authority for the admissibility of the Bonds to listing on a second tier market and to the Malta Stock Exchange for the Bonds to be listed and traded on its Alternative Companies List.
<b>Offer Period:</b>	The period between 16 April and 20 April 2007 (or such earlier date as may be determined by the Issuer in the event of over-subscription) during which the Bonds are on offer.
<b>Interest:</b>	Seven per cent (7%) per annum.
<b>Yield:</b>	The gross yield calculated on the basis of the Interest, the Bond Offer Price and the Redemption Value of the Bonds at maturity is seven per cent (7%).
<b>Interest Payment Date(s):</b>	30 April of each year, between 2008 and the year in which the Bonds are redeemed (both years included), 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.
<b>Redemption Value:</b>	At par (Lm100 for each MTL Bond and €100 for each EUR Bond).
<b>Early Redemption at the option of the Issuer:</b>	The Issuer has the option to redeem all or any part of the Bonds at their nominal value on 30 April 2011 or 30 April 2012 by giving not less than sixty (60) days advance notice in writing to Bondholders.
<b>Underwriting:</b>	The Bond Issue will be underwritten by Charts Investment Management Service Limited (and sub-underwritten by Collins Stewart (CI) Limited) up to €10,000,000 subject to a minimum value of Lm11,000,000 or €25,000,000 having been subscribed.
<b>Manager and Registrar:</b>	HSBC Bank Malta p.l.c.
<b>Sponsors:</b>	Charts Investment Management Service Limited and Curmi & Partners Limited.
<b>Notices:</b>	Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty-four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his/her registered address and posted.
<b>Governing Law:</b>	The Bonds are governed by and shall be construed in accordance with Maltese law.
<b>Submission to Jurisdiction:</b>	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds shall be brought exclusively before the Maltese Courts.

### Expected Time-table of Principal Events

Application Forms Available	28 March 2007
Opening of Subscription Lists	16 April 2007
Closing of Subscription Lists	20 April 2007
Announcement of Basis of Acceptance	27 April 2007
Commencement of Interest on the Bonds	27 April 2007
Expected dispatch of Allotment Advice and Refunds of Unallocated Monies	4 May 2007

The Issuer reserves the right to close the Offer before 20 April 2007 in the event of over-subscription, in which case, the remaining events set out in the "Expected Time-table of Principal Events" shall be anticipated in the same chronological order in such a way as to retain the same number of Business Days between the said principal events.

## 4. INFORMATION CONCERNING THE SECURITIES TO BE OFFERED / ADMITTED TO TRADING

Each Bond shall be issued on the terms and conditions (the “Terms and Conditions”) set out herein 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. The Bonds are also subject to the provisions of the Bond Trust Deed set out in Annex 5 of this Prospectus.

### 4.1 General

- (1) A Global Bond for an amount not exceeding Lm15,000,000 (the “MTL Global Bond”) or for an amount not exceeding €35,000,000 (the “EUR Global Bond”) or both an MTL Global Bond and an EUR Global Bond each for any proportion of such Lm and € amount respectively shall be issued by the Issuer for the benefit of the Bondholders to the Bond Trustee and shall be delivered by the Issuer to the Bond Trustee to be held by the Bond Trustee as trustee for the Bondholders. The MTL Global Bond shall represent 150,000 MTL Bonds of a nominal value of Lm100 each or any proportion thereof and the EUR Global Bond shall represent 350,000 EUR Bonds of a nominal value of €100 or any proportion thereof forming part of a duly authorised issue of up to Lm15,000,000 or €35,000,000 7% Secured Bonds due 30 April 2013 to be issued at par by the Issuer pursuant to this Prospectus dated 21 March 2007.
- (2) The issue of the Bonds has been authorised by a resolution of the Board of the Issuer on 21 March 2007.
- (3) Unless previously purchased and cancelled, the Bonds shall be redeemed at the Redemption Value of Lm100 or €100 per Bond on 30 April 2013 (the “Maturity Date”), or in the event that the Issuer exercises the option to redeem all or any part of the Bonds prior to the Maturity Date on 30 April 2011 or 30 April 2012.
- (4) If the Euro becomes the legal currency of Malta at any time during which the Bonds are outstanding, the MTL Bonds will automatically be redenominated in Euro and the amount of each MTL Bond will be converted at the irrevocable fixed rate of exchange in accordance with any applicable law or guidelines. Thereafter the MTL Bonds will be treated in all respects as EUR Bonds and the MTL Global Bond will be consolidated in the EUR Global Bond. Upon such occurrence, references in this Prospectus to MTL Bonds will be interpreted to mean EUR Bonds and references to the MTL Global Bond will be interpreted to mean the EUR Global Bond as consolidated to include the MTL Global Bond.

### 4.2 Definitions

Words and expressions used in these Terms and Conditions shall, except where the context otherwise requires, bear the same meaning as defined elsewhere in this Prospectus. Furthermore, for the purposes of these Terms and Conditions:

“Business Day” means any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;

“Financial Indebtedness” means any indebtedness in respect of (A) monies borrowed; (B) any debenture, bond, Bond, 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 or financing the acquisition of that asset; (E) leases entered into primarily as a method of raising finance or financing 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;

“Permitted Security Interest” means (A) any Security Interest arising by operation of law; (B) any Security Interest securing temporary bank loans or overdrafts in the ordinary course of business; (C) the Senior Loan Security Interest; (D) any other Security Interest (in addition to (A) and (B) and (C) above) securing Financial Indebtedness of the Issuer, or an entity in which the Issuer has a controlling interest, in an aggregate outstanding amount not exceeding eighty five per cent (85%) of the difference between the value of unencumbered assets of the Company 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 Company being less than one hundred and seven per cent (107%) of the aggregate principal amount of the Bonds still outstanding;

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

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

### 4.3 Form, Denomination and Title

The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of one hundred Maltese Liri (Lm100) or one hundred Euros (€100) provided that on subscription the Bonds will be issued for a minimum of one thousand Maltese Liri (Lm1,000) or two thousand five hundred Euros (€2,500). The Bonds will be represented by a Global Bond for an amount not exceeding Lm15,000,000 (the “MTL Global Bond”) or for an amount not exceeding €35,000,000 (the “EUR Global Bond”) or by both a MTL Global Bond and a EUR Global Bond each for any proportion of such Lm and € amounts respectively issued by the Issuer for the benefit of Bondholders to the Bond Trustee and delivered by the Issuer to the Bond Trustee to be held by the Bond Trustee as trustee for Bondholders. The nominal value of the Bonds is being established to facilitate the trading therein and the exchange in definitive Bonds in accordance with the provisions of these Terms and Conditions. The Bonds, and transfer thereof, shall be registered as provided under clause 4.4 “**Registration, Replacement, Transfer and Exchange**” below.

### 4.4 Registration, Replacement, Transfer and Exchange

- (1) If and for as long as the Bonds are admitted to listing on the Alternative Companies List of the Malta Stock Exchange, certificates will not be delivered to Bondholders in respect of the Bonds as each Bondholder’s entitlement will be represented in uncertificated form by the appropriate entry in the electronic register maintained by the Bond Trustee at the Central Securities Depository or at such other equivalent securities depository. There will be entered in such electronic register the names and addresses of the Bondholders and particulars of the Bonds held by them respectively and a copy of such register will, at all reasonable times during business hours, be open to the inspection of the Bondholders at the registered office of the Issuer. The entry in such register shall, in the absence of manifest error, be conclusive evidence of the interests of Bondholders. Bondholders shall receive a statement of holdings evidencing their entry in the register on an annual basis or at such other regular intervals.
- (2) A Bond may be transferred in whole (in multiples of one hundred Maltese Liri (Lm100) or one hundred Euros (€100) depending on the currency of the Bond subscribed or purchased) by the Bondholder in accordance with the bye-laws of the Malta Stock Exchange and any applicable laws, rules or regulations governing the transfer of the Bonds.
- (3) 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, 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 Issuer, 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 that if a Bond is transmitted or transferred in part, a person will not be registered as a Bondholder unless such transmission or transfer is made in multiples of one hundred Maltese Liri (Lm100) or one hundred Euros (€100) depending on the currency of the Bond transmitted or transferred.
- (4) All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.

- (5) The cost and expenses of effecting any registration of transfer or transmission in the Bonds shall be at the charge of the Bondholder or at the charge of such person as the rules and bye-laws of the MSE may from time to time determine.
- (6) The Issuer and / or the Bond Trustee (as appropriate) 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.

#### 4.5 Status of the Bonds and Negative Pledge

- (1) The Bonds constitute the general, direct, unconditional and secured obligations of the Company, and shall at all times rank *pari passu* without any priority or preference among themselves. The Bonds shall be subordinated and shall rank junior to the Senior Loan and consequently the Bond Security Interest shall, at all times, rank junior and subsequent to the Senior Loan Security Interest and also to any prior ranking Security Interest arising by operation of law. Subject to the foregoing the Bonds shall rank with priority and preference to all other present and future obligations of the Company by virtue of the general hypothec and special hypothec over the Hypothecated Property which the Company has agreed to constitute in favour of the Bondholders.
- (2) 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, other than a Permitted Security Interest, upon the whole or any part of its present or future assets or revenues to secure any Financial Indebtedness of the Issuer.

#### 4.6 Interest

- (1) The Bonds shall bear interest from and including 27 April 2007 (the "Issue Date") at the rate of 7% per annum on the nominal value thereof, payable annually in arrears on 30 April of each year, (each an "Interest Payment Date"), the first Interest Payment Date being on 30 April 2008. Provided that 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, upon due presentation, 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 herein above or at the rate of two per cent (2%) per annum above the Central Bank of Malta minimum discount rate whichever is the greater.
- (2) When interest is required to be calculated for any period of less than a full year such interest shall be calculated on the basis of the actual number of days elapsed from and including the most recent Interest Payment Date, or as appropriate, the Issue Date divided by the actual number of days (365 or 366 as the case may be) in the respective year;

#### 4.7 Payments

- (1) Payment of the principal amount of a Bond will be made by the Issuer in Maltese Liri or in Euro, depending on the currency of the Bond subscribed or purchased, either (i) to the Bond Trustee for the interest of the Bondholders or (ii) pursuant to a delegation in writing made by the Bond Trustee, directly to each Bondholder whose name is entered in the register of the Bonds held at the Central Securities Depository and which determines the beneficiaries under the Bond Trust Deed, in either case with interest accrued to the date fixed for redemption, by cheque or by means of a direct credit against surrender of the Global Bonds by the Bond Trustee at the registered office of the Issuer or at such other place in Malta as may be notified by the Issuer. The Issuer shall not be responsible for any loss or delay in transmission. Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the Central Securities Depository.

- (2) Payment of any instalment of interest on a Bond will be made in Maltese Liri or Euro, depending on the currency of the Bond subscribed or purchased, either (i) to the Bond Trustee for the interest of the Bondholders or (ii) pursuant to a delegation in writing made by the Bond Trustee, directly to each Bondholder whose name is entered in the register of the Bonds held at the Central Securities Depository at the close of business fifteen (15) days prior to the Interest Payment Date by means of a direct credit into such bank account as the Bondholder may designate, in either case within seven (7) days of the Interest Payment Date (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). The Bondholder shall be required to make such designation in the Application Form. The Issuer shall not be responsible for any loss or delay in transmission.
- (3) All payments with respect to the Bonds are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable fiscal or other laws and regulations. In particular, but without limitation, all payments 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 or the Bond Trustee (as appropriate) may be 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.
- (4) No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

#### 4.8 Redemption and Prepayment

The Company hereby irrevocably covenants in favour of the Bond Trustee that:

- (a) The Bonds will be redeemed at par (together with interest accrued to the date fixed for redemption) on 30 April 2013 either (i) by payment to the Bond Trustee for the interest and benefit of the Bondholders; or (ii) pursuant to a delegation in writing made by the Bond Trustee, by payment direct to the Bondholders whose names are entered in the register of the Bonds held at the CSD and which determines the beneficiaries under the Trust. In either case the Issuer shall be discharged of any and all obligations under the Bonds. The Company reserves the right to prepay the Bonds prior to the Maturity Date, on either of the Optional Redemption Dates, in whole or in part, together with all interest accrued up to the date of prepayment, and any other sums payable under the Bond Trust Deed, provided that the Bond Trustee shall have received from the Company not less than sixty (60) days notice of its intention to effect such prepayment specifying the date when such prepayment shall be effected (upon which the Bond Trustee shall inform Bondholders accordingly). Redemption shall take place by payment of all principal and interest accrued until the date of prepayment. The notice of prepayment shall be effective only on actual receipt by the Bond Trustee, shall be irrevocable, and shall oblige the Company to make and the Bond Trustee to accept such prepayment on the date specified in the notice;
- (b) The Company will, until the Bonds have been paid, prepaid or redeemed in accordance with the provisions of sub-clause (a) above, pay to the Bond Trustee for the benefit of the Bondholders, or if delegated by the Bond Trustee in writing, pay directly to the Bondholders at the last registered address entered in the Register of Bondholders interest on such principal amount for the time being outstanding on the Bonds at the rate of seven per cent (7%) per annum which shall be payable annually in arrears on 30 April each year. The first of such payment shall be made on 30 April 2008;
- (c) The Bond Trustee shall only be under an obligation to effect payments of principal or interest to the Bondholders if it has effectively received such payments from the Company but shall be relieved of any obligation hereunder to effect payments of either interests or principal under the Bonds if it duly instructs and delegates the Company to pay the Bondholders directly. No liability shall attach to the Bond Trustee if it fails to effect any such payments to Bondholders if and when such failure is due to the non-payment thereof by the Company;

- (d) The Issuer shall be discharged from any payment obligations under this clause upon payment made net of any withholding or other taxes due or which may be due under Maltese Law and which have been duly paid to the Bond Trustee for the benefit of the Bondholders or if it has received due and proper instructions from the Bond Trustee in accordance with the provisions of the Bond Trust Deed, by effecting payments directly to the Bondholders.
- (e) The Bond Trustee shall be discharged from all and any payment obligations under this clause upon due receipt of the necessary funds from the Company and the payment thereof to the Bondholders or upon giving due and proper instructions in writing to the Company to effect payment directly to the Bondholders, either at least 60 days before an Interest Payment Date or at least 60 days before the first Interest Payment Date of a period for which the instructions so given shall be applicable.

#### 4.9 Covenants by the Company

The Company further irrevocably covenants with the Bond Trustee that at all times during the continuance of this security:

- (a) it will, until the whole of the Bonds have been paid off or redeemed, pay to the Bond Trustee for the benefit of the Bondholders or to the Bondholders directly as provided in clause 4.8 above interest at the rate of seven per cent (7%) per annum on each Interest Payment Date and shall pay to the Bond Trustee for the benefit of the Bondholders or to the Bondholders directly as provided in clause 4.8 above, the principal amount of the Bonds on the Maturity Date;
- (b) it will maintain its corporate existence as a company duly organised and existing and in good standing under Maltese law;
- (c) it will use its best endeavours to maintain the listing of the Bonds on the Malta Stock Exchange and to procure that there will at all times be furnished to the Malta Stock Exchange such information as may be required to be furnished in accordance with its requirements;
- (d) it will promptly, upon the happening of any Event of Default notify the Bond Trustee of such event;
- (e) it will at all times and without cost or expense to the Bond Trustee maintain, preserve and keep in proper order, repair and condition or cause to be so maintained and preserved such parts of the Hypothecated Property as are of a repairable nature and shall procure and furnish the Bond Trustee with an Architect's report of the state of the Hypothecated Property at least once annually on 21 March of every year, without cost or expense to the Bond Trustee, which report shall, without prejudice to the powers of the Bond Trustee under sub-clause (i) hereof, constitute full proof and evidence of the state of the property for the Bond Trustee for the purposes of the Bond Trust Deed and the Bond Trustee shall not be required or bound to carry out any additional or further inspection, inquiry or verification of the state of the Hypothecated Property. The Bond Trustee shall have power in the event of any such part of the Hypothecated Property being or becoming out of proper order repair or condition to call upon the Company to affect such repairs within a reasonable time as may be specified in the notice. If the Company fails to undertake the repairs requested by the Bond Trustee in the notice after the lapse of the time granted to it by the Bond Trustee in the notice, the Bond Trustee may, but shall not be bound to do so, call a meeting of Bondholders for the purpose of determining what action, if any, should be taken in the circumstances. Provided that if requested to do so in writing by not less than seventy five per cent (75%) in value of the Bondholders, the Bond Trustee shall, provided it is indemnified by the Bondholders to the satisfaction of the Bond Trustee, have the power itself to engage such persons as may be necessary to repair or to put and maintain the same in proper order repair and condition and any expenses incurred by the Bond Trustee and its costs and charges therein shall be a debt due from the Company payable on demand;

- (f) the Company will insure and keep insured to the satisfaction of the Bond Trustee and to the full replacement value thereof all such parts of the Hypothecated Property as are of an insurable nature against loss or damage by fire, explosion, lightning, storm, tempest, flood, aircraft and things dropped therefrom and such other risks as in accordance with sound commercial practice are normally insured against by companies carrying on a similar business with one or more insurance companies licensed to transact insurance business in Malta or such other insurance company agreed to between the Company and the Bond Trustee and will procure that the interest of the Bond Trustee as hypothecary creditor is duly noted on the policies of insurance and will produce the policies of such insurance to the Bond Trustee if required and duly pay or cause to be paid the premia and other sums of money payable in respect of such insurance and if required produce to the Bond Trustee the receipt for the same within fifteen days of the same becoming due. All monies received by virtue of any such insurance shall so far as they are in respect of part of the Hypothecated Property be deemed part of the Hypothecated Property and shall be paid to the Bond Trustee and shall be applied in making good the loss or damage in respect of which the monies were received or in such other manner as the Bond Trustee shall approve. The sums insured under any policy taken out in favour of the Bond Trustee as trustee for Bondholders shall be equivalent at least to the value of the Bonds from time to time outstanding and one year's interest thereon and shall be over and above any insurance or other indemnity given to any prior ranking creditor including the Senior Loan Security Trustee;
- (g) the Company will not remove or destroy or suffer to be removed or destroyed any part of the Hypothecated Property except for the purpose of renewing or replacing the same and will in such case forthwith renew or replace the same accordingly;
- (h) the Company will duly and punctually pay, perform and observe all rents, rates, taxes, stamp duties, covenants and other obligations whatsoever which ought properly to be paid or to be observed or performed by the Company in respect of any part of the Hypothecated Property;
- (i) the Company will permit the Bond Trustee or any person or persons authorised by it at any time and from time to time during the usual times of business so long as any money shall remain due upon the security of the Bond Trust Deed to inspect and examine any part of the Hypothecated Property and will afford the Bond Trustee and its agent access to the Hypothecated Property and render them such assistance as may be required for any of the purposes aforesaid; Provided that the aforementioned inspection may only be made by the Bond Trustee after having notified the Company in writing of its intention and provided further that the aforementioned inspection is made during reasonable business hours;
- (j) the Company will keep proper books of account which shall at all reasonable times be open to inspection by the Bond Trustee or any person appointed by the Bond Trustee for that purpose and will furnish to the Bond Trustee or any such agent all such information relating to the business or affairs of the Company as they shall require in accordance with International Financial Reporting Standards and will deliver to the Bond Trustee at least five days before the annual general meeting of the Company each year a copy of the balance sheet and profit and loss account of the Company certified by the auditors of the Company and copies of the auditors' and directors' reports thereon together with copies of any other documents required by law to be attached thereto. The Bond Trustee may but shall not be required or bound to carry out any independent audit or other verification of any books of account, balance sheet, profit and loss account, certificates or other information furnished to it by the Company;
- (k) the Company will carry on and conduct its business in a proper and efficient manner;
- (l) the Company will permit the Bond Trustee to hold the Land Registry Certificate showing title to the Hypothecated Property, if applicable;
- (m) the Company will forthwith on receipt of the same, deliver to the Bond Trustee all orders, directions, notices and any other thing whatsoever affecting or likely to adversely affect the Hypothecated Property but the Company shall be entitled at its own expense to take a copy thereof;

- (n) the Company will comply with the requirements of the Development Planning Act 1992 (Cap. 356, Laws of Malta) so far as such requirements relate to the Hypothecated Property or any part thereof and will promptly produce to the Bond Trustee any notice, order, direction, requisition, permission or other document served on it in connection with such law which affects or is likely to affect the Hypothecated Property or any part thereof;
- (o) Subject to the Senior Loan Security Interest, the Company will not hypothecate the Hypothecated Property further nor transfer ownership and/or any other real right over the Hypothecated Property under any title whatsoever without the consent of the Bond Trustee.

#### 4.10 Representations and Warranties

- (1) The Issuer represents and warrants to the Bond Trustee that relies on such representations and warranties, that:
  - (a) 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;
  - (b) it has the power to execute, deliver, and perform its obligations under the Bond Trust Deed; all necessary corporate, shareholder and other action has been duly taken to authorise the execution, delivery and performance of the same and no limitation on the powers of the Issuer to borrow shall be exceeded as a result of the Bond Trust Deed;
  - (c) the Bond Trust Deed constitutes valid and legally binding obligations of the Issuer;
  - (d) the execution and performance of its obligations under, and in compliance with, the provisions of the Bond Trust Deed by the Issuer shall not:
    - (i) contravene any existing applicable law, statute, rule or regulation or any judgement, decree or permit to which the Issuer is subject;
    - (ii) conflict with, or result in any breach of any terms of, or constitute a default under any bond or other instrument to which the Issuer is a party or is subject or by which it or any of its property is bound;
    - (iii) contravene any provision of the Issuer's articles of association.
  - (e) no litigation, arbitration or administrative proceedings is taking place, pending or, to the knowledge of the officers of the Issuer, threatened against the Issuer which could have a material adverse effect on the business, assets or financial condition of the Issuer;
  - (f) the audited financial statements of the Issuer in respect of the financial period ended 31 December 2006 as delivered to the Bond Trustee have been prepared in accordance with generally accepted accounting principles and practices in Malta which have been constantly applied and present truly and fairly the financial position of the Company as at such date and the results of the operations of the Company for the financial period ended on such date. The Issuer has not had any significant liabilities actual or contingent which are not disclosed by, or reserved against, in such financial statements, and the Issuer did not have any unrealised losses.
- (2) The Prospectus contains all material information with respect to the Company and that all information contained therein is in every material respect true and accurate and not misleading and that there are no other facts in relation to the Company, its 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.

- (3) The Issuer further represents and warrants to the Bond Trustee that relies on such representations and warranties that:
- (a) there has been no material adverse change in the financial position of the Company from that set forth in the financial statements referred to in paragraph (f) of sub-clause (1) above;
  - (b) every consent, authorisation, approval or registration with or declaration to, governmental or public bodies or authorities or courts, required by the Issuer in connection with the execution, validity, enforceability of the Bond Trust Deed or the performance of its obligations under the Bond Trust Deed have been obtained or made and are in full force and effect and there has been no default in the observance of any of the conditions or restrictions, if any, imposed in, or in connection with, any of the same;
  - (c) no default mentioned in the Bond Trust Deed has occurred and is continuing.

#### 4.11 Asset Preservation Covenants

The Company shall at all times, unless otherwise agreed to with the Bond Trustee, retain Net Assets which shall not fall below sixty per cent (60%) of its Net Assets as at 21 March 2007.

#### 4.12 Default, Acceleration and Enforcement

- (1) The Bond Trustee may in its absolute and uncontrolled discretion and shall upon the request in writing of not less than seventy five per cent (75%) in value of the Bondholders by notice in writing to the Company declare the Bonds to have become immediately payable:
- (a) If the Company defaults for thirty (30) days in the payment of any interest owing on the Bonds;
  - (b) If the Company defaults for thirty (30) days in the payment of any principal monies owing in respect of the Bonds;
  - (c) If, in terms of section 214(5) of the Companies Act, 1995 (Cap. 386, Laws of Malta), a Court order or other judicial process is levied or enforced upon or sued out against any part of the property of the Company and is not paid out, withdrawn or discharged within ninety (90) days;
  - (d) If the Company stops payment of its debts or ceases or threatens to cease to carry on its business;
  - (e) If the Company is unable to pay its debts within the meaning of section 214(5) of the Companies Act, 1995 (Cap. 386, Laws of Malta) or any statutory modification or re-enactment thereof;
  - (f) If a judicial administrator is appointed for the whole or any part of the property of the Company, and such appointment is certified by the Bond Trustee to be prejudicial in its opinion to the Bondholders;
  - (g) If an order is made or an effective resolution is passed for the winding up of the Company, except for the purpose of a reconstruction, amalgamation or division, the terms of which have been approved in writing by the Bond Trustee, which approval shall not be unreasonably withheld;
  - (h) If the Company's Net Assets fall below sixty per cent (60%) of its Net Assets as at 21 March 2007 without the written consent of the Bond Trustee;
  - (i) If the Company substantially changes the object or nature of its business as currently carried on;
  - (j) If the Company commits a breach of the undertakings or provisions of clause 4.13 below ("Bond Security Interest");

- (k) If the Company commits a breach of any of the covenants or provisions herein contained and on its part to be observed and performed and the said breach still subsists for twenty one (21) days after having been notified by the Bond Trustee (other than any covenant for the payment of interests or principal monies owing in respect of the Bonds or any undertaking for the creation of the Bond Security Interest);
- (l) If the security constituted by any hypothec or charge upon the whole or any part of the undertaking or assets of the Company shall become enforceable and steps are taken to enforce the same and the taking of such steps shall be certified in writing by the Bond Trustee to be in its opinion prejudicial to the Bondholders;
- (m) If any representation or warranty made or deemed to be made or repeated by or in respect of the Company is or proves to have been incorrect in any material respect in the sole opinion of the Bond Trustee;
- (n) If any material indebtedness of the Company is not paid when properly due or becomes properly due and payable or any creditor of the Company becomes entitled to declare any such material indebtedness properly due and payable prior to the date when it would otherwise have become properly due or any guarantee or indemnity of the Company in respect of indebtedness is not honoured when properly due and called upon. Provided that for the purposes of this provision, material indebtedness shall mean an amount exceeding Lm500,000;
- (o) If any consent, authorisation, licence or approval of, or registration with, or declaration to governmental or public bodies, or authorities or courts, required by the Company in connection with or pursuant to the execution, delivery, validity, enforceability or admissibility in evidence hereof, or the performance by the Company and of its obligations hereunder, is substantially modified in the sole opinion of the Bond Trustee, or is not granted, or is revoked, or terminated, or expires and is not renewed, or otherwise ceases to be in full force and effect;
- (p) If all or in the sole opinion of the Bond Trustee a material part of the undertakings, assets, rights, or revenues of or shares or other ownership interests in the Company are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government;
- (q) If it becomes unlawful at any time for the Company to perform all or any of its obligations hereunder;
- (r) If the Company repudiates or does or causes or permits to be done any act or thing evidencing an intention to repudiate the Bonds and/or the Bond Trust Deed.

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

- (2) Provided that in the event of any breach by the Company of any of the covenants, obligations or provisions herein contained due to any fortuitous event of a calamitous nature, beyond the control of the Company, the Bond Trustee may, but shall be under no obligation so to do, give the Company such period of time to remedy the breach as in its sole opinion may be justified in the circumstances and if in its sole opinion the breach is remediable within the short term and without any adverse impact on the Bondholders. Provided that in the circumstances contemplated by this clause the Bond Trustee shall at all times act on and in accordance with any instructions it may receive from a simple majority in value of the Bondholders present and voting at a meeting of Bondholders.
- (3) The Bond Trustee shall not be bound to take any steps to ascertain whether any event of default or other condition, event or circumstance has occurred or may occur, and, until it shall have actual knowledge or express notice to the contrary, the Bond Trustee shall be entitled to assume that no such event of default or condition, event or other circumstance has happened and that the Issuer is observing and performing all the obligations, conditions and provisions on its part contained in the Bonds and the Bond Trust Deed.

#### 4.13 Bond Security Interest

In warranty of the proper observance by the Company of all the covenants and obligations undertaken by it in the Bond Trust Deed and the Bonds, and in particular in warranty of its obligation to repay the principal amount of the Bonds and all interests thereon, and all other monies intended to be thereby secured the Company has agreed, subject to the provisions of clause 4.5 above, to constitute in favour of the Bond Trustee for the benefit of the Bondholders a general hypothec over all its present and future assets as well as a special hypothec over the Hypothecated Property and this simultaneously with the acquisition by the Company of the Hypothecated Property. The Company undertakes to constitute the said general and special hypothec by no later than 30 April 2007 or such later time as the Bond Trustee may allow in its absolute and uncontrolled discretion.

#### 4.14 Further Issues

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further bonds, Bonds, debentures or any other debt securities either having the same terms and conditions as the Bonds in all respects (except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Bonds or otherwise upon such terms and conditions as the Issuer may determine. Any further debt securities so issued may rank *pari passu* in all respects with the Bonds but shall not rank ahead of the Bonds. The Issuer shall not issue any other debt instrument for a period of six months following the date of this Prospectus.

#### 4.15 Bonds held Jointly

In respect of a Bond held jointly by several persons (including husband and wife), the joint holders shall nominate one of their number as their representative and his/her name will be entered in the register with such designation. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first named in the register of Bondholders shall for all intents and purposes be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional Applicants" in the Application Form or joint holders in the register as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

#### 4.16 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 continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner.

#### 4.17 Governing Law and Jurisdiction

- (1) The Bonds are governed by and shall be construed in accordance with Maltese law.
- (2) Any legal action, suit or proceedings against the Issuer arising out of or in connection with the Bonds shall be brought exclusively before the Maltese Courts.

#### 4.18 Notices

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

#### 4.19 Listing

In the event that the Bonds are admitted to listing on the Alternative Companies List of the Malta Stock Exchange (the "Exchange"), all the terms and conditions hereof, including, but not limited to, clause 4.4 "**Registration, Replacement, Transfer and Exchange**" shall be subject to, and shall apply only so far as they are not inconsistent with, all the laws, bye-laws, statutes, rules and regulations applicable from time to time relating to the Bonds and the Exchange.

### 5. TERMS AND CONDITIONS OF THE OFFER

**5.1** The contract created by the acceptance of an Application shall be subject to the terms and conditions set out herein. If any Application is not accepted, or if any Application is accepted for fewer Bonds than those applied for, the Application monies or the balance of the amount paid on Application will be returned by the Issuer without interest by direct credit into the Applicant's bank account as indicated by the Applicant on the Application Form. Neither the Issuer nor the Bond Trustee will be responsible for any loss or delay in transmission .

**5.2** 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.

**5.3** Any person, whether natural or legal, shall be eligible to submit an Application, and any one person, whether directly or indirectly, should not submit more than one Application Form. In the case of corporate Applicants or Applicants having separate legal personality, the Application Form must be signed by a person authorised to sign and bind such Applicant. It shall not be incumbent on the Issuer or Registrar to verify whether the person or persons purporting to bind such an Applicant is or are in fact authorised.

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 Bondholders, 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 years.

**5.4** All Applications for the subscription of Bonds must be submitted on Application Forms within the time limits established above. The minimum subscription of Bonds is Lm1,000 or €2,500 in value (depending on the currency of the Bonds subscribed) and Applications in excess of Lm1,000 or €2,500 in value must be in multiples of Lm100 or €100, as appropriate. The completed Application Forms are to be lodged with any of the Authorised Distributors mentioned in this Prospectus. Unless other arrangements are concluded with the Issuer or the Registrar, all Application Forms must be accompanied by the full price of the Bonds applied for in Maltese Liri or in Euro depending on the currency of the Bonds subscribed. Payment may be made either in cash or by cheque payable to "The Registrar – GAP Developments p.l.c. Bond Issue". In the event that cheques accompanying Application Forms are not honoured on their first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application. Multiple Applications are not allowed.

**5.5** By completing and delivering an Application Form you (as the Applicant(s)):

- (a) irrevocably offer to purchase the number of Bonds specified in your Application Form (or any smaller number for which the Application is accepted) at the Bond Offer Price subject to the Prospectus (including the Bond Trust Deed annexed to it), the terms and conditions thereof and the memorandum and articles of the Issuer;
- (b) authorise the Registrar and the Directors to include your 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 you;
- (c) warrant that your remittance will be honoured, on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive a registration advice, or to be registered in the register of debentures or to enjoy or receive any rights in respect of such Bonds unless and until you make payment in cleared funds for such Bonds and such payment is accepted by the Issuer (which acceptance shall be made in the absolute discretion of the Issuer and may be on the basis that you indemnify the Issuer against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that, at any time prior to unconditional acceptance by the Issuer of such late payment in respect of such Bonds, the Issuer may (without prejudice to other rights) treat the agreement to allocate such Bonds as void and may allocate such Bonds to some other person, in which case you will not be entitled to any refund or payment in respect of such Bonds (other than return of such late payment);
- (d) agree that the registration advice and other documents and any monies returnable to you may be retained pending clearance of your remittance and any verification of identity as required by the Prevention of Money Laundering Act, 1994 (and regulations made thereunder) and that such monies will not bear interest;
- (e) agree that all Applications, acceptances of Applications and contracts resulting therefrom will be governed by, and construed in accordance with Maltese law and that you submit to the jurisdiction of the Maltese courts and agree 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;
- (f) warrant that, if you sign the Application Form on behalf of another party or on behalf of a corporation or corporate entity or association of persons, you have 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 and undertake to submit your power of attorney or a copy thereof duly certified by a lawyer or notary public if so required by the Registrar;
- (g) agree that all documents in connection with the issue of the Bonds and any returned monies, including refunds of all unapplied Application monies, will be sent at your risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form;
- (h) agree that, having had the opportunity to read the Prospectus, you have and shall be deemed to have had notice of all information and representations concerning the Issuer and the issue of the Bonds contained therein;
- (i) confirm that in making such Application you are not relying on any information or representation in relation to the Issuer or the issue of the Bonds other than those contained in this Prospectus and you accordingly agree 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;
- (j) confirm that you have reviewed and you will comply with the restriction contained in paragraph 5.6 and the warning in paragraph 5.7 below;
- (k) warrant that you are not under the age of 18 years or if you are lodging an Application in the name and for the benefit of a minor, warrant that you are the parents or legal guardian/s of the minor;
- (l) agree that such Application Form is addressed to the Issuer and that in respect of those Bonds for which your Application has been accepted, you shall receive a registration advice confirming such acceptance;

- (m) confirm that in the case of a joint Application the first named Applicant shall be deemed the holder of the Bonds;
- (n) agree to provide the Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with your Application(s);
- (o) agree that Charts Investment Management Service Limited and Curmi & Partners Limited, each in their capacity of Sponsor will not treat you as its customer by virtue of your making an Application for Bonds or by virtue of your Application to subscribe for Bonds being accepted and that Charts Investment Management Service Limited and Curmi & Partners Limited will owe you no duties or responsibilities concerning the price of the Bonds or their suitability for you;
- (p) warrant that, in connection with your Application, you 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 your Application in any territory and that you have not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the Bond Issue or your Application;
- (q) warrant that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- (r) represent that you are 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 (the “Securities Act”)) and that you are 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, unless you indicate otherwise on the Application Form in accordance with the instructions on the Application Form; and
- (s) agree that in all cases, any refund of unallocated Application monies will be returned to you by direct credit to the bank account indicated in your Application Form, within five (5) Business Days from the date of final allocation. No interest shall be due on refunds.

- 5.6** The Bonds have not been and will not be registered under the Securities Act 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.
- 5.7** 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 him/her nor should he/she in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to him/her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 5.8** For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2003 as subsequently amended, all appointed selling agents are under a duty to communicate upon request, all information about clients as laid down in Articles 1.2(d) and 2.4 of the “Code of Conduct for Members of the Malta Stock Exchange” appended as Appendix IV to Chapter 3 of the Malta Stock Exchange Bye-Laws, irrespective of whether the appointed selling agents are Malta Stock Exchange members or not. Such information shall be held and controlled by the Malta Stock Exchange in terms of the Data Protection Act (Cap. 440, Laws of Malta) for the purposes, and within the terms of, the Malta Stock Exchange’s Data Protection Policy as published from time to time.
- 5.9** Within five (5) Business Days from the closing of the subscription lists, the Issuer shall, either directly or through the Registrar, determine and announce the basis of acceptance of applications and allocation policy to be adopted.

**5.10** Save where the context requires otherwise, terms defined in the Prospectus bear the same meaning when used in these terms and conditions of Application, in the Application Form and in any other document issued pursuant to the Prospectus.

**5.11** The subscription lists will open at 08.30 hours on 16 April 2007 and will close as soon thereafter as may be determined by the Issuer but not later than 12.00 hours on 20 April 2007.

## **6. ADMISSION TO TRADING AND DEALING ARRANGEMENTS**

Application has been made to the Listing Authority for the admissibility of the Bonds to listing on a second tier market and to the Malta Stock Exchange for the Bonds to be listed and traded on its Alternative Companies List.

## **7. ADDITIONAL INFORMATION**

### **Exchange Controls**

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 exchange control in Malta (in terms of the External Transactions Act, Cap. 233, Laws of Malta) and in the countries of their nationality, residence or domicile.

The obligation to comply with any applicable exchange control or other such regulations (such as those relating to external transactions) rests with the investor and not with the Issuer, Underwriter, Manager, Registrar, Sponsors or any of the Authorised Distributors.

### **Taxation**

#### **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 holders 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.

#### **Malta Tax on Interest**

Since interest is payable in respect of a bond which is the subject of a public issue, unless the Issuer and/or the Bond Trustee is otherwise instructed by a Bondholder or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c)(i) of the Income Tax Act, (Cap. 123, Laws of Malta), interest shall be paid to such person net of a final withholding tax, currently at the rate of 15% of the gross amount of the interest, pursuant to article 33 of the Income Tax Act, 1948 (Cap. 123, Laws of Malta). Bondholders which 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 Bondholder need not declare the interest so received on his income tax return. No person shall be charged to further tax in respect of such income. However tax withheld shall in no case be available to any person for a credit against that person's tax liability or for a refund as the case may be.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax on it at the standard rates applicable to that person at that time. Additionally in this latter case the Issuer and/or Bond Trustee will advise the Inland Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients unless the recipient is a non-resident of Malta. Any such election made by a resident Bondholder at the time of the application 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 and/or the Bond Trustee in terms of law.

### ***European Union Savings Directive***

Non residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Malta Commissioner of Inland Revenue who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the EU Savings Directive 2003/48/EC.

### ***Malta 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 of the Income Tax Act, that is, "shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return", no tax on capital gains is chargeable in respect of transfer of the Bonds. In terms of the definition of "securities" under article 5(1) (b) of the Income Tax Act no Malta tax on capital gains is chargeable in respect of the transfer of the Bonds.

### ***Duty on documents and transfers***

In terms of article 50(2) of the Financial Markets Act, (Cap 345, Laws of Malta) as the Bonds constitute securities of a company quoted on a Recognised Investment Exchange, as is the MSE, redemptions and transfers of the Bonds are exempt from Maltese duty on documents and transfers.

### ***Statement by experts***

Save for the 2006 auditor's report (which is available for inspection together with the 2006 audited financial statements of the Issuer as laid out under the heading "**Documents on display**" below), the Accountants' Report on the projected financial statements of the Issuer set out as Annex 1 and the Architect's Reports set out as Annex 2 and 3 respectively, the Prospectus does not contain any statement or report attributed to any person as an expert.

### ***Documents on display***

The following documents (or copies thereof), where applicable, may be inspected at the registered office of the Issuer at GAP Holdings Head Office, Censu Scerri Street, Tigné, Sliema, Malta:

- The Memorandum and Articles of Association of the Issuer;
- The Audited Financial Statements of the Issuer for the period ended 31 December 2006;
- The Accountants' Report on the projected financial statements of the Issuer dated 21 March 2007;
- The Tender;
- The Architect's Valuation Report dated 10 March 2007;
- The Architect's Report on the Issuer's projected costs dated 12 March 2007;
- The Principal Contract dated 21 March 2007;
- The Senior Loan dated 21 March 2007.

## **ANNEX 1 – ACCOUNTANTS’ REPORT**

**Deloitte & Touche**

1, Col. Savona Street,  
Sliema, Malta

**Emanuel P. Fenech**

1, Tal-Providenza Mansions,  
Main Street, Balzan, Malta

The Directors  
Gap Developments p.l.c.  
Censu Scerri Street  
Tigné  
Sliema, Malta

The Directors  
Charts Investment Management Service Limited  
18A, 3rd Floor, Europa Centre  
Floriana, Malta

The Directors  
Curmi and Partners  
“Finance House”  
Princess Elizabeth Street  
Ta Xbiex, Malta

21 March 2007

Dear Sirs,

**Accountants’ report on the projected financial statements of Gap Developments p.l.c. (formerly known as Imperial Point Company Limited)**

We have reviewed the accounting policies and calculations for the projected financial statements of Gap Developments p.l.c. (the “Company”) for the years ended 31 December 2007 to 30 June 2013.

**Directors’ Responsibility**

It is the directors’ responsibility to prepare the projected financial statements, together with the material assumptions on which they are based, in accordance with the requirements of the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority and EU Regulation EC809/2004.

**Accountants’ Responsibility**

It is our responsibility to form an opinion as to whether the projected financial statements, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis adopted by the Directors of the Company.

Since the projected financial statements and the assumptions on which they are based relate to the future they may be effected by unforeseen events. The variation between forecast and actual results may be material. We are not required to express, nor do we express any opinion on the possibility of achievement of the results set out in the prospective financial statements or on the underlying assumptions.

### **Work performed**

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the projected financial statements, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis stated. We conducted our work in accordance with the requirements of the Malta Financial Services Authority Listing Rules in respect of the accountants’ report and the Companies Act, 1995.

### **Opinion**

In our opinion the projected financial statements, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis stated by the directors of the Company and have been prepared on a basis consistent with the accounting policies normally adopted by the Company.

This opinion is solely intended to be relied upon for the purposes of the prospectus dated 21 March 2007. Readers are cautioned that the projected financial statements may not be appropriate for purposes other than that described above.

Actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material.

### **Raphael Aloisio**

For and on behalf of DELOITTE & TOUCHE  
Certified Public Accountants

1, Col. Savona Street,  
Sliema, Malta

### **Emanuel P. Fenech**

Certified Public Accountant

1, Tal-Providenza Mansions,  
Main Street, Balzan, Malta

**21 March 2007**

**ANNEX 2 – ARCHITECT'S VALUATION****TBA periti**

**Architects, Civil and Structural Engineering Consultants.**  
 No43. Main Street, Balzan, BZN 06.  
 Tel.: (356) 2149 8532, Fax.: (356) 2149 8534 e-mail: [tbaperiti@tbaperiti.com](mailto:tbaperiti@tbaperiti.com)

Job No.  
 Your Ref.

10 March 2007

The Directors,  
 GAP Developments p.l.c.  
 Censu Scerri Street  
 Tigné, Sliema

Dear Sirs,

**Valuation Report for the Site  
 earmarked for the Fort Cambridge Development Project  
 for the purposes of a proposed Bond Issue  
 in accordance with Listing Rules for Property Companies**

In accordance with your instructions, the undersigned has carried out a Valuation of the Site for the proposed Fort Cambridge Development Project, which detailed report is herewith submitted.

It is understood that the purpose of the Valuation Report is in connection with the proposed Bond Issue, and that a copy of this report will be included with the Offering Memorandum, in accordance with the Listing Rules for Property Companies.

The Valuation has been carried out by the undersigned, as an external valuer in terms of, and with regard given to, the UK Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The Valuation was based on direct knowledge of the site, and its potential, as well as on such inspections and investigations as are, in the professional judgement of the undersigned, appropriate and possible in the circumstances. The valuation relies on information provided by the Directors, and their professional advisors, as far as concerns tenure, privileges, charges and other related matters. In view of the fact that the built property on the Site, other than the heritage elements, is scheduled for demolition and redevelopment, it was not necessary to give regard to the state of repair and condition of such property. The heritage elements were, however, inspected, except where covered, unexposed or inaccessible; and the cost of their restoration was estimated as a burden on the Site. The Valuation is nevertheless based on the assumption that no harmful or hazardous materials have been used in the construction of the existing property, or have since been incorporated, and that there is no contamination in or from the ground.

The undersigned has relied on the floor areas that appear in the Deed of Emphyteusis, and has not undertaken a detailed measurement of the properties. All measurements and areas quoted are thus taken as approximate.

The Site for the proposed Project is located in Tigné' Point, Sliema. The Site is divided into two parts. One part includes Fort Cambridge and the ex-Military Barracks, marked in blue on the attached drawings, (but excluding the site of an existing Enemalta sub-station), held in temporary emphyteusis for ninety-nine years. This site is bounded, to the north-east, by a public road, Triq Qui-si-Sana, to the north-west by a public road, Triq il-Ponta ta' Dragut, to the south-west by a public road, Triq Tigné' and to the south-east by the other part of the Site. The other part, which includes the existing hotel, and its car-park area, is held in perpetual emphyteusis. This site is bounded, to the north-east by Fort Cambridge, to the north-west by the ex-Military Barracks, to the south-west by a public road, Triq Tigné', and to the south-east by third party property belonging to MIDI plc. The two parts of the site have a combined total area

**Prof. Dr. Alex Torpiano**  
 Victor Torpiano  
 Duncan Polidano

**Dr Dion Buhagiar**  
 Fleur Colerio Schembri  
 Rachel Mallia

**Dr Marc A Bonello**  
 Anthony Stivala  
 Antoine Zammit

## TBA periti

of approximately 29,277sq.m., (twenty-nine thousand two hundred seventy-seven), comprising a developable site, currently occupied by the vacant Crowne Plaza Hotel, measuring ca. 8946sq.m, (eight thousand nine hundred forty-six); a site which is developable, subject to the retention of a heritage façade of the existing remains of an ex-Military Barracks, measuring ca. 1750sq.m.; and an open site, including Fort Cambridge and its surrounding glacis, and other open urban spaces, measuring ca. 17,594sq.m. (seventeen thousand five hundred ninety four) , on which development will not be allowed.

The existing buildings on the Site are currently vacant. The existing hotel, which extends into the zone previously occupied by the Military Barracks referred to before, is currently vacant. The restaurant and internal facilities, located in or on Fort Cambridge, are also vacant and abandoned.

The Site can be developed in accordance with a Development Brief published by the Malta Environment and Planning Authority in January 2006, a document which has the status of a subsidiary plan, in terms of the Development Planning Act of 1992. The parameters defining the allowable development were outlined in such Development Brief. An application for Outline Planning Permission, PA04144/06, was submitted to MEPA, in accordance with the published Development Brief, and the application was approved on the 8th March 2007. A detailed Planning Description Statement had been submitted to MEPA, and on the basis of this document, and in accordance with the Law, the need for an Environmental Planning Statement was waived via the appropriate Legal Notice. A Traffic Impact Statement was also submitted to MEPA, and was accepted by the relative authorities.

The approved Project substantially respects the guidance offered by the Development Brief. In order to improve the quality of the urban spaces, the developable footprint was limited to 37% of Zones A and C, as compared to the 60% envisaged in the Brief, thus releasing more of the site abutting Tigne' Street for open landscaped areas. The same permissible development volume of ca. 64,432m<sup>2</sup>, indicated in the Development Brief, was mostly accommodated in three terraced blocks of apartments. Block C, overlooking the existing ex- Military Barracks, and with the upper apartments having oblique views of the sea, rises from 4 floors, on Tigne' Street, up to 11 floors. Block B, overlooking Fort Cambridge along the north-eastern edge of the site, and having direct views of the sea, rises from 12 to 18 floors. Block A, to the east of the site, is broadly L-shaped, with a section overlooking Censu Xerri Street, and having oblique views of the sea, another, main, section overlooking Fort Cambridge, and having direct views of the sea, and a third section overlooking Tigne' Street, with some oblique views of the sea, but also, for the higher apartments, southwards views of Valletta. Block A rises from 5 floors on Tigne' Street, and from 20 to 23 floors, along the edge with Fort Cambridge.

These residential apartment blocks wrap around the public landscaped gardens abutting Tigne' Street, and face a landscaped piazza, to the north-west, at the top of Dragut Point Street, and Fort Cambridge and its surrounding ditch and glacis, towards the north-east. They are therefore well surrounded by landscaped open spaces.

The proposed Project envisages a total of ca. 340 apartments, with average gross floor areas varying from 80 (1-bed) to 140 sq.m (2-bed), and to 195 sq.m. (3-bed), totaling ca. 63,480sq.m gross floor area. In addition, the proposal includes four levels of underground car-parking, under Zones A and C, totaling 34,800sq.m. (that is, nearly 1000 cars). Approximately 950m<sup>2</sup> of underground development on Zone E, for use as leisure/sports amenities for residents, were also approved, together with additional open-air facilities in the same location.

The approved Project includes 5680m<sup>2</sup> of office accommodation located in the existing Military Barracks in Zone B. The heritage arcaded elevations of this building have to be retained, but the interior can be developed to a maximum height of four storeys, and a total gross area of 5680sq.m. This site is referred to as Zone B, and the Development Brief allows such site to be developed as a hotel, as part of a Higher Level Education Institute, or as corporate quality offices, but not for residential apartments. As approved, the Project envisages that the site be eventually redeveloped, within the retained heritage façade, for use as a corporate quality office building.

## TBA periti

Local Plan policies for Sliema concentrate retail and ancillary activities to the Primary Town Centre located in the triangle between Tower Road and Bisazza Street, and to a Secondary Town Centre in the Tigne' Point Development, currently under construction, to the east. Consequently, only a limited amount of retail activity, and catering and conference facilities would be allowed, possibly in Zone B, or within the restored Fort. No such uses have, however, been included in the submitted Outline Development Plan, which was approved.

The rest of the site is taken up by Fort Cambridge and its environs. The Development Brief imposes a requirement that recent accretions on the Fort be removed, and that the Fort and the adjacent open spaces, including the ditch and glacia, be restored and integrated with the redevelopment of the site.

An application for a Full Development Permit for the demolition of the existing hotel, and the excavation of the site in Zones A and C, has also been submitted, PA06952/06. Full Development Permission for the Demolition and Excavation Works, was also approved on the 8th March 2007.

The Site has been acquired on the basis of an open tender published by the Government of Malta. As indicated above, the title, for the area marked in blue in the attached plan, is on the basis of a 99-year emphyteutical grant, whilst the area marked in red is transferred on the basis of perpetual emphyteusis. The strip of land to the south-east, previously part of Censu Xerri Street, will be transferred under a similar title, except that the road surface level will not be developable and will have to be returned to Government as a pedestrian priority route. The attached plan also illustrates an existing Enemalta sub-station which has to be relocated to a different position in the site, and returned to Enemalta ownership.

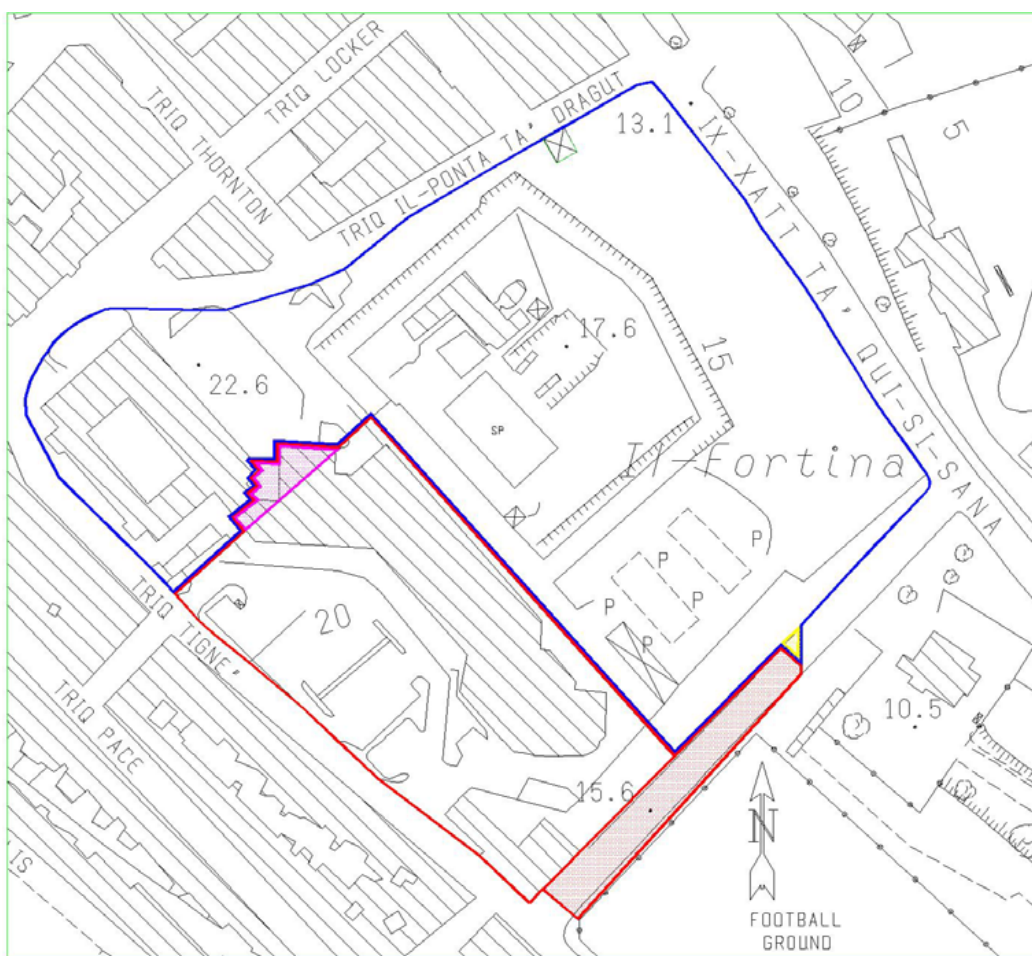
The Listing Rules require that this Valuation be based on an open market value for existing use. An open market value represents an opinion of the best price for which the sale of an interest in a property would have been completed unconditionally for a cash consideration on the date of the valuation. An open market valuation assumes (i) that there is a willing seller; (ii) that the interest being valued would have been, prior to the transaction, properly marketed; (iii) that the state of the market, level of values and other circumstances are consistent over the period of the valuation; (iv) that no account is taken of any additional bid by a prospective purchaser with a special interest; (v) 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 (a) the property can be used, for the foreseeable future, only for the existing use, and (b) that vacant possession is provided on completion of the sale of all parts occupied by the business. In this case, however, the property has been specifically acquired for redevelopment and therefore, the existing use value, in its narrow meaning, would clearly be below that which could be realized by redevelopment in accordance with the published Development Brief.

On the other hand, since neither the existing use nor the potential re-use of the whole of Fort Cambridge can be considered to have a value which is larger than the estimated necessary restoration costs, the open market value of this part of the property is considered to be nil; or rather, completely offset by the burden of the restoration costs.

Since the Site has just been acquired on the basis of an open market bidding process, it is legitimate to consider the successful bid as the basis for its open market value. This approach is further confirmed by the fact that the three highest bids, during this tender process, were very close to each other, and can therefore be considered to have assessed the development potential on the same basis. The Project development costs, and the proposed development programme, have been reviewed by the undersigned, and appear to be reasonable and achievable, thus confirming the estimated development potential. The net overall cost of acquisition of the Site, that is including the direct consideration of Lm23,300,000 and the other financial commitments, has been calculated at Lm28,534,000.

## TBA periti

On this basis, the undersigned estimates the open market value of the Site as follows, Military Barracks (Zone B), on the basis of a 99-year emphyteutical grant: Lm2,000,000, (two million Malta liri); Zones C and E, on the basis of a 99-year emphyteutical grant: Lm500,000 (five hundred Malta liri); and Zone A, on a freehold basis: Lm26,000,000 (twenty-six million Malta liri), totaling **Lm28,500,000, (twenty-eight million, five hundred thousand Malta liri)**, for the whole Site, as on the date of this Valuation.



*Alex Torpiano*  
Prof. Alex Torpiano

## **ANNEX 3 – ARCHITECT'S REPORT**

**TBA periti**

**Architects, Civil and Structural Engineering Consultants.**  
No43. Main Street, Balzan, BZN 06.  
Tel.: (356) 2149 8532, Fax.: (356) 2149 8534 e-mail: [tbaperiti@tbaperiti.com](mailto:tbaperiti@tbaperiti.com)

Job No.  
Your Ref.

12 March 2007

The Directors,  
Gap Developments p.l.c.  
Censu Scerri Street  
Tigné, Sliema

Dear Sirs,

### **Fort Cambridge Development Project Project Cost Estimates**

I have reviewed the projected costs for the civil works, finishes and services, as proposed for Phase 1 of the Project, namely the phase including Zones A, C and E, and accommodating the residential apartments and underlying car-parking levels, amounting to a total of approximately, Lm22,000,000 (twenty-two million Malta liri), and I am satisfied that these costs correspond to our best estimate, at this stage, for these costs.

It is understood that these costs exclude ancillary costs, such as the MEPA fees, costs for technical studies required in connection with this phase of the project, professional fees and project management fees, which are shown separately elsewhere in your documents.

The cost estimate has been prepared on the basis of historical data for similar, contemporary, projects, and is based on the superficial areas that have been approved at Outline Development Permit. The cost estimate has not, obviously, been based on detailed bills of quantity, which can only follow a full design, but in our opinion represent a reasonable estimate of such costs. Cost estimates are also based on current work, and applicable rates, and therefore no account has been taken of the potential impact of inflation over the project life. It is also assumed that no unusually onerous conditions are uncovered when the site is excavated and the foundations constructed. In any event, it is our opinion that the 10% contingency figure included in such costs is a reasonably prudent provision to allow for such situations.

Yours truly,



Prof. Alex Torpiano

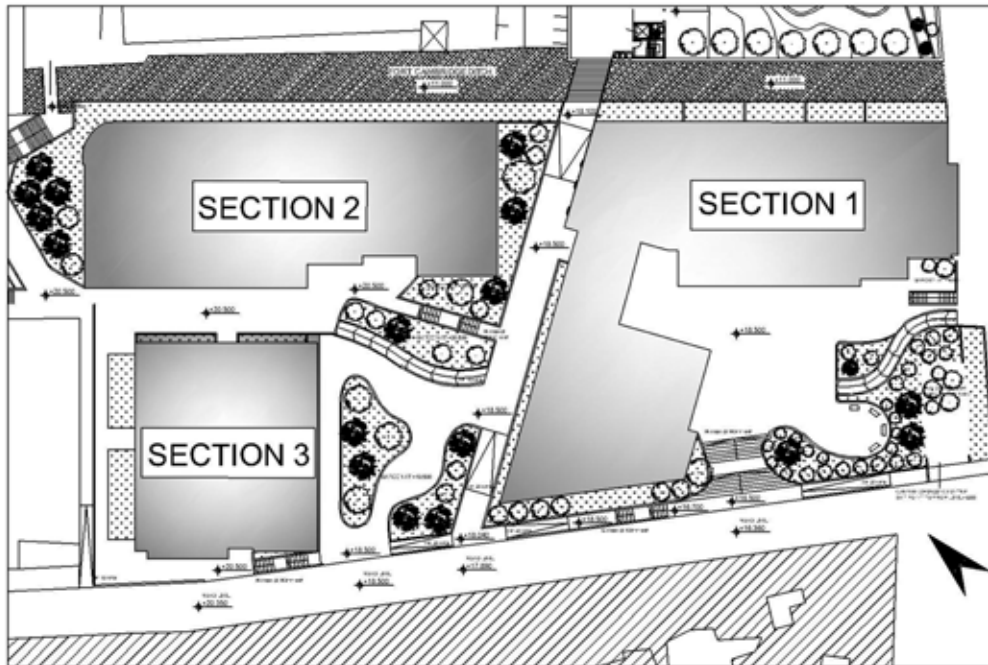
Prof. Dr. Alex Torpiano  
Victor Torpiano  
Duncan Polidano

Dr Dion Buhagiar  
Fleur Colerio Schembri  
Rachel Mallia

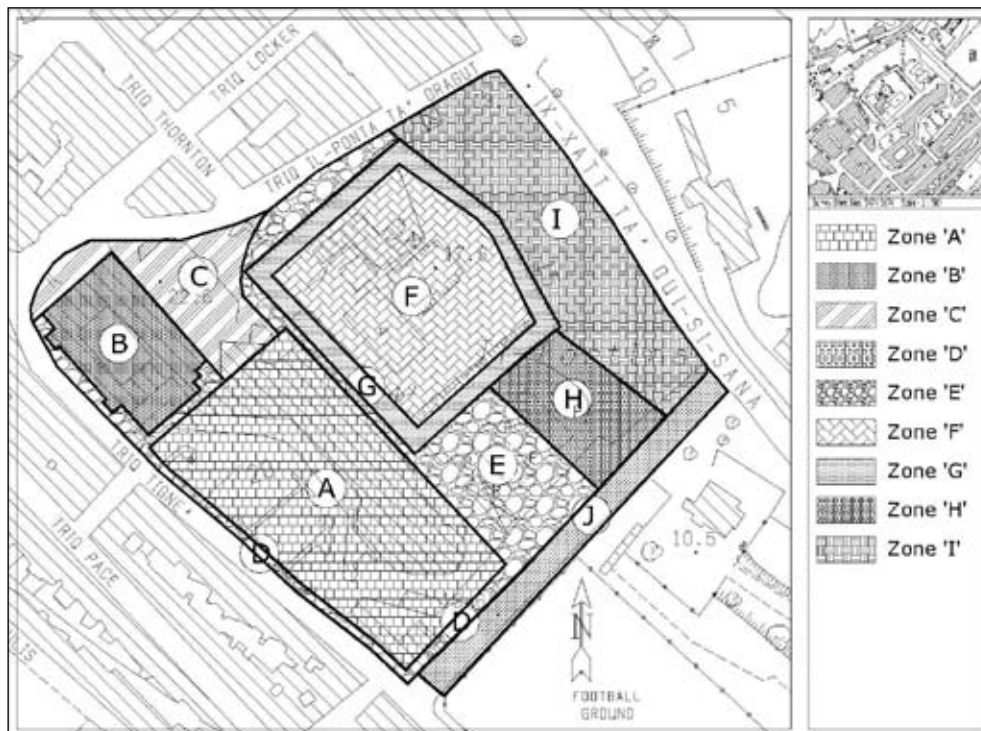
Dr Marc A Bonello  
Anthony Stivala  
Antoine Zammit

### ANNEX 4 – SITE PLANS

SITE PLAN 1



SITE PLAN 2



## **ANNEX 5 – TRUST DEED**

THIS TRUST DEED is made the 21st day of March 2007, BETWEEN

- (1) GAP DEVELOPMENTS P.L.C. a public limited company registered and existing under the laws of the Republic of Malta having its registered office at GAP Group Head Office, Censu Scerri Street, Tigné, Sliema, Malta (hereinafter called the “Company” or “Issuer”); and
- (2) BAWAG MALTA BANK LTD a limited liability company registered and existing under the laws of Malta having its registered office at Strand Towers, level 6, 36 The Strand, Sliema, Malta (hereinafter called the “Bond Trustee” which expression shall include any other person appointed as trustee under this Bond Trust Deed).

WHEREAS the Company on 21 March 2007 by resolution of its Board of Directors authorised the issue of:

- (i) Lm15,000,000 7% Bonds due 2013 (subject to the Issuer’s option to redeem all or any part of the Bonds at their nominal value on 30 April 2011 and 30 April 2012) of a nominal value of Lm100 per Bond or of;
- (ii) €35,000,000 7% Bonds due 2013 (subject to the Issuer’s option to redeem all or any part of the Bonds at their nominal value on 30 April 2011 and 30 April 2012) or;
- (iii) any proportion of both such Lm and € amounts and determined to constitute and secure the proper performance of all the obligations created thereby in the manner hereinafter set out.

AND WHEREAS the Bond Trustee is authorised to conduct banking business by the Malta Financial Services Authority;

Now therefore it is AGREED AND DECLARED as follows:-

### **1. INTERPRETATION**

- 1.1 In this Deed the following words shall, unless the context otherwise requires have the meanings assigned to them hereunder:

<b>Act</b>	the Companies Act, Cap. 386 of the Laws of Malta;
<b>Applicant</b>	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
<b>Application/s</b>	the application/s to subscribe for Bonds made by an Applicant by completing an Application Form and delivering it to the Registrar or any of the Authorised Distributors;
<b>Application Form</b>	the form of application for subscription of Bonds issued by the Company, a specimen of which is set out in Annex 6 of the Prospectus;
<b>Authorised Distributors</b>	the financial intermediaries listed in Annex 7 of the Prospectus;
<b>Beneficiary</b>	a Bondholder whose interest in and benefit of the Bond Trust Property is recognised by the Bond Trustee by means of an appropriate entry in the register of Bondholders maintained at the Central Securities Depository of the MSE;
<b>Bond/s</b>	the MTL Bonds and/or the EUR Bonds as appropriate;
<b>Bondholders</b>	the holders of the Bonds, each a “Bondholder”;

<b>Bond Issue</b>	the issue of: (i) Lm15,000,000 7% Bonds due 2013 (subject to the Issuer's option to redeem all or any part of the Bonds at their nominal value on 30 April 2011 and 30 April 2012) of a nominal value of Lm100 per Bond or of; (ii) €35,000,000 7% Bonds due 2013 (subject to the Issuer's option to redeem all or any part of the Bonds at their nominal value on 30 April 2011 and 30 April 2012) or of; (iii) any proportion of both such Lm and € amounts;
<b>Bond Offer Price</b>	the price of Lm100 for each MTL Bond and the price of €100 for each EUR Bond;
<b>Bond Security Interest</b>	(i) the general hypothec over all its present and future property by the Issuer; (ii) the special hypothec over the Hypothecated Property; and (iii) any other document, real or personal right which the Bond Trustee and the Company agree at any time is to be comprised within the "Bond Security Interest" for the purposes of this Bond Trust Deed;  PROVIDED THAT, in any event the Bond Security Interest shall always be subordinated to and rank after the Senior Loan Security Interest and to any prior ranking Security Interest (as defined in clause 7.1.16 below) arising by operation of law;
<b>Bond Trustee</b>	BAWAG Malta Bank Ltd, which is authorised to conduct banking business by the Malta Financial Services Authority;
<b>Bond Trust Deed</b>	this trust deed;
<b>Bond Trust Property</b>	initially the undertaking to grant the Bond Security Interest as stated in clause 2 of this Bond Trust Deed and subsequently: (i) the rights attaching to and emanating from the Bonds, including the right to the payment of principal, interest and other dues; (ii) the rights emanating from this Bond Trust Deed; and (iii) the rights attaching to and emanating from the Bond Security Interest;
<b>Business Day</b>	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
<b>Central Securities Depository</b>	the Central Securities Depository of the Malta Stock Exchange established pursuant to Chapter 4 of the Malta Stock Exchange Bye-Laws;
<b>Directors or Board</b>	the Directors of the Company whose names and addresses are set out under the heading "DIRECTORS OF THE ISSUER" on page 40 of the Registration Document, or such other person or persons as may occupy the office of director of the Company from time to time;
<b>EUR Bond/s</b>	the amount of Bonds to be issued as denominated in € not exceeding €35,000,000, having a nominal value of €100 per Bond and bearing interest at the rate of seven (7%) per annum and falling due for redemption on the Maturity Date at their nominal value;
<b>EUR Global Bond</b>	the form of Bond representing the EUR Bonds or any proportion of such EUR Bonds issued by the Company and held by the Bond Trustee pursuant to and in such form as set out in this Bond Trust Deed;
<b>Euro or €</b>	the single currency recognised as legal tender by the member countries of the European Monetary Union;
<b>Global Bond</b>	the MTL Global Bond and/or the EUR Global Bond as appropriate;

<b>Interest Payment Date</b>	30 April of each year, between 2008 and the year in which the Bonds are redeemed (both years included), 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;
<b>Issuer or Company</b>	GAP Developments p.l.c., a company registered in Malta with registration number C 38040 (formerly Imperial Point Company Limited);
<b>Listing Authority</b>	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act 1990 (Cap. 345, Laws of Malta) by virtue of L.N. 1 of 2003;
<b>Malta Stock Exchange or MSE</b>	the Malta Stock Exchange established by the Financial Markets Act, 1990, (Cap. 345, Laws of Malta);
<b>Maltese Liri or Lm</b>	the lawful currency of the Republic of Malta as at the date of this Deed;
<b>Manager and Registrar</b>	HSBC Bank Malta p.l.c. which is authorised to conduct banking and investment services business by the MFSA;
<b>Maturity Date</b>	30 April 2013 (subject to the Issuer's option to redeem all or any part of the Bonds at their nominal value on the Optional Redemption Dates by giving not less than sixty (60) days advance written notice to all Bondholders);
<b>MFSA</b>	the Malta Financial Services Authority established in terms of the Malta Financial Services Authority Act, 1988 (Cap. 330, Laws of Malta);
<b>MTL Bond/s</b>	the amount of Bonds to be issued as denominated in Maltese Liri and which shall not in aggregate exceed Lm15,000,000, having a nominal value of Lm100 per Bond, bearing Interest at the rate of 7% per annum and falling due for redemption on the Maturity Date at their nominal value;
<b>MTL Global Bond</b>	the form of Bond representing the MTL Bonds or any proportion of such MTL Bonds issued by the Company and held by the Bond Trustee pursuant to and in such form as set out in this Bond Trust Deed;
<b>Optional Redemption Dates</b>	the dates falling on 30 April 2011 and 30 April 2012 when the Company may, at its option, redeem all or any part of the Bonds then outstanding at their nominal value by giving at least sixty (60) days advance written notice to all Bondholders;
<b>Prepayment</b>	the early repayment of the principal amount of the Bonds in whole and all interests accrued up to the date of prepayment;
<b>Prospectus</b>	the Prospectus in relation to the Bonds issued by the Issuer and dated 21 March 2007 in its entirety, comprising the Summary, the Registration Document and the Securities Note;
<b>Redemption</b>	the redemption of the Bonds made on the Maturity Date or Optional Redemption Dates;
<b>Senior Loan</b>	the syndicated loan facility of €34,000,000 made available to the Issuer by virtue of a loan facility agreement signed amongst others by the Senior Lenders and the Company dated 21 March 2007;
<b>Senior Loan Security Interest</b>	the security created and held on trust pursuant to the Senior Loan Security Trust;
<b>Senior Loan Security Trust</b>	the security trust deed signed between the Company and the Senior Loan Security Trustee, dated 21 March 2007;
<b>Tender</b>	the tender published by the Government by means of Tender Advert No. 25 issued in the Government Gazette on 3 February 2006 as extended by Advert No. 50 issued in the Government Gazette on 13 March 2006;

<b>Tender Freehold Property or Hypothecated Property</b>	the immovable property situated at Tigné Street, Sliema having a superficial area of circa eight thousand seven hundred and thirteen square meters (8,713 sq.m.) and bounded on the North East by Government property, on the South West by Tigne Road and on the South East by property of MIDI p.l.c. or its successors in title, as shown bordered in red on the Government Property Division Plan P.D. 2005_172 including the structures and buildings built thereon without name and number. Amongst the buildings found on this immovable property which are also incorporated in the Tender is part of a hotel complex named Crowne Plaza without number and accessible from Dragut Point Road.
<b>Terms and Conditions</b>	the terms and conditions of issue applicable to the Bonds as set out on pages 58 to 68 (both pages included) of the Prospectus;
<b>Underwriter</b>	Charts Investment Management Service Limited which is authorised to conduct investment services business by the MFSA and which has entered into a sub-underwriting agreement with Collins Stewart (CI) Limited as sub-underwriter, dated 21 March 2007. Collins Stewart (CI) Limited is registered in Guernsey, no. 22761 and is licensed to conduct business by the Guernsey Financial Services Commission, the Isle of Man Financial Services Commission and the Jersey Financial Services Commission.

- 1.2 Unless the context otherwise requires, words and expressions contained in this Deed shall bear the same meanings as in the Prospectus and the Terms and Conditions of issue of the Bonds.
- 1.3 Any reference to the Company or the Bond Trustee includes a reference to its or their duly authorised delegates.
- 1.4 Reference to Clauses are to Clauses of this Deed.
- 1.5 The headings to the Clauses of this Deed are for convenience only and shall not effect the construction or interpretation hereof.

## 2. UNDERTAKING TO BOND TRUSTEE – INITIAL BOND TRUST PROPERTY

- 2.1 The Company undertakes and bind itself to grant to the Bond Trustee the Bond Security Interest in the manner and at the times and under the conditions stated in the Prospectus and the Bond Trustee:
  - 2.1.1 accepts this undertaking and declares a trust thereon for the benefit of all the Beneficiaries; and
  - 2.1.2 agrees and undertakes to receive the Security on trust for the benefit of all the Beneficiaries.

## 3. DECLARATION OF TRUST

- 3.1 Subject to the provisions of this Deed and the applicable law:
- 3.2 The Bond Trust Property is held by the Bond Trustee on trust for the Beneficiaries *pari passu* according to the rights and interests held by each Beneficiary in the Bond Trust Property as evidenced in the register of Bondholders;
- 3.3 Any sums received by the Bond Trustee, whether of principal, interest or otherwise, from the Company, under the Bonds shall be received and held by the Bond Trustee on trust to apply them to indemnities, costs and charges in accordance with this Deed and thereafter to distribute and apply them in accordance with the rights and interests of each Beneficiary as set out in this Deed;

3.4 The Bond Trustee shall make additional declarations of trust whenever additional property is received under these trusts and such declarations of trust shall be on the same terms as stated herein and shall form an integral part hereof.

3.5 The trust established under this Deed is to be known as the “GAP Developments Bond Trust” or the “Trust”.

#### **4. BOND TRUST DEED BINDING ON BENEFICIARIES**

4.1 The terms and conditions of this Deed shall, upon subscription or purchase of any Bond, be binding on each Beneficiary as if he had been a party hereto and as if this Deed contains covenants on the part of each Beneficiary to observe and be bound by all the provisions hereof, and the Bond Trustee is hereby authorised and required to do the things required of it by this Deed.

4.2 The Beneficiaries acknowledge that the Bonds shall constitute subordinated obligations of the Issuer which, at all times, shall rank junior and subsequent to the Senior Loan and that consequently the Bond Security Interest shall, at all times, rank junior and subsequent to the Senior Loan Security Interest and to any prior ranking Security Interest (as defined in clause 7.1.16 below) arising by operation of law.

#### **5. ISSUE CLAUSES**

5.1 The MTL Global Bond or the EUR Global Bond, or both an MTL Global Bond and an EUR Global Bond each for any proportion of such Lm and € amounts respectively shall be issued by the Issuer for the benefit of Bondholders to the Bond Trustee and shall be delivered by the Issuer to the Bond Trustee to be held by the Bond Trustee as trustee for the Bondholders.

5.2 Application has been made by the Company to the Listing Authority for the Bonds once issued to be admitted to the Alternative Companies List of the Malta Stock Exchange. Unless admitted to the Alternative Companies List in accordance with the provisions of section 101 of the Act any proceeds from the Bonds shall be returned by the Company to investors in accordance with the provisions of the said section 101 of the Act.

5.3 In the event that the Bonds are duly admitted to the Alternative Companies List a register of the Bonds will be kept at the Central Securities Depository of the Malta Stock Exchange (the “CSD”) or at some other securities depository licensed by the Malta Financial Services Authority or equivalent body, wherein there will be entered the names and addresses of the Bondholders and particulars of the Bonds held by them respectively and a copy of such register will, at all reasonable times during business hours, be open to the inspection of the Bondholders at the registered office of the Company.

5.4 The MSE operates a de-materialised securities system, accordingly no certificates for the Bonds shall be issued and the Bonds shall be represented initially by the Global Bond held by the Bond Trustee, as trustee, and subsequently by an entry in the de-materialised register held by the CSD. The interests of Bondholders shall be recorded in the register of Bonds at the CSD and the entry in the register shall, in the absence of manifest error, be conclusive evidence of the interests of the Bondholder. Bondholders shall receive at least on an annual basis a statement of holdings evidencing the entry in the register.

5.5 Every Bondholder shall be a beneficiary under this Trust. The entries at the CSD in the register of Bondholders shall conclusively establish such person’s beneficial interest in the Bond Trust Property. Bondholders shall be entitled to only one entry in the register of Bondholders and accordingly to only one statement of holdings that shall be issued and delivered to that one of the joint Bondholders whose name first appears in the register of Bondholders and the CSD shall not be bound to register more than three (3) persons as the joint Bondholders.

5.6 The Bond Trustee or its agents shall comply with the Terms and Conditions of the Bonds and this Deed and such conditions which shall be deemed to be incorporated herein shall be binding upon the Company, the Bond Trustee and the Bondholders and all persons claiming through or under them respectively.

- 5.7 The register of Bondholders to be maintained by the Bond Trustee at the CSD shall identify the beneficiaries of this Trust from time to time. An entry in the Register shall be conclusive evidence of the beneficial interest of the person or persons named therein in the Bond Trust Property. The Register of Bondholders shall contain the following information:
- (a) Name of the Bondholder;
  - (b) Address;
  - (c) Identity Card number (in the case of an individual);
  - (d) Company Registration Number (in the case of a company);
  - (e) The value expressed in Maltese Liri or in Euro (as appropriate) of the interest of the Bondholder in the Bond Trust Property.
- 5.8 All entries and other records in the register of Bondholders shall be made under such terms and conditions as may be established by the CSD.
- 5.9 If and to the extent that the Bonds are admitted by the Malta Stock Exchange to the Alternative Companies List, the Bonds shall be freely transferable in accordance with the applicable rules, regulations and bye-laws of the Malta Stock Exchange from time to time.
- 5.10 By means of a separate agreement between the Bond Trustee, the Company and the CSD, the Bond Trustee is entitled to full and unrestricted information, at all times at the cost of the Company, to the register of Bondholders. The Company hereby undertakes in favour of the Bond Trustee that it shall pay any and all charges that may be levied by the CSD for the services performed by the CSD to the Bond Trustee in connection with the Bonds and the Bondholder Register.
- 5.11 Notices of transfers or pledges to the Company or to the CSD on behalf of the Company shall be deemed to be received also on behalf of the Bond Trustee unless notice is given as herein provided.
- 5.12 Upon giving notice to the CSD to this effect, the CSD shall take instructions only from the Bond Trustee and all notices or transfers and pledges or otherwise may only be given to the Bond Trustee.

## 6 REDEMPTION AND PREPAYMENT

- 6.1 The principal amount of the Bonds shall be limited to Lm15,000,000 or €35,000,000 or any proportion of both such Lm and € amounts. All the Bonds of this Issue shall rank *pari passu* in all respects between them and without discrimination or preference.
- 6.2 The Company hereby irrevocably covenants in favour of the Bond Trustee that:
- 6.2.1 The Bonds will be redeemed at par (together with interest accrued to the date fixed for redemption) on 30 April 2013 either (i) by payment to the Bond Trustee for the interest and benefit of the Bondholders; or (ii) pursuant to a delegation in writing made by the Bond Trustee by payment direct to the Bondholders, whose names are entered in the register of the Bonds held at the CSD and which determines the beneficiaries under the Trust. In either case the Issuer shall be discharged of any and all obligations under the Bonds. The Company reserves the right to prepay the Bonds prior to the Maturity Date, on either of the Optional Redemption Dates, in whole or in part, together with all interest accrued up to the date of prepayment, and any other sums payable under this Deed, provided that the Bond Trustee shall have received from the Company not less than sixty (60) days notice of its intention to effect such prepayment specifying the date when such prepayment shall be effected (upon which the Bond Trustee shall inform Bondholders accordingly). Redemption shall take place by payment of all principal and interest accrued until the date of prepayment. The notice of prepayment shall be effective only on actual receipt by the Bond Trustee, shall be irrevocable, and shall oblige the Company to make and the Bond Trustee to accept such prepayment on the date specified in the notice;

- 6.2.2 The Company will, until the Bonds have been paid, prepaid or redeemed in accordance with the provisions of sub-clause 6.2.1 above, paid to the Bond Trustee for the benefit of the Beneficiaries or if delegated by the Bond Trustee in writing pay directly to the Beneficiaries, at the last registered address entered in the Register of Bondholders interest on such principal amount for the time being outstanding on the Bonds at the rate of seven per cent (7%) per annum which shall be payable annually in arrears on 30 April of each year. The first of such payment shall be made on 30 April 2008;
- 6.2.3 The Bond Trustee shall only be under an obligation to effect payments of principal or interest to the Bondholders if it has effectively received such payments from the Company but shall be relieved of any obligation hereunder to effect payments of either interests or principal under the Bonds if it duly instructs and delegates the Company to pay the Beneficiaries directly. No liability shall attach to the Bond Trustee if it fails to effect any such payments to Beneficiaries if and when such failure is due to the non-payment thereof by the Company;
- 6.2.4 The Issuer shall be discharged from any payment obligations under this clause upon payment made net of any withholding or other taxes due or which may be due under Maltese Law and which have been duly paid to the Bond Trustee for the benefit of the Beneficiaries or if it has received due and proper instructions from the Bond Trustee in accordance with the provisions of this Deed, by effecting payments directly to the Beneficiaries;
- 6.2.5 The Bond Trustee shall be discharged from all and any payment obligations under this clause upon due receipt of the necessary funds from the Company and the payment thereof to the Beneficiaries or upon giving due and proper instructions in writing to the Company to effect payment directly to the Beneficiaries, either at least 60 days before an Interest Payment Date or at least 60 days before the first Interest Payment Date of a period for which the instructions so given shall be applicable.

## 7. COVENANTS BY THE COMPANY

- 7.1 The Company further irrevocably covenants with the Bond Trustee that at all times during the continuance of this security:
- 7.1.1 it will, until the whole of the Bonds have been paid off or redeemed, pay to the Bond Trustee for the benefit of the Beneficiaries or to the Beneficiaries directly, as provided in clause 6 above, interest at the rate of seven per cent (7%) per annum on each Interest Payment Date and shall pay to the Bond Trustee for the benefit of the Beneficiaries or to the Beneficiaries directly, as provided in clause 6 above, the principal amount of the Bonds on the Maturity Date;
- 7.1.2 it will maintain its corporate existence as a company duly organised and existing and in good standing under Maltese law;
- 7.1.3 it will use its best endeavours to maintain the listing of the Bonds on the Malta Stock Exchange and to procure that there will at all times be furnished to the Malta Stock Exchange such information as may be required to be furnished in accordance with its requirements;
- 7.1.4 it will promptly, upon the happening of any Event of Default notify the Bond Trustee of such event;
- 7.1.5 it shall at all times and without cost or expense to the Bond Trustee maintain, preserve and keep in proper order, repair and condition or cause to be so maintained and preserved such parts of the Hypothecated Property as are of a repairable nature and shall procure and furnish the Bond Trustee with an Architect's report of the state of the Hypothecated Property at least once annually on 21 March of every year, without cost or expense to the Bond Trustee, which report shall, without prejudice to the powers of the Bond Trustee under sub-clause 7.1.9 hereof, constitute full proof and evidence of the state of the property for the Bond Trustee for the purposes of this Deed and the Bond Trustee shall not be required or bound to carry out any additional or further inspection, inquiry or verification of the state of the Hypothecated Property. The Bond Trustee shall have power in the event of any such part of the Hypothecated Property being or becoming out of proper order repair or condition to call upon the Company to affect such repairs within a reasonable time as may be specified in the notice.

If the Company fails to undertake the repairs requested by the Bond Trustee in the notice after the lapse of the time granted to it by the Bond Trustee in the notice, the Bond Trustee may, but shall not be bound to do so, call a meeting of Beneficiaries for the purpose of determining what action, if any, should be taken in the circumstances. Provided that if requested to do so in writing by not less than seventy five per cent (75%) in value of the Beneficiaries, the Bond Trustee shall, provided it is indemnified by the Beneficiaries to the satisfaction of the Bond Trustee, have the power itself to engage such persons as may be necessary to repair or to put and maintain the same in proper order repair and condition and any expenses incurred by the Bond Trustee and its costs and charges therein shall be a debt due from the Company payable on demand;

- 7.1.6 the Company will insure and keep insured to the satisfaction of the Bond Trustee and to the full replacement value thereof all such parts of the Hypothecated Property as are of an insurable nature against loss or damage by fire, explosion, lightning, storm, tempest, flood, aircraft and things dropped therefrom and such other risks as in accordance with sound commercial practice are normally insured against by companies carrying on a similar business with one or more insurance companies licensed to transact insurance business in Malta or such other insurance company agreed to between the Company and the Bond Trustee and will procure that the interest of the Bond Trustee as hypothecary creditor is duly noted on the policies of insurance and will produce the policies of such insurance to the Bond Trustee if required and duly pay or cause to be paid the premia and other sums of money payable in respect of such insurance and if required produce to the Bond Trustee the receipt for the same within fifteen days of the same becoming due. All monies received by virtue of any such insurance shall so far as they are in respect of part of the Hypothecated Property be deemed part of the Hypothecated Property and shall be paid to the Bond Trustee and shall be applied in making good the loss or damage in respect of which the monies were received or in such other manner as the Bond Trustee shall approve. The sums insured under any policy taken out in favour of the Bond Trustee as trustee for Bondholders shall be equivalent at least to the value of the Bonds from time to time outstanding and one year's interest thereon and shall be over and above any insurance or other indemnity given to any prior ranking creditor including the Senior Loan Trustee;
- 7.1.7 the Company will not remove or destroy or suffer to be removed or destroyed any part of the Hypothecated Property except for the purpose of renewing or replacing the same and will in such case forthwith renew or replace the same accordingly;
- 7.1.8 the Company will duly and punctually pay, perform and observe all rents, rates, taxes, stamp duties, covenants and other obligations whatsoever which ought properly to be paid or to be observed or performed by the Company in respect of any part of the Hypothecated Property;
- 7.1.9 the Company will permit the Bond Trustee or any person or persons authorised by it at any time and from time to time during the usual times of business so long as any money shall remain due upon the security of this Deed to inspect and examine any part of the Hypothecated Property and will afford the Bond Trustee and its agent access to the Hypothecated Property and render them such assistance as may be required for any of the purposes aforesaid; Provided that the aforementioned inspection may only be made by the Bond Trustee after having notified the Company in writing of its intention and provided further that the aforementioned inspection is made during reasonable business hours;
- 7.1.10 the Company will keep proper books of account which shall at all reasonable times be open to inspection by the Bond Trustee or any person appointed by the Bond Trustee for that purpose and will furnish to the Bond Trustee or any such agent all such information relating to the business or affairs of the Company as they shall require in accordance with International Financial Reporting Standards and will deliver to the Bond Trustee at least five days before the annual general meeting of the Company each year a copy of the balance sheet and profit and loss account of the Company certified by the auditors of the Company and copies of the auditors' and directors' reports thereon together with copies of any other documents required by law to be attached thereto. The Bond Trustee may but shall not be required or bound to carry out any independent audit or other verification of any books of account, balance sheet, profit and loss account, certificates or other information furnished to it by the Company;

- 7.1.11 the Company will carry on and conduct its business in a proper and efficient manner;
- 7.1.12 the Company will permit the Bond Trustee to hold the Land Registry Certificate showing title to the Hypothecated Property, if applicable;
- 7.1.13 the Company will forthwith on receipt of the same, deliver to the Bond Trustee all orders, directions, notices and any other thing whatsoever affecting or likely to adversely affect the Hypothecated Property but the Company shall be entitled at its own expense to take a copy thereof;
- 7.1.14 the Company will comply with the requirements of the Development Planning Act 1992 (Cap. 356, Laws of Malta) so far as such requirements relate to the Hypothecated Property or any part thereof and will promptly produce to the Bond Trustee any notice, order, direction, requisition, permission or other document served on it in connection with such law which affects or is likely to affect the Hypothecated Property or any part thereof;
- 7.1.15 Subject to clause 4.2 above, the Bonds constitute the general, direct, unconditional and secured obligations of the Company, and will rank with priority and preference to all other present and future unsecured obligations of the Company by virtue of the general hypothec and special hypothec over the Hypothecated Property which the Company has agreed to constitute in favour of the Bondholders.
- 7.1.16 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 their respective present or future assets or revenues to secure any Financial Indebtedness (as defined below) of the Issuer.

For the purposes of this Clause and of the Clause entitled "Default, Acceleration and Enforcement" below:

"Financial Indebtedness" means any indebtedness in respect of (A) monies borrowed; (B) any debenture, bond, Bond, 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 or financing the acquisition of that asset; (E) leases entered into primarily as a method of raising finance or financing 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 which grants rights of preference to a creditor over the assets of the debtor;

"Permitted Security Interest" means (A) any Security Interest arising by operation of law; (B) any Security Interest securing temporary bank loans or overdrafts in the ordinary course of business; (C) the Senior Loan Security Interest; (D) any other Security Interest (in addition to (A) and (B) and (C) above) securing Financial Indebtedness of the Issuer, or an entity in which the Issuer has a controlling interest, in an aggregate outstanding amount not exceeding eighty five per cent (85%) of the difference between the value of unencumbered assets of the Company 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 Company being less than one hundred and seven per cent (107%) of the aggregate principal amount of the Bonds still outstanding;

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

- 7.1.17 Subject to the Senior Loan Security Interest, the Company will not hypothecate the Hypothecated Property further nor transfer ownership and/or any other real right over the Hypothecated Property under any title whatsoever without the consent of the Bond Trustee.

## 8. REPRESENTATIONS AND WARRANTIES

- 8.1 The Issuer represents and warrants to the Bond Trustee that relies on such representations and warranties, that:
- 8.1.1 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;
  - 8.1.2 it has the power to execute, deliver, and perform its obligations under this Deed; all necessary corporate, shareholder and other action has been duly taken to authorise the execution, delivery and performance of the same and no limitation on the powers of the Issuer to borrow shall be exceeded as a result of this Deed;
  - 8.1.3 this Deed constitutes valid and legally binding obligations of the Issuer;
  - 8.1.4 the execution and performance of its obligations under, and in compliance with the provisions of this Deed by the Issuer shall not:
    - (a) contravene any existing applicable law, statute, rule or regulation or any judgement, decree or permit to which the Issuer is subject;
    - (b) conflict with, or result in any breach of any terms of, or constitute a default under any bond or other instrument to which the Issuer is a party or is subject or by which it or any of its property is bound;
    - (c) contravene any provision of the Issuer's articles of association.
  - 8.1.5 no litigation, arbitration or administrative proceedings is taking place, pending or, to the knowledge of the officers of the Issuer, threatened against the Issuer which could have a material adverse effect on the business, assets or financial condition of the Issuer;
  - 8.1.6 the audited financial statements of the Issuer in respect of the financial period ended 31 December 2006 as delivered to the Bond Trustee have been prepared in accordance with generally accepted accounting principles and practices in Malta which have been constantly applied and present truly and fairly the financial position of the Company as at such date and the results of the operations of the Company for the financial period ended on such date. The Issuer has not had any significant liabilities actual or contingent which are not disclosed by, or reserved against, in such financial statements, and the Issuer did not have any unrealised losses.
  - 8.1.7 the Prospectus contains all material information with respect to the Company and that all information contained therein is in every material respect true and accurate and not misleading and that there are no other facts in relation to the Company, its 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.
  - 8.1.8 the Issuer further represents and warrants to the Bond Trustee that relies on such representations and warranties that:
    - (a) there has been no material adverse change in the financial position of the Company from that set forth in the financial statements referred to in sub-clause 8.1.6 above;
    - (b) every consent, authorisation, approval or registration with or declaration to, governmental or public bodies or authorities or courts, required by the Issuer in connection with the execution, validity, enforceability of this Deed or the performance of its obligations under this Deed have been obtained or made and are in full force and effect and there has been no default in the observance of any of the conditions or restrictions, if any, imposed in, or in connection with, any of the same;
    - (c) no default mentioned in this Deed has occurred and is continuing.

## 9. FUNCTIONS AND POWERS OF BOND TRUSTEE

- 9.1 The Bond Trustee may in its absolute discretion and without further notice, enforce or take any step or proceedings to enforce the covenants and provisions in this Deed in clause 7 hereof contained, and may in its absolute and uncontrolled discretion waive on such terms and conditions as it shall deem expedient any of the covenants and provisions contained in this Deed on the part of the Company to be performed and observed. The Bond Trustee shall not be bound to take any such steps or proceedings to enforce the said covenants and provisions unless requested to do so in writing by not less than seventy five per cent (75%) in value of the Beneficiaries. The Beneficiaries shall hold the Bond Trustee harmless and fully indemnified for and against any loss, damage, cost or other liability it may incur by virtue of its failure to enforce or take any step or proceedings to enforce the covenants and provisions in this Deed in the event that it has not received proper instructions in writing from at least 75% of the Beneficiaries.
- 9.2 The Bond Trustee shall have the power, but shall have no obligation, to monitor financial information relating to the Company, on behalf of the Beneficiaries, as may be forwarded to the Bond Trustee by the Company on an annual basis.
- 9.3 Without prejudice to the powers and reliefs conferred on trustees by the applicable law and by this Deed, the Bond Trustee shall have the following powers:
- 9.3.1 to employ and pay at the reasonable cost of the Company in discharge of its duties under this Deed any servant or agent to do any thing or transact any business to be done or transacted hereunder, without being under any liability for any default of such servant or agent; Provided that prior to employing any servant or agent as aforementioned, notice in writing of the estimated costs to be incurred is to be given to the Company;
- 9.3.2 to rely on the advice, opinion, direction, report, statement, certificate, or other information furnished by any lawyer, broker, surveyor, valuer, accountant, auditor or other professional person without incurring any liability for so relying notwithstanding that such professional person may have been employed by the Company or may otherwise not be disinterested and without incurring liability for any error in the transmission of any such advice, opinion, direction, report, statement, certificate or other information, or by reason of the same not being authentic. The Bond Trustee may but shall not be bound to make any investigation or inquiry into any matters stated in such advice, opinion, direction, report, statement, certificate or other information;
- 9.3.3 to delegate, whenever it thinks fit, any of its powers and discretions under this Deed to any person or persons (including, without limitation to the generality of the foregoing, any officer, employee or agent of the Bond Trustee) believed by it to be competent and responsible and to delegate all or any of the trusts, powers and duties vested in it under this Deed to such person/s (including any such officer, employee or servant as aforesaid) as it shall think fit, and to confer power to sub-delegate, without incurring any liability for the default of any person to whom such discretions powers or duties are delegated or sub-delegated;
- And generally the Bond Trustee shall not be liable for any error of judgement committed in good faith unless it shall be proved that it was grossly negligent in ascertaining the pertinent facts and the Bond Trustee its officers, employees and agents shall be entitled to be indemnified out of the Hypothecated Property so far as may be lawful in respect of all liabilities incurred in the execution of the trusts of this Deed.
- 9.4 In addition the Bond Trustee shall also undertake the following functions:
- 9.4.1 to receive and hold all of the proceeds of the Bonds in an account with the Registrar in the name of the Bond Trustee that shall only be released by the Bond Trustee in favour of the Company for the purpose of the execution of the Tender by the Issuer upon the satisfaction of the following conditions:
- (a) the Company has all the required funding in place for the aggregate amount of Lm28,534,000;
  - (b) the completion by the Company of all the requirements at law for the Bond Security Interest to be duly and properly constituted in favour of the Bond Trustee; and

(c) the admission by the Malta Stock Exchange of the Bonds to the Alternative Companies List and the satisfaction of the requirements of section 101 of the Act.

9.4.2 simultaneously with the release of the proceeds of the Bonds in 9.4.1 above to appear on a public deed to accept the constitution in favour of the Bond Trustee for the benefit of the Bondholders of a general hypothec over all the present and future assets of the Company as well as a special hypothec over the Hypothecated Property in accordance with the provisions of clause 13 below.

9.4.3 until the end of the security period and for as long as the Bond Security Interest has not been released in accordance with the provisions of clause 19 below, the Bond Trustee shall appear on all contracts for the transfer, alienation (including, without limitation for the sale and purchase of apartments and garage spaces) or otherwise for the grant of real rights over immovable property forming part of the Hypothecated Property for the purpose of waiving the special hypothecary rights created pursuant to this Deed and the Terms and Conditions of the Bonds.

## 10. REMUNERATION OF BOND TRUSTEE

10.1 During the continuance of this security the Company shall pay to the Bond Trustee in respect of its services as Bond Trustee remuneration amounting to Lm15,000 per annum. The Company shall in addition pay all reasonable travelling and other costs charges and expenses which the Bond Trustee shall properly incur in connection with the execution of the trusts hereof and the exercise of the powers and discretions hereby vested in it together with interest thereon as hereinafter provided. The said remuneration and increased remuneration (if any) shall continue notwithstanding that a receiver shall have been appointed or that the trusts hereof shall be in course of administration by or under the direction of the court. All remuneration costs, charges and expenses due to the Bond Trustee or to any receiver appointed by it shall be payable upon demand and pending payment shall carry interest at the rate of 8% per annum.

10.2 The Bond Trustee may retain and pay to itself out of any monies or the proceeds of any investments in its hands upon the trusts of this Deed all sums owing to it in respect of remuneration costs, charges, expenses or interest or by virtue of any indemnity from the Company to which it is entitled hereunder 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 Beneficiaries and shall constitute an additional charge upon the Hypothecated Property.

## 11. ASSET PRESERVATION COVENANTS

The Company shall at all times, unless otherwise agreed to with the Bond Trustee, retain Net Assets which shall not fall below sixty per cent (60%) of its Net Assets as at 21 March 2007.

## 12. DEFAULT, ACCELERATION AND ENFORCEMENT

12.1 The Bond Trustee may in its absolute and uncontrolled discretion and shall upon the request in writing of not less than seventy five per cent (75%) in value of the Beneficiaries by notice in writing to the Company declare the Bonds to have become immediately payable:

12.1.1 if the Company defaults for thirty (30) days in the payment of any interest owing on the Bonds;

12.1.2 if the Company defaults for thirty (30) days in the payment of any principal monies owing in respect of the Bonds;

12.1.3 if, in terms of section 214(5) of the Companies Act, 1995 (Cap. 386, Laws of Malta), a Court order or other judicial process is levied or enforced upon or sued out against any part of the property of the Company and is not paid out, withdrawn or discharged within ninety (90) days;

12.1.4 if the Company stops payment of its debts or ceases or threatens to cease to carry on its business;

- 12.1.5 if the Company is unable to pay its debts within the meaning of section 214(5) of the Companies Act, 1995 (Cap. 386 Laws of Malta) or any statutory modification or re-enactment thereof;
- 12.1.6 if a judicial administrator is appointed of the whole or any part of the property of the Company; and such appointment is certified by the Bond Trustee to be prejudicial in its opinion to the Beneficiaries;
- 12.1.7 if an order is made or an effective resolution is passed for winding up of the Company, except for the purpose of a reconstruction, amalgamation or division, the terms of which have been approved in writing by the Bond Trustee, which approval shall not be unreasonably withheld;
- 12.1.8 if the Company's Net Assets fall below sixty per cent (60%) of its Net Assets as at 21 March 2007 without the written consent of the Bond Trustee;
- 12.1.9 if the Company substantially changes the object or nature of its business as currently carried on;
- 12.1.10 if the Company commits a breach of the undertakings or provisions of clause 13.1 below ("Bond Security Interest");
- 12.1.11 if the Company commits a breach of any of the covenants or provisions herein contained and on its part to be observed and performed and the said breach still subsists for twenty one (21) days after having been notified by the Bond Trustee (other than any covenant for the payment of interests or principal monies owing in respect of the Bonds or any undertaking for the creation of the Bond Security Interest);
- 12.1.12 if the security constituted by any hypothec or charge upon the whole or any part of the undertaking or assets of the Company shall become enforceable and steps are taken to enforce the same and the taking of such steps shall be certified in writing by the Bond Trustee to be in its opinion prejudicial to the Beneficiaries;
- 12.1.13 if any representation or warranty made or deemed to be made or repeated by or in respect of the Company is or proves to have been incorrect in any material respect in the sole opinion of the Bond Trustee;
- 12.1.14 if any material indebtedness of the Company is not paid when properly due or becomes properly due and payable or any creditor of the Company becomes entitled to declare any such material indebtedness properly due and payable prior to the date when it would otherwise have become properly due or any guarantee or indemnity of the Company in respect of indebtedness is not honoured when properly due and called upon. Provided that for the purposes of this provision, material indebtedness shall mean an amount exceeding Lm500,000;
- 12.1.15 if any consent, authorisation, licence or approval of, or registration with, or declaration to governmental or public bodies, or authorities or courts, required by the Company in connection with or pursuant to the execution, delivery, validity, enforceability or admissibility in evidence hereof, or the performance by the Company and of its obligations hereunder, is substantially modified in the sole opinion of the Bond Trustee, or is not granted, or is revoked, or terminated, or expires and is not renewed, or otherwise ceases to be in full force and effect;
- 12.1.16 if all or in the sole opinion of the Bond Trustee a material part of the undertakings, assets, rights, or revenues of or shares or other ownership interests in the Company are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government;
- 12.1.17 if it becomes unlawful at any time for the Company to perform all or any of its obligations hereunder;
- 12.1.18 if the Company repudiates or does or causes or permits to be done any act or thing evidencing an intention to repudiate the Bonds and/or this Trust Deed.

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

- 12.2 Provided that in the event of any breach by the Company of any of the covenants, obligations or provisions herein contained due to any fortuitous event of a calamitous nature, beyond the control of the Company, the Bond Trustee may, but shall be under no obligation so to do, give the Company 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 Beneficiaries. Provided that in the circumstances contemplated by this clause the Bond Trustee shall at all times act on and in accordance with any instructions it may receive from a simple majority in value of the Beneficiaries present and voting at a meeting of Bondholders.
- 12.3 The Bond Trustee shall not be bound to take any steps to ascertain whether any event of default or other condition, event or circumstance has occurred or may occur, and, until it shall have actual knowledge or express notice to the contrary, the Bond Trustee shall be entitled to assume that no such event of default or condition, event or other circumstance has happened and that the Issuer is observing and performing all the obligations, conditions and provisions on its part contained in the Bonds and the Trust Deed.

### **13. BOND SECURITY INTEREST**

In warranty of the proper observance by the Company of all the covenants and obligations undertaken by it in the Trust Deed and the Bonds, and in particular in warranty of its obligation to repay the principal amount of the Bonds and all interests thereon, and all other monies intended to be thereby secured the Company has agreed, subject to the provisions of clause 4.2 above, to constitute in favour of the Bond Trustee for the benefit of the Bondholders a general hypothec over all its present and future assets as well as a special hypothec over the Hypothecated Property and this simultaneously with the acquisition by the Company of the Hypothecated Property. The Company undertakes to constitute the said general and special hypothec by no later than 30 April 2007 or such later time as the Bond Trustee may allow in its absolute and uncontrolled discretion.

### **14. TRUST OF HYPOTHECATED PROPERTY**

The Bond Trustee shall permit the Company until the Bond Security Interest hereby constituted shall have become enforceable and the Bond Trustee shall have determined or become bound to enforce the same to hold and enjoy the Hypothecated Property and to receive and apply as it thinks fit all rents and income arising therefrom and (subject to the provisions of this Deed) to carry on thereon and therewith any of the businesses authorised by its memorandum of association for the time being.

### **15. DEALING WITH HYPOTHECATED PROPERTY**

At any time or times before the Bond Security Interest shall have become enforceable and the Bond Trustee shall have determined or become bound to enforce the same, the Bond Trustee may, at the cost and request of the Issuer and with due regard to the interests of all the Beneficiaries, do all or any of the things which the Company might have done with or in respect of the Hypothecated Property had not this security been created and particularly but not by way of limitation may sell, let, exchange, surrender, develop, deal with or exercise any rights in respect of all or any part of the Hypothecated Property upon such terms or for such consideration or in any such manner as is herein mentioned and having due regard to the interests of the Beneficiaries as it shall think fit.

### **16. DISTRIBUTIONS BY BOND TRUSTEE**

- 16.1 All monies arising from any calling in or collection hereunder and all monies received by the Bond Trustee hereunder at any time shall be held by the Bond Trustee (subject to any prior ranking claims thereon) upon trust to apply the same for the following purposes and in the following order of priority in payment of:
- 16.1.1 all costs, charges, expenses and liabilities incurred and payments made in or about the exercise of the trust in relation to this Deed by the Bond Trustee including all remuneration payable to the Bond Trustee with interest thereon as hereinafter provided;
- 16.1.2 the interest owing upon the Bonds *pari passu* and without any preference or priority;

16.1.3 the principal monies owing upon the Bonds pari passu and without any preference of priority.

16.2 The Bond Trustee shall give to Bondholders at least ten (10) days notice of every distribution made by it to Bondholders and the Bond Trustee shall be entitled at its discretion to withhold payment of any monies due to be distributed to any Bondholders. Any monies the payment whereof is for the time being withheld by the Bond Trustee pursuant to this clause shall be placed by it at the risk of the person or persons entitled thereto in a savings account with a bank and so much of the Bonds as equals the amount of any principal monies for the time being withheld from the person or persons registered or entitled to be registered as the beneficiaries of the Bonds shall not carry interest while such monies are being withheld (save any interest allowed on the savings account in which such monies are placed). The receipt of the Bondholder or of the first-named of joint Bondholders for any monies paid by the Bond Trustee in respect of the Bonds shall be a good discharge to the Bond Trustee for those monies.

## 17. MEETINGS OF BENEFICIARIES

17.1 The Bond Trustee at any time and at the cost of the Company, prior to exercising any power or discretion hereunder may:

17.1.1 call a meeting of Beneficiaries by giving such Beneficiaries not less than seven (7) days notice, in writing setting out in the notice the time, place and date set for the meeting and the matters to be discussed thereat; or

17.1.2 write to all Beneficiaries requesting their instructions/directions.

Provided that the Bond Trustee shall not be liable for any action it may deem necessary to take prior to acting in accordance with paragraphs 17.1.1 or 17.1.2 above.

17.2 In the event that there are more than two Beneficiaries, at any meeting of Beneficiaries two persons present in person or by proxy shall constitute a quorum. Unless this Deed determines otherwise all decisions taken at meetings of Beneficiaries shall be passed by a simple majority of those present and voting.

17.3 Upon request made at any time by Beneficiaries holding at least ten (10) per cent of the outstanding value of the Bonds the Bond Trustee shall call a meeting of Beneficiaries.

17.4 The Bond Trustee shall not be bound to act on behalf of the Beneficiaries under this Deed unless it receives duly authorised instructions/directions as stipulated in this Deed.

17.5 Nothing in this Deed shall be construed as meaning that the Bond Trustee is bound to act in the manner specified in this clause unless so required by this Deed.

## 18. OTHER BUSINESS RELATIONSHIPS BETWEEN THE BOND TRUSTEE AND THE COMPANY

Neither the Bond Trustee nor any of its shareholders, directors or officers or any associates, affiliates, agents or delegates whether forming part of the BAWAG Group (as defined hereunder) or otherwise shall by reason of its or his fiduciary position be in any way precluded from entering into or being interested in any contract or financial or other transaction or arrangement with the Issuer or any person or body corporate associated with the Issuer including without prejudice to the generality of this provision any contract, transaction or arrangement of a banking or insurance nature or any contract, transaction or arrangement in relation to the making of loans or the provision of financial facilities to or the holding of security, or the purchase, placing or underwriting of or subscribing or procuring subscriptions for or otherwise acquiring, holding or dealing with the Bonds or any other bonds, stocks, shares, debenture stock, debentures, notes or other securities of the Issuer or any person or body corporate associated as aforesaid or accepting or holding the trusteeship of any other trust deed constituting or securing any other securities issued by the Issuer or any such person or body corporate so associated or any office of profit under the Issuer or any such person or body and shall be entitled to retain and shall not be in any way liable to account for any profit made or share of brokerage or commission or remuneration or other benefit received thereby or in connection therewith.

For the purposes of this clause “BAWAG Group” means BAWAG Malta Bank Limited (C 31608), any parent company and/or any subsidiary company of BAWAG Malta Bank Limited and/or any other subsidiary of its parent company and for the purposes of this definition the terms “parent” and “subsidiary” shall bear the same meaning as defined in the Companies Act (Cap. 386, Laws of Malta).

## 19. RELEASE OF BOND SECURITY INTEREST

- 19.1 At the end of the security period, which materialises upon redemption, whether by way of prepayment or upon maturity, of the principal amount of the Bonds, payment of all interest thereunder and reimbursement of all expenses incurred by, and payment of remuneration due to, the Bond Trustee under this Deed, all security interests created by the Bonds or this Deed are released, whereupon the Bond Trustee shall be discharged from all liabilities and obligations which it has under this Trust Deed, the Bonds and the Bond Security Interest; in determining whether, for the purposes of this Trust Deed, the security period has come to an end, there shall be disregarded the liabilities of the Company in respect of the expenses of the Company in connection with any such release or re-assignment.
- 19.2 During the security period the Bond Trustee shall be empowered to release individual units of the Hypothecated Property from the Bond Security Interest encumbering such unit upon receipt by it from the Company or a prospective purchaser of twenty per cent (20%) of the average gross sales proceeds depending on the type of apartment as indicated in the list hereto attached and marked as Appendix 1. The Funds so received by the Bond Trustee shall be held by it under trust in a segregated bank account with a bank licensed under the Banking Act, 1994 (the “Reserve Account”) for the benefit of the Beneficiaries and shall be so held with a view to meeting the redemption of the Bonds on the Maturity Date.

Provided that any amount receivable by the Bond Trustee under this Clause 19.2 shall be subject to the prior deduction from the sale proceeds in respect of any such unit of such amounts as may be required: (i) by law to be deducted, withheld or otherwise paid in respect of any taxes, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed upon the sale of such unit; and/or (ii) under the terms and conditions of the Senior Loan to be credited to any escrow account to satisfy the Company’s payment obligations (whether such obligations refer to fees, interest, principal or otherwise) under the Senior Loan; and/or (iii) under the terms of any estate agency agreement to be payable to any estate agent in respect of the sale of such unit.

Provided further that any shortfall in the amount receivable by the Bond Trustee pursuant to the foregoing proviso shall be required to be made up, in whole or in part, out of the available sale proceeds (after deduction of any of the items referred to in (i), (ii) and (iii) of the foregoing proviso) from any subsequent sale or sales until such shortfall shall have been made up in its entirety.

Provided further that the proceeds standing to the credit of the Reserve Account shall at no time exceed the aggregate value of Bonds outstanding.

- 19.3 The Bond Trustee shall hold such monies standing to the credit of the Reserve Account to ensure their preservation and may from time to time, but shall not be obliged to, from time to time invest such monies in such a manner and in such instruments as are herein provided, namely:
- (i) investment or re-investment in any EU Government debt securities or other debt securities issued or guaranteed by an OECD sovereign state and without any currency exchange risk, in either case for a term not exceeding the Maturity Date; or
  - (ii) Pre-payment of the Bonds at the Optional Redemption Dates; or
  - (iii) Re-purchase of the Bonds, on the open market or by tender offer, for cancellation.

## 20. REMOVAL OR RETIREMENT OF BOND TRUSTEE

The Bond Trustee may retire at any time on giving not less than three (3) months prior written notice to the Issuer without assigning any reason and without being responsible for any costs occasioned by such retirement. The Bondholders shall have the power exercisable by a resolution passed at a meeting of Bondholders passed by seventy five per cent (75%) in value of the Bondholders to remove the Bond Trustee. The Issuer undertakes that in the event of the Bond Trustee giving notice under this clause or being removed under this clause it will use all reasonable endeavours to procure a new trustee to be appointed. The retirement or removal of the Bond Trustee shall not become effective until a successor trustee is appointed.

## 21. TERMINATION

The Bond Trustee shall only be discharged from all liabilities and obligations which it has under this Trust Deed upon the early redemption or redemption on maturity of the principal amount of the Bonds and payment of all interests thereunder and reimbursement of all expenses incurred by and payment of remuneration due to the Bond Trustee under this Deed.

## 22. EXCLUSION OF IMPLIED DUTIES

The Bond Trustee shall not have or incur any obligation, duty or responsibility, whether fiduciary or otherwise, to the Company, or to any of the Beneficiaries, as the case may be, except those expressly specified in this Trust Deed and the Bonds to the effect that the Bond Trustee has such a duty or responsibility.

## 23. LIMITATION OF LIABILITY

The Bond Trustee shall not be liable to the Company or any of the Beneficiaries, as the case may be, for any loss or expense attributable to any action taken or omitted to be taken by the Bond Trustee, or any person appointed by the Bond Trustee under or in connection with this Trust deed or the Bonds, unless the loss or expense is shown to have been caused by the gross negligence or misconduct of the Bond Trustee or the person appointed by the Bond Trustee; and the Company and/or Beneficiaries shall not make any claims against the Bond Trustee or against any person appointed by the Bond Trustee in respect of such loss or expense unless he is shown to have acted dishonestly.

## 24. MODIFICATION AND WAIVER

24.1 At any time and without the consent of the Bondholders, the Bond Trustee may concur with the Company in making any modification to this Bond Trust Deed (including Appendix 1 attached hereto) which, in the opinion of the Bond Trustee, will not be prejudicial to the interests of the Bondholders or which is to correct a manifest error, in which case the Company shall promptly take all such reasonable steps as the Bond Trustee may require.

24.2 The Bond Trustee may, whenever it thinks fit, unless otherwise previously directed in writing by a simple majority in value of the Beneficiaries, and on such terms and subject to such conditions as it shall deem fit, whenever it is of the opinion that this will not be prejudicial to the interests of the Bondholders:

24.2.1 authorise or waive any proposed breach or any breach by the Company of any of the terms of this Bond Trust Deed (including Appendix 1 attached hereto) or the Terms and Conditions of the Bonds, without prejudice to the rights of the Bond Trustee in respect of any subsequent breach of any such terms; and

24.2.2 determine that any event which constitutes (or which, with the giving of notice and/or the lapse of time or any other matter would constitute) an event on the happening of which the Bonds shall have or may become immediately payable shall not be treated as such for the purposes of this Bond Trust Deed, without prejudice to the rights of the Trustee in respect of any subsequent such event.

## 25. NOTICES

Any notice or demand to the Issuer, or the Bond Trustee required to be given, made or served for any purpose under the Bonds or this Trust Deed shall only be given, made or served by sending the same by registered mail, facsimile transmission or electronic mail or by delivering it by hand as follows:

To the Issuer:	GAP Developments p.l.c.
Attention:	Mr. George Muscat
Facsimile:	+356 2327 1210
To the Bond Trustee:	BAWAG Malta Bank Limited
Attention:	Mr. Otto Karasek
Facsimile:	+356 2131 5147

or such other address, or facsimile number as shall have been notified (in accordance with this clause) to the parties hereto and any notice or demand sent by post as aforesaid shall be deemed to have given, made or served three (3) days after despatch and any notice sent by facsimile transmission or electronic mail shall be deemed to have been given, made or served 24 hours after the time of despatch provided that in the case of a notice or demand given by facsimile transmission or electronic mail such notice or demand shall forthwith be confirmed by post. The failure of the addressee to receive such confirmation shall not invalidate the relevant notice or demand given by facsimile transmission or electronic mail.

## 26. APPLICABLE LAW

This Trust Deed shall be governed, interpreted and construed in accordance with the laws of Malta.

## 27. SUBMISSION TO JURISDICTION

The Issuer and the Bond Trustee agree and submit for all purposes of or in connection with this Trust Deed, the Bond instrument and other related documentation to the exclusive jurisdiction of the Courts of Malta.

Executed as a binding deed on this the 21st day of March 2007.

## APPENDIX 1

<b>Column 1</b> Type of Apartment	<b>Column 2</b> No. of Apartments	<b>Column 3</b> Average gross sale proceeds (Lm)	<b>Column 4</b> Amount to be paid to Bond Trustee (Lm)*
No views	19	80,000	16,000
Partial views	71	101,000	20,200
Open sea views with terrace	221	258,000	51,600
Open sea views with larger terrace	24	308,000	61,600
Duplex apartments	6	698,000	139,600

\*The amount indicated in this column 4 is the amount that the Bond Trustee is to receive from the sale of each of the apartments falling within the category indicated in Column 1 of the above table. For example in the case of apartments indicated in Column 1 under the category with the nomenclature "No Views", the Bond Trustee shall be entitled to receive the amount of Lm16,000 on the final deed of sale of each of the 19 apartments indicated in Column 2.

## **ANNEX 6 – SPECIMEN APPLICATION FORM - LM**

**SPECIMEN APPLICATION FORM - LM**

Reverse Side

## **SPECIMEN APPLICATION FORM - EURO**

**SPECIMEN APPLICATION FORM - EURO**

Reverse Side

## **ANNEX 7 – AUTHORISED DISTRIBUTORS**

### **Members of the Malta Stock Exchange**

Atlas Investment Services Ltd.....	Tel: 21 322590 .....	Fax: 21 322584
Bank of Valletta p.l.c.....	Tel: 21 312020 .....	Fax: 22 753348
Calamatta Cuschieri & Co. Ltd.....	Tel: 25 688688 .....	Fax: 25 688256
Charts Investment Management Service Ltd .....	Tel: 21 224106 .....	Fax: 21 241101
Curmi & Partners Ltd.....	Tel: 21 347331 .....	Fax: 21 347333
Financial Planning Services Ltd.....	Tel: 21 344255 .....	Fax: 21 341202
FINCO Treasury Management Ltd.....	Tel: 21 220002 .....	Fax: 21 243280
GlobalCapital Financial Management Ltd.....	Tel: 21 310088 .....	Fax: 23 282207
Hogg Capital Investments Ltd.....	Tel: 21 322872 .....	Fax: 21 342760
HSBC Stockbrokers (Malta) Ltd.....	Tel: 25 972241 .....	Fax: 25 972494
Rizzo, Farrugia & Co (Stockbrokers) Ltd.....	Tel: 21 314038 .....	Fax: 21 310671

### **Investment Services Providers**

APS Bank Ltd.....	Tel: 25 593400 .....	Fax: 25 593167
Crystal Finance Investments Ltd .....	Tel: 21 226190 .....	Fax: 21 226188
D.B.R. Investments Ltd.....	Tel: 21 647763 .....	Fax: 21 647765
Growth Investments Ltd.....	Tel: 21 234582 .....	Fax: 21 249811
HSBC Bank Malta p.l.c. ....	Tel: 25 972209 .....	Fax: 25 972475
Island Financial Services Ltd.....	Tel: 23 855555 .....	Fax: 23 855238
Jesmond Mizzi Financial Services Ltd.....	Tel: 21 224410 .....	Fax: 21 223810
Joseph Scicluna Investment Services Ltd.....	Tel: 21 565707 .....	Fax: 21 565706
Lombard Bank Malta p.l.c.....	Tel: 21 248411 .....	Fax: 25 581150
Michael Grech Financial Investment Services Ltd.....	Tel: 21 554492 .....	Fax: 21 559199
MZ Investment Services Ltd.....	Tel: 21 453739 .....	Fax: 21 453407



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