

SUMMARY NOTE

dated 27 March 2017

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

In respect of an Issue of up to €65,000,000 4.35% Unsecured Bonds 2027 of a nominal value of €100 per Bond issued at par

by



A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA
WITH COMPANY REGISTRATION NUMBER C 79193

with the joint and several Guarantee*

of

SD HOLDINGS LIMITED
A PRIVATE LIMITED LIABILITY COMPANY REGISTERED UNDER THE LAWS OF MALTA
WITH COMPANY REGISTRATION NUMBER C 40318

*Prospective investors are to refer to the Guarantee contained in Annex III of the Securities Note forming part of the Prospectus for a description of the scope, nature and term of the Guarantee. Reference should also be made to the sections entitled "Risk Factors" contained in the Registration Document and the Securities Note forming part of the Prospectus for a discussion of certain risk factors which should be considered by prospective investors in connection with the Bonds and the Guarantee provided by SD Holdings Limited.

ISIN: MT0001431205

Sponsor



Manager & Registrar



Legal Counsel



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

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

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

APPROVED BY THE DIRECTORS

Handwritten signature of Silvio Debono in blue ink.

Silvio Debono

Handwritten signature of Arthur Gauci in blue ink.

Arthur Gauci

Handwritten signature of Stephen Muscat in blue ink.

Stephen Muscat

Handwritten signature of Vincent Micallef in blue ink.

Vincent Micallef

Handwritten signature of Philip Micallef in blue ink.

Philip Micallef

Handwritten signature of Robert Debono in blue ink.

Robert Debono

IMPORTANT INFORMATION

THIS SUMMARY NOTE CONSTITUTES PART OF A PROSPECTUS AND CONTAINS INFORMATION IN RELATION TO SD FINANCE P.L.C. (IN ITS CAPACITY AS ISSUER) AND THE GUARANTOR. THIS DOCUMENT INCLUDES INFORMATION GIVEN IN COMPLIANCE WITH: (A) THE COMPANIES ACT, (CAP. 386 OF THE LAWS OF MALTA) AND COMMISSION REGULATION (EC) NO. 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS (AS AMENDED BY COMMISSION DELEGATED REGULATION (EU) NO. 486/2012 OF 30 MARCH 2012, COMMISSION DELEGATED REGULATION (EU) NO. 862/2012 OF 4 JUNE 2012, COMMISSION DELEGATED REGULATION (EU) NO. 759/2013 OF 30 APRIL 2013, COMMISSION DELEGATED REGULATION (EU) NO. 382/2014 OF 7 MARCH 2014 AND COMMISSION DELEGATED REGULATION (EU) NO. 2016/301 OF 30 NOVEMBER 2015) (THE “REGULATION”); AND (B) THE RULES AND REGULATIONS APPLICABLE TO THE ADMISSION OF SECURITIES ON THE OFFICIAL LIST OF THE MSE.

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

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

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

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY AND THE MSE, AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES. APPLICATION HAS BEEN MADE TO THE MSE, FOR THE BONDS TO BE ADMITTED TO THE OFFICIAL LIST OF THE MSE. **A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR.**

THIS DOCUMENT AND ALL AGREEMENTS, ACCEPTANCES AND CONTRACTS RESULTING THEREFROM SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF MALTA, AND ANY PERSON ACQUIRING ANY BONDS PURSUANT TO THE PROSPECTUS SHALL SUBMIT TO THE JURISDICTION OF THE MALTESE COURTS, WITHOUT LIMITING IN ANY MANNER THE RIGHT OF THE ISSUER TO BRING ANY ACTION, SUIT OR PROCEEDING, IN ANY OTHER COMPETENT JURISDICTION, ARISING OUT OF OR IN CONNECTION WITH ANY PURCHASE OF BONDS, OR AGREEMENT, ACCEPTANCE OR CONTRACT RESULTING HEREFROM, OR THE PROSPECTUS AS A WHOLE.

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

ALL THE ADVISORS TO THE ISSUER HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER AND THE GUARANTOR IN RELATION TO THIS PUBLIC OFFER AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION OR RESPONSIBILITY TOWARDS ANY OTHER PERSON. NONE OF THE ADVISORS ACCEPT ANY RESPONSIBILITY TO ANY INVESTOR OR ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

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

THE DIRECTORS OF THE ISSUER CONFIRM THAT WHERE INFORMATION INCLUDED IN THE PROSPECTUS HAS BEEN SOURCED FROM A THIRD PARTY, SUCH INFORMATION HAS BEEN ACCURATELY REPRODUCED, AND AS FAR AS THE DIRECTORS OF THE ISSUER ARE AWARE AND ARE ABLE TO ASCERTAIN FROM INFORMATION PUBLISHED BY THAT THIRD PARTY, NO FACTS HAVE BEEN OMITTED WHICH WOULD RENDER THE REPRODUCED INFORMATION INACCURATE OR MISLEADING.

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS.

This Summary Note is prepared in accordance with the requirements of the Regulation.

Summaries are made up of disclosure requirements known as 'Elements'. These elements are numbered in Sections A – E (A.1– E.7). This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

Except where the context otherwise requires, the capitalised words and expressions used in this Summary Note shall bear the meanings assigned to them in the Registration Document and the Securities Note, as the case may be.

SECTION A INTRODUCTION AND WARNINGS

A.1 Prospective investors are hereby warned that:

- i. this summary is being provided to convey the essential characteristics and risks associated with the Issuer and the securities being offered pursuant to this document. This part is merely a summary and therefore should only be read as an introduction to the Prospectus. It is not and does not purport to be exhaustive and investors are warned that they should not rely on the information contained in this summary in making a decision as to whether to invest in the securities described in this document. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor;
- ii. where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of Malta, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and
- iii. civil liability attaches only to those persons who have tabled the summary including any translation thereof, and who applied for its notification, but only if the summary, when read together with the other parts of the Prospectus: is misleading, inaccurate or inconsistent; or does not provide key information in order to aid investors when considering whether to invest in such securities.

A.2 Consent required in connection with the use of the Prospectus by the Authorised Financial Intermediaries: prospective investors are hereby informed that:

- i. for the purposes of any subscription for Bonds through any of the Authorised Financial Intermediaries and any subsequent resale, placement or other offering of Bonds by such Authorised Financial Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Directive, the Issuer consents to the use of the Prospectus (and accepts responsibility for the information contained therein) with respect to any such subsequent resale or placement or other offering of Bonds, provided this is limited only:
 - a. in respect of Bonds subscribed for through Authorised Financial Intermediaries listed in Annex I of the Securities Note; and during the Group Employees Offer Period, as applicable;
 - b. to any resale or placement of Bonds subscribed for as aforesaid, taking place in Malta;
 - c. to any resale or placement of Bonds subscribed for as aforesaid, taking place within the period of 60 days from the date of the Prospectus.
- ii. **in the event of a resale, placement or other offering of Bonds by an Authorised Financial Intermediary, the Authorised Financial Intermediary shall be responsible to provide information to investors on the terms and conditions of the resale, placement or other offering at the time such is made.**

SECTION B ISSUER AND GUARANTOR

B.1 The legal and commercial name of the Issuer is SD Finance p.l.c. The legal and commercial name of the Guarantor is SD Holdings Limited. **(B.19)**

B.2 The Issuer was registered in Malta in terms of the Act on 20 January 2017, as a public limited liability company. The Guarantor was registered **(B.19)** in Malta in terms of the Act on 19 December 2006, as a private limited liability company. The Issuer and the Guarantor are domiciled in Malta.

B.4b The following is an overview of the most significant recent trends affecting the Issuer and the Guarantor and the markets in which the Group **(B.19)** operates.

The Issuer was registered on 20 January 2017 as a special purpose vehicle to act as the financing arm of the db Group. As at the date hereof the Issuer has no financial information to report. Accordingly, it is not in a position to assert whether there has been a material adverse change since the date of publication of its latest audited financial statements.

There has been no material adverse change in the prospects of the Guarantor since the date of publication of its latest audited financial statements.

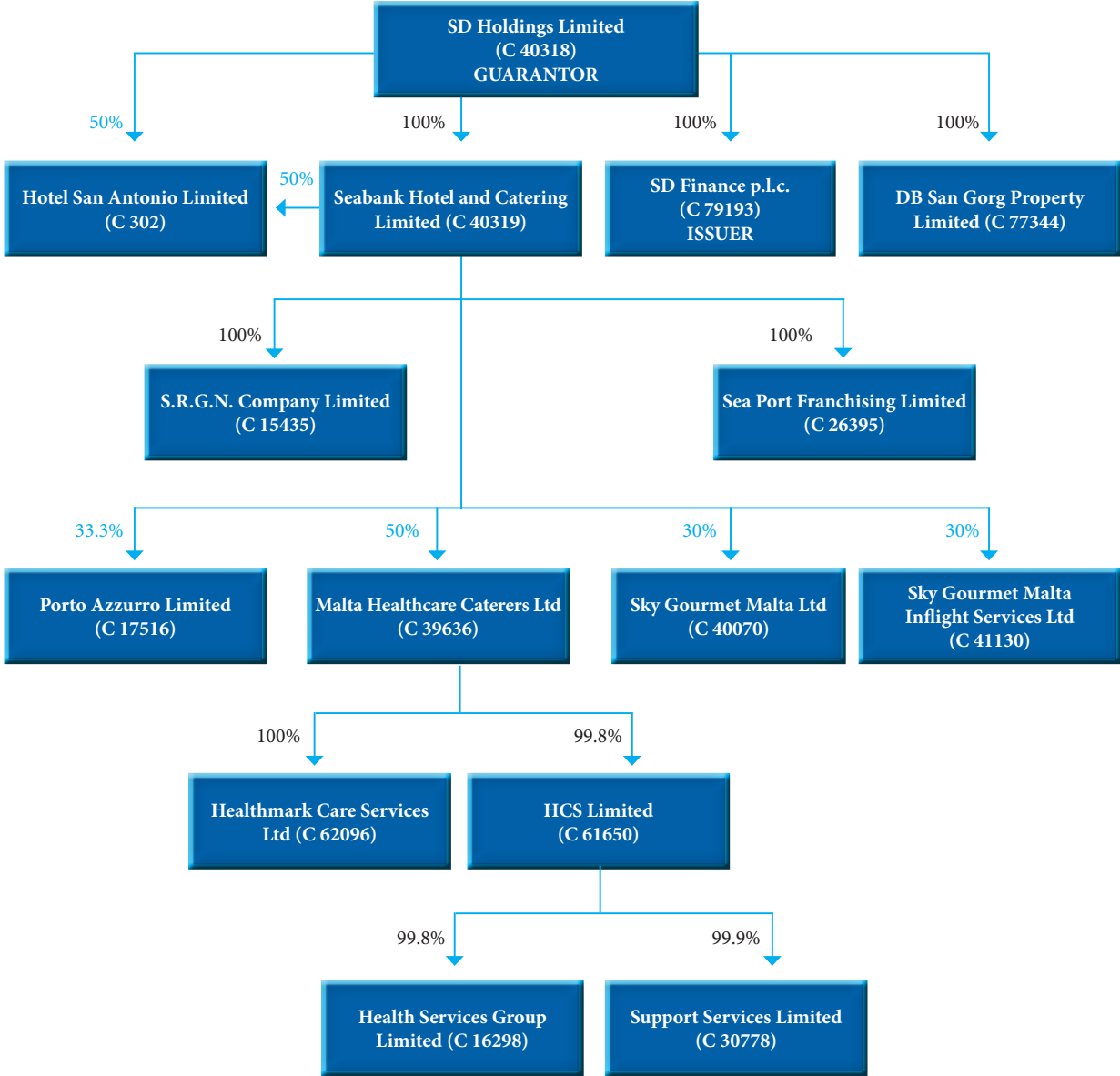
As at date of publication of the Prospectus, the Issuer considers that generally it shall be subject to the business risks associated with the current operations of the Group, and believes that there are no further risks apart from the normal risks associated with the current operations of the Group, which includes the Guarantor. Barring unforeseen circumstances, the Issuer does not anticipate any particular 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 Group, for at least the current financial year. However, investors are strongly advised to carefully read the risk factors in the Prospectus.

Hospitality and Entertainment Markets: tourism in Malta has been performing at a strong level and this trend continued in 2016 as inbound tourist trips reached a record 1.99 million, an increase of 10.2% when compared to a year earlier. The National Statistics Office (“NSO”) has estimated tourism expenditure to amount to €1.71 billion in 2016, an increase of 4.3% over 2015. Malta’s 2017 EU Presidency, together with Valletta serving as the European City of Culture in 2018, are expected to generate increased demand for local hotels. The abovementioned positive trend was also experienced at the db Seabank Resort & Spa and db San Antonio Hotel & Spa. The Directors believe that the hotels’ operating performance was enhanced by the renovation works at both properties and the successful marketing of the all-inclusive service package. The Group also intends to expand its portfolio of hotels through the development of a five-star Hard Rock Hotel.

Healthcare Sector: Malta has circa 110,000 seniors above the age of 60, and, according to the NSO, this is expected to grow to over 135,000 by 2030. This substantial increase in elderly persons is envisaged to have a material effect on the growth on the demand for care and support services provided to this category of population. The Group, through its 50% shareholding in Malta Healthcare Caterers Ltd, foresees a steady increase in demand for nursing, home carers and other healthcare staff in the coming years, as well as a growing need for retirement and care homes. The db Group shall continue to focus on this sector, particularly by growing the staff complement to meet the demand for long-term care in Malta. Malta Healthcare Caterers Ltd also intends to expand its activities in the healthcare sector through the establishment of a local residence for the elderly.

Contract Catering Market: the demand for contract catering in Malta has developed substantially over the last decade, particularly from the healthcare, aviation and canteen catering sectors. In the healthcare sector, demand is mainly generated from state, privately-owned hospitals and retirement homes. The Directors expect this market to grow further in the coming years as more hospitals and care homes are developed to meet the needs of Malta’s aging population. Malta Healthcare Caterers Ltd intends to remain focused on optimising the contract catering business with a customer centric approach. In the aviation industry, inflight catering service is decreasing as a result of airlines reducing their costs on ancillary services such as inflight meals. The Group, through its 30% shareholding in Sky Gourmet Malta Ltd, will continue to focus on achieving operating efficiencies to safeguard future business viability.

B.5 The organisational structure of the Group is illustrated in the diagram below:
(B.19)



B.9 Not Applicable: no profit forecasts or estimates have been included in the Registration Document.

B.10 Not Applicable: the audit reports on the audited financial statements for the years ended 31 March 2014 to 2016 of the Guarantor do not (B.19) contain any material qualifications.

B.12 As at the date hereof, the Issuer has no financial information to report. Accordingly, it is not in a position to assert whether there has been a (B.19) material adverse change since the date of publication of its latest audited financial statements.

The historical consolidated financial information of the Guarantor set out in the Registration Document, and consisting of the audited financial statements for each of the financial years ended 31 March 2014 to 2016, has been audited by Pricewaterhouse Coopers. The interim financial information for the period 1 April 2016 to 30 September 2016 is unaudited.

The abovementioned audited financial statements of the Guarantor are available on the Issuer's website, www.dbgroupmalta.com.

There were no significant changes to the financial or trading position of the Guarantor since the end of the financial period to which its respective last audited financial statements relate.

Extracts of the historical annual financial information of the Guarantor referred to above are set out below:

SD Holdings Limited

Condensed Consolidated Statements of Comprehensive Income for the year ended 31 March

	2014	2015	2016
	€'000	€'000	€'000
Revenue	23,087	34,947	42,963
EBITDA ¹	7,585	11,908	17,804
Profit for the year	3,215	6,684	5,627
Revaluation surplus, net of deferred tax	-	-	22,586
Total comprehensive income for the year net of tax	3,237	6,703	28,323

¹EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

SD Holdings Limited

Condensed Consolidated Statements of Financial Position as at 31 March

	2014	2015	2016
	€'000	€'000	€'000
ASSETS			
Non-current assets	99,154	127,962	146,221
Current assets	5,240	9,541	10,212
Total assets	104,394	137,503	156,433
EQUITY			
Equity and reserves	21,671	28,374	56,697
LIABILITIES			
Non-current liabilities	62,373	70,412	61,268
Current liabilities	20,350	38,717	38,468
	82,723	109,129	99,736
Total equity and liabilities	104,394	137,503	156,433

Revenue is principally generated through the Group's four main operational entities within its hospitality and leisure division, namely Seabank Hotel and Catering Limited and Hotel San Antonio Limited, which respectively generated 46.5% and 34.3% of total revenue during 2016, as well as the S.R.G.N. Company Ltd and Sea Port Franchising Ltd, which operate the Tunny Net complex and the three Hard Rock establishments respectively.

Over the historical period, the Group has experienced a significant increase in its levels of business activity, with the total revenue of €43.0m in 2016 representing a compound annual growth rate (CAGR) of 36.4% on 2014 levels. The revenue growth in 2015 was largely attributable to the inclusion of Hotel San Antonio Limited as a consolidated subsidiary with effect from 1 April 2014, which resulted from the Group's acquisition of the remaining 50% equity interest in the company, as a result of which it acquired full ownership and control. Meanwhile, the subsequent growth in 2016 principally emanated from the full year impact of the expanded and renovated San Antonio Hotel & Spa (which significantly increased its room capacity following an extensive development project) and its subsequent shift to an all-inclusive business model.

The Group's net profitability has increased from €3.2m in 2014 to €5.6m, representing a CAGR of 32.3% since 2014. The 15.8% decrease in net profitability during 2016 was principally the result of the recognition of tax income of €3.7m during 2015, largely reflecting the investment tax credits emanating from the refurbishment of the San Antonio hotel.

Extracts of the interim financial information of the Guarantor for the six month period 1 April to 30 September 2016 are set out below:

SD Holdings Limited

**Condensed Consolidated Statements of Comprehensive Income
for the six-month period 1 April to 30 September**

	2015	2016
	Unaudited	Unaudited
	€'000	€'000
Revenue	28,307	30,388
EBITDA ¹	13,661	14,556
Total comprehensive income for the period net of tax	6,403	7,246

¹EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

SD Holdings Limited

Condensed Consolidated Statements of Financial Position

as at

	31 Mar'16	30 Sep'16
	Audited	Unaudited
	€'000	€'000
ASSETS		
Non-current assets	146,221	142,573
Current assets	10,212	21,292
Total assets	156,433	163,865
EQUITY		
Equity and reserves	56,697	63,943
LIABILITIES		
Non-current liabilities	61,268	58,045
Current liabilities	38,468	41,877
	99,736	99,922
Total equity and liabilities	156,433	163,865

During the first six months of FY 2017, SD Holdings Limited generated revenue levels in the region of €30.4m, which represented an increase of 7.4% over the same period in 2015, with each consolidated subsidiary experiencing a growth in its revenue levels. Seabank Hotel and Catering Limited and Hotel San Antonio Limited were the most significant contributors to the growth in revenue, increasing by 5.2% and 11.3% respectively when compared to the same period in 2015. This growth reflects the impact of notable improvements in the occupancy of both hotels, wherein occupancy levels of 92.3% and 91.8% were achieved by the Seabank and San Antonio respectively during H1 2017 (H1 2016: 88.3% and 82.6% respectively).

EBITDA amounted to €14.6m for the six-month period ended 30 September 2016, representing an increase of 6.6% when compared to the same period during 2015. The most significant contributors to the EBITDA levels generated by the Group during the six-month period ended 30 September 2016 were Seabank Hotel and Catering Limited and Hotel San Antonio Limited, which comprised 51.2% and 39.2% of total EBITDA respectively. Net profitability increased by 13.2% to €7.1m during the six-month period ended 30 September 2016.

B.13 Not Applicable: neither the Issuer nor the Guarantor are aware of any recent events which are to a material extent relevant to the evaluation **(B.19)** of their solvency.

B.14 The Issuer was set up in 2017 as a fully owned subsidiary of the Guarantor. The Guarantor holds 249,999 ordinary shares of €1.00 each in the **(B.19)** Issuer, and the remaining one ordinary share is held by Silvio Debono. The Issuer does not itself carry on any trading activities apart from the raising of capital and advancing thereof to members of the Group as and when the demands of their business so require. Accordingly, the Issuer is economically dependent on the Group.

The Guarantor is the parent company of the Group and has an authorised share capital of €5,000,000 divided into 5,000,000 ordinary shares of a nominal value of €1.00 each. The issued share capital of the Guarantor is €4,000,000 divided into 4,000,000 Ordinary Shares of a nominal value of €1.00 each. The entire issued share capital of the Guarantor is subscribed for, allotted and taken up as fully paid up shares by Silvio Debono. As the holding company of the Group, the Guarantor is ultimately dependent upon the operations and performance of its subsidiaries and their respective operations.

B.15 As at the date of the Prospectus, the Issuer does not itself carry on any trading activities apart from the raising of capital and advancing thereof **(B.19)** to members of the Group as and when the demands of their business so require. In terms of its Memorandum and Articles of Association, the principal objects of the Issuer include, but are not limited to: the carrying on of the business of a holding company; the acquisition and holding of securities and interests of and in any companies for the time being engaged, concerned or interested in any industry, trade or business; the promotion of the beneficial cooperation of any such companies with one another as well as with the Issuer; and the employment of the Issuer's funds in the development and expansion of its business and that of any of its subsidiaries and other company in which it may have an interest.

In terms of its memorandum and articles of association, the principal objects of the Guarantor are to: provide advisory, consultancy, back-office, human resources, marketing, logistics and other ancillary services related to the management, administration and operations of other companies; and to carry out such activities as may be ancillary to, or necessary for the attainment of, the aforesaid. Ancillary objects include: the holding of securities in other companies; the acquisition and development of property; and the establishment, operation, management and maintenance of hotels, tourist centres, catering and entertainment establishments.

- B.16** The Issuer is a fully owned subsidiary of the Guarantor and has an authorised and issued share capital of €250,000 divided into 250,000 (B.19) ordinary shares of a nominal value of €1.00 each, fully paid up. The Guarantor holds 249,999 ordinary shares of €1.00 each in the Issuer, and the remaining one ordinary share is held by Silvio Debono. The Guarantor has an authorised share capital of €5,000,000 divided into 5,000,000 ordinary shares of a nominal value of €1.00 each. The issued share capital of the Guarantor is €4,000,000 divided into 4,000,000 ordinary shares of a nominal value of €1.00 each. All of the issued share capital of the Guarantor is subscribed for, allotted and taken up as fully paid up shares by Silvio Debono.
- B.17** Not Applicable: Neither the Issuer nor the Guarantor has sought the credit rating of an independent rating agency, nor has there been any assessment by any independent rating agency of the Bonds issued by the Issuer.
- B.18** For the purposes of the Guarantee, the Guarantor, as primary obligor, jointly and severally with the Issuer irrevocably and unconditionally (B.19) guarantees to each Bondholder that if for any reason the Issuer fails to pay any sum payable by it to such Bondholder pursuant to the Terms and Conditions of the Bonds as and when the same shall become due, the Guarantor will pay to such Bondholder on demand the amount payable by the Issuer to such Bondholder. The obligations of the Guarantor under the Guarantee shall remain in full force and effect until no sum remains payable to any Bondholder pursuant to the issue of the Bonds.

SECTION C SECURITIES

- C.1** The Issuer shall issue an aggregate of €65,000,000 in Bonds having a face value of €100 per Bond, subject to a minimum holding of €2,000 in Bonds. The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. On admission to trading the Bonds will have the following ISIN: MT0001431205. The Bonds shall bear interest at the rate of 4.35% per annum.
- C.2** The Bonds are denominated in Euro (€).
- C.5** The Bonds are freely transferable and, once admitted to the Official List, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time.
- C.8** Investors wishing to subscribe to the Bonds will be able to do so by duly executing an Application Form in relation to the Bonds. Execution of the Application Form will entitle such Bondholder to:
- (i) the repayment of capital;
 - (ii) the payment of interest;
 - (iii) seek recourse from the Guarantor pursuant to the Guarantee, in case of failure by the Issuer to pay any sum payable by it to Bondholders pursuant to the Terms and Conditions of the Bonds detailed in this Securities Note;
 - (iv) ranking with respect to other indebtedness of the Issuer;
 - (v) attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bonds; and
 - (vi) enjoy all such other rights attached to the Bonds emanating from the Prospectus.

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed by the Guarantor, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt of each of the Issuer and the Guarantor, if any. Furthermore, subject to the negative pledge clause, third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer and the Guarantor for so long as such security interests remain in effect.

As at the date of this Securities Note, the Issuer does not have any subordinated indebtedness. As at 14 February 2017, Group indebtedness amounted to €62,052,000 and comprised of guarantees, overdraft facilities, bank loans and other borrowings from related companies. The bank borrowings and facilities in question are secured by privileges and hypothecs, and therefore, to the extent that such borrowings and/or facilities remain outstanding, the indebtedness being created by the Bonds would, specifically in respect of the assets constituting the said security, rank after all these bank borrowings and/or facilities. In addition, the Bonds would also rank after any future debts which may be secured by a cause of preference such as a privilege and/or a hypothec, in so far as the asset constituting the relevant security is concerned.

- C.9** The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List of the MSE. The Bonds shall bear interest from and including 25 April 2017 at the rate of 4.35% per annum on the nominal value thereof, payable annually on 25 April of each year between and including each of the years 2018 and 2027 (the “**Interest Payment Date**”). The nominal value of the Bonds will be repayable in full upon maturity on 25 April 2027 unless they are previously re-purchased and cancelled. The first interest payment will be effected on 25 April 2018. 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 gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at 25 April 2027 is four point three five per cent (4.35%). The remaining component of Element C.9 is Not Applicable, given that no representative of debt security holders has been appointed.

C.10 Not Applicable: there is no derivative component in the interest payments on the Bonds.

C.11 The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 27 March 2017. Application has been made to the MSE for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List. The Bonds are expected to be admitted to the MSE with effect from 4 May 2017 and trading is expected to commence on 5 May 2017.

SECTION D RISKS

D.2 Key information on the key risks specific to the Issuer

Holding of a Bond involves certain risks. Before deciding to acquire Bonds, prospective investors should carefully consider, with their own independent financial and other professional advisors, the following risk factors and other investment considerations, as well as all the other information contained in the Prospectus. Prospective Investors are warned that by investing in the Bonds they may be exposing themselves to significant risks that may have the consequence of losing a substantial part of all of their investment.

This document contains statements that are, or may be deemed to be, “forward-looking statements”, which relate to matters that are not historical facts and which may involve projections of future circumstances. They appear in a number of places throughout the Prospectus and include statements regarding the intentions, beliefs or current expectations of the Issuer and/or its Directors. These forward looking statements are subject to a number of risks, uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer’s Directors. No assurance is given that the future results or expectations will be achieved.

Prospective investors are advised to read the Prospectus in its entirety and, in particular, the sections entitled “Risk Factors” in the Registration Document and Securities Note, for an assessment of the factors that could affect the Bonds and the Issuer’s and Guarantor’s future performance.

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, unless the Bonds are previously re-purchased and cancelled. An investment in the Bonds involves certain risks, including those described below.

An investment in the Issuer and the Bonds may not be suitable for all recipients of the Prospectus and prospective investors are urged to consult an independent investment advisor licensed under the Investment Services Act (Cap. 370 of the laws of Malta) as to the suitability or otherwise of an investment in the Bonds before making an investment decision.

The risk factors set out below are a summary of the principal risks associated with an investment in the Issuer and the Bonds – there may be other risks which are not mentioned in this summary.

i. Risks relating to the Group: the Group and its Business

Exposure to General Economic Conditions

The Group is highly susceptible to economic trends that may be felt in Malta and internationally, including fluctuations in consumer demand and financial market volatility. Any future expansion of the Group’s operations into other markets would further increase its susceptibility to adverse economic developments and trends affecting such other markets. Negative economic factors, particularly those having an effect on consumer demand, could have a material impact on the business of db Group, and may adversely affect the Issuer’s ability to meet its obligations under the Bonds.

Level of Interest Rates

The Group may be exposed to the risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financing position and cash flows.

Key Senior Personnel Material to the Group’s Growth

The Group believes that its growth is partially attributable to the efforts of its executive management and other key personnel. If any of these persons were to discontinue their present position, the Group might not be able to replace them within the short term, and this could have a material adverse effect on the Group’s business, financial condition and results of operations. There is no guarantee that the Group’s business objectives will be achieved to the degree expected following the loss of key personnel.

The Group’s Insurance Policies

The Group maintains insurance at levels determined to be appropriate in light of the cost of cover and the risk profiles of its business. Recovering losses from insurers may be difficult and time-consuming, and the Group may be unable to recover the full loss incurred. No assurance can be given that the Group’s current insurance coverage would be sufficient to cover all potential losses nor that an appropriate coverage would always be available at acceptable commercial rates.

Risk of Litigation

The Group is exposed to the risk of litigation from customers, partners, suppliers, employees, regulatory authorities and/or franchisors. No assurance can be given that disputes which could have a significant effect on the Group’s financial position or operational performance will not arise. Exposure to litigation or fines imposed by regulatory authorities may affect the Group’s reputation even though the monetary consequences may be insignificant.

Risks relating to Disputes/Investigations

In recent weeks certain allegations have been reported in the Maltese press in relation to the activities of certain Group companies. The continued existence of these allegations will result in the Group deploying management resources to defend itself against such allegations, and could result in various legal actions (of a criminal, civil and, or administrative nature) being taken against member companies of the Group and possibly even against individuals personally. In particular, these allegations could lead to civil actions being brought before the Civil Courts of Malta and to criminal action being taken for any alleged breach of criminal laws in Malta. Such actions, if they were to occur, could adversely affect the financial position and financial prospects of the Group. Furthermore, exposure to litigation or to fines imposed by regulatory authorities would adversely affect the Group's reputation.

Risks of Integration and Operation of Acquired Businesses

The integration and operation of acquired businesses or additional franchises may disrupt the Group's business and create additional expenses. The success of integration of acquired businesses or additional franchises typically assumes certain synergies and other benefits. There is no assurance that these risks or other unforeseen factors will not offset the intended benefits of the acquisitions or expansion, in whole or in part.

Reliance on Non-Proprietary Software Systems and Third-Party IT Providers

To varying degrees, the Group is reliant on technologies and operating systems (including IT systems) developed by third parties for the running of its business, and are exposed to the risk of failures in such systems. Disruption to those technologies or systems and/or lack of resilience in operational availability could adversely affect the efficiency of the Group's business, financial condition and/or operating performance.

Growth Strategy

The Group may not be able to execute its long-term business strategy, which looks to enhance its presence in the hotel and leisure industries. There is no assurance that the Group will drive growth and profitability, to the extent desired, through its focus on sales and continuous improvement. The Group's growth projections may, in practice, and potentially for reasons over which it has little or no control, be considerably slower or quicker than anticipated, disrupting the Group's envisioned strategy and the results of its operations.

The Group's Indebtedness

The Group has a material amount of debt and may incur additional debt in connection with its future growth. The agreements regulating the Group's bank debt impose and are likely to impose significant operating restrictions and financial covenants on the Group which could limit the Group's ability to obtain future financing, make capital expenditure or withstand a future downturn in business or economic conditions generally. In the event that the Group's generated cash flow were to be required to make principal and interest payments on any existing or prospective debt, this could give rise to a reduction in the amount of cash available for distribution by the Group. The Parent may also be required to provide guarantees for debts contracted by its Subsidiaries. Defaults under financing agreements could lead to the enforcement of security over property, where applicable, and/or cross-defaults under other financing agreements.

Operating Expenses

A portion of db Group's costs are fixed and operating results are vulnerable to short-term changes in its revenues. The Group's fixed operating expenses are not easily reduced to react to changes in its revenue by reducing its operating expenses, which could have a material adverse effect on its business, financial condition and results of operations. The Group's operating and other expenses could increase without a corresponding increase in turnover or revenue. The factors which could materially increase operating and other expenses include, increases in the rate of inflation, payroll expenses, property taxes and other statutory charges, and changes in laws and policy. Such increases could have a material adverse effect on the Issuer's financial position and its ability to make distributions to its shareholders.

Financial Strategy

The Group may not be able to secure sufficient financing for its future operations and investments. Failure to obtain, or delays in obtaining, the capital required to complete current or future developments and investments on commercially reasonable terms, may materially and adversely affect the Group's business, financial condition, results of operations and prospects. The Group may be exposed to a variety of financial risks associated with the unpredictability inherent in financial markets, including market risk, credit risk, foreign exchange rate risk, and interest rate risk.

Exchange Rate Risk

The Group can be impacted by transaction risk, which is the risk that the currency of costs and liabilities fluctuates in relation to the Euro, being its reporting currency, which fluctuation may adversely affect its operating performance. Unfavourable exchange rates may lead to higher costs or lower sales than expected at the time of signing the relative contract and may reduce margins. Such risks are beyond the control of the Issuer.

Changes to Laws and Regulations

The Group is at risk in relation to changes in any applicable laws and regulations, including changes to the interpretation thereof, which cannot be predicted. No assurance can be given as to the impact of any possible judicial decision, change in law, regulation or administrative practice, after the date of this Prospectus, on the business and operations of db Group.

ii. Risks relating to the Group: the Hospitality Industry

The Group's hospitality operations are subject to external factors that could adversely affect its business, many of which are beyond the Group's control, including: (i) changes in travel patterns and cutbacks on Malta-bound airline routes; (ii) changes in laws and regulations on employment, the preparation and sale of foods and beverages, health and safety, environmental concerns, fiscal policies, zoning and development, and related costs of compliance; (iii) the impact of increased threats of terrorism, impediments to means of transportation, extreme weather conditions, natural disasters, travel-related accidents, and outbreaks of health concerns; (iv) increases in operating costs due to inflation, employment costs and healthcare-related costs, utility costs, increased taxes and insurance costs; and (v) the termination, non-renewal and/or the renewal on less favourable terms of agreements entered into with tour operators. These factors may adversely impact room rates and occupancy levels at the Group's hotels or reduce its revenue, which could have a material adverse effect on the Group's financial condition and results of operations.

Furthermore, the success of db Group's hospitality operations is dependent on the preferences of customers and its ability to swiftly identify and capitalise on emerging consumer trends. If the Group were to be unable to do so, it could experience reduced rates and occupancy levels, which could have a material adverse effect on the Group's operational results.

The Group's hospitality operations are susceptible to increasing competition, which may negatively impact the Group's sales revenue and profitability in the hospitality sector. In addition, many of the Group's current and potential competitors may have greater name recognition, a larger customer base and more resources than the Group. A decline in the competitive strength of the Group and its brands could adversely affect the Group's results of operations. In particular, db Group may be compelled, by the strength of its competitors that are able to supply services at lower prices, to reduce its own prices. The ability of the Group to maintain or increase its profitability will be dependent on its ability to offset such decreases in the prices and margins of its accommodation and services.

iii. Risks relating to the Group: the Catering Industry

Dependence on Franchise

The Group's restaurant operations are centred on the Hard Rock Café and Hard Rock Bar brands, developed in Malta by the Franchisee, namely Group Subsidiary Sea Port Franchising Limited (C 26395) pursuant to a Master Franchise Agreement entered into with Hard Rock Limited. The long-term success of db Group's franchised restaurant operations depends, to a significant extent, on: (i) the ability of the Franchisee and Franchisor to identify and react to new restaurant industry trends; (ii) the ability of the Franchisee and Franchisor to develop marketing strategies to maintain and enhance reputation and develop new products; (iii) the goodwill associated with the Hard Rock Café and Hard Rock Bar trademarks; (iv) the continued relationship between the Group and the Franchisor; and (v) the continued vitality of the Hard Rock Café and Hard Rock Bar concepts and the success, quality and management of the Franchisor's overall systems. As the operations of the Franchisor are international, the Franchisor's success is susceptible to various factors, including economic, political and legal conditions, which may vary from one region to another. The Master Franchise Agreement will expire on 16 June 2020, and may only be renewed upon the Franchisee meeting certain conditions. There is no guarantee that such conditions will be met, and that the Master Franchise Agreement will be renewed.

Governing Law and Jurisdiction

The Master Franchise Agreement is governed by the laws of England and Wales. Any disputes thereunder are subject to the jurisdiction of the Courts of England and Wales. This foreign law element increases the complexity involved in any legal proceedings arising in connection with this agreement.

Term of Emphyteutical Concession and Leases

The Group operates the Tunny Net Complex in Mellieha, which offers entertainment facilities, including restaurants, and is situated on a site currently held on temporary emphyteusis by Group Subsidiary J.D. Catering Limited (C 15193). This emphyteutical grant is due to expire in July 2026. The premises from which the Group operates Hard Rock Café and Hard Rock Bar in Malta are leased premises. There is no guarantee that the Group will be able to renew the abovementioned emphyteutical concession and leases. Furthermore, with reference to the lease agreements regulating the Hard Rock Café and Hard Rock Bar premises, the Group's inability to renew the lease agreements or to fulfil its obligations thereunder, leading to their termination, could lead to the simultaneous termination of the Master Franchise Agreement. This may have a material adverse effect on the Group's business and results of operations.

General Risks Associated with the Food and Beverage Industry

The Group's performance is subject to several risk factors that affect the food and beverage industry, including: (i) changes in economic market conditions, consumer confidence and disposable income; (ii) competition with respect to price, service, location, food quality and consistency; (iii) changes in demographic trends, traffic patterns and the type and number of competing catering establishments; (iv) health concerns and potential litigation relating to health; and (v) changes in the law. Such could reduce customer transactions at the Group's catering establishments, impose limits on pricing, or cause the Group to incur additional expenditure to modify its concepts, which could adversely affect db Group's business. The Group's catering operations also depend on its ability to avoid any degradation in product quality and/or service levels for customers, which could undermine confidence in its services.

Competition

The Group is affronted with ever-increasing competition from other catering establishments. Accordingly, the success of the Group's catering activities is dependent on its ability to maintain and enhance its competitive strength. This success is dependent

on its ability to address consumers' shifting trends or its ability to address particular niches, such as vegan consumers. Further, db Group may be adversely affected should any of its competitors change their concepts or pricing in order to compete more directly with the Group.

Relations with Suppliers

The profitability of the Group's catering activities partially depends on its ability to anticipate and react to changes in the cost of its supplies, and on its dependence on timely deliveries by its suppliers. Any deterioration in the Group's relationships with its suppliers could have an adverse effect on the Group. Other factors, such as interruptions in supply caused by adverse weather conditions, could materially adversely affect the availability and costs of its products.

Complaints and Litigious Claims

In view of the nature of its catering activities, the Group may be subject to customer complaints or claims alleging food-related illness, injuries suffered on the Group's premises, or other food quality or operational concerns. Adverse publicity from such allegations may materially affect sales revenue generated by the Group's catering establishments. All litigation is expensive, time-consuming, and may divert management's attention away from the operation of the business. The Group cannot ascertain that its insurance coverage will be sufficient to cover one or more substantial claims. If claims such as the aforementioned are brought against a competitor, the Group could also be adversely affected due to any negative publicity brought against the counterparty.

Regulatory Compliance

The Group's catering establishments are subject to licensing and regulation which may include alcoholic beverage control and health and safety measures. Difficulties in obtaining or maintaining the required licences could adversely affect the Group's business and results of its operations. Various bodies also have the power to conduct inspections of, and possibly close down, any catering establishments which fail to comply with the relevant laws and regulations. No assurance can be given that claims based on these laws will not be brought against db Group.

Contract Catering

The Group is active in the contract catering business, which is particularly vulnerable to risks associated with food safety and quality. Claims of illness or injury relating to contaminated, spoiled, mislabelled or adulterated food can require costly measures to remediate. The Group's contract catering business relies on strict adherence by employees to food handling standards. If the Group is found negligent in its food safety, it may be exposed to significant liability. Negative publicity as a result of allegations of unsafe food service could have a significant impact on db Group's reputation. No assurance can be given that such claims will not be brought against the Group in the future. Furthermore, there is no guarantee that the Group will be able to extend these contracts upon their expiry.

iv. Risks relating to the Group: Property Development

Property Market and Economic Conditions Generally

The Group may seek opportunities for property development. Various factors commonly affect the real estate market, many of which are beyond db Group's control, and could adversely affect the economic performance of the Group and value of any property under development. Such include: (i) changes in general economic conditions; (ii) general industry trends; (iii) changes in local market conditions; (iv) possible structural and environmental problems; (v) acts of nature, such as earthquakes; (vi) an increase in competition in the market segment in which db Group is undertaking property market development, which may lead to a lowering of prices and reduction in revenue; (vii) political developments; (viii) changes to laws and regulations; (ix) interest rate fluctuations; (x) inflation; and (xi) availability of financing. Although real estate market activity has experienced an upturn in recent years, the past is not a guarantee for the future, and the real estate market is susceptible to a downturn. Any of these factors could have a material adverse effect on the Group's business and its financial condition and prospects.

Construction and Third Party Risks

Construction projects that may be undertaken by the Group in the future are subject to a number of inherent risks, including, particularly, the risks of: (i) cost overruns; (ii) insufficiency of resources; (iii) rental / sale transactions not being effected at the prices and within the timeframe envisaged; (iv) higher interest costs; and (v) the erosion of revenue generation. These factors could have an adverse impact on the Group's financial performance. For the completion of property development projects, db Group may place reliance on counterparties, such as architects and contractors, who may default on their obligations to the Group. Further, failure to develop and maintain good relationships with competent suppliers and contractors may have a material adverse impact on the Group's property development operations.

Environmental Liabilities and Other Regulatory Liabilities

Laws and regulations impose liability for the presence of certain materials or substances or the release thereof from a real estate development. The Group may become liable for the costs of removal, investigation or remediation of any such substances. Moreover, any activity db Group undertakes to carry out in the property development sector will be subject to extensive regulations and policies. Non-compliance therewith may adversely affect the Group.

Risk of Injuries or Fatalities in Construction and Damage to Reputation

There are inherent risks to health and safety arising from the nature of property development, which require a developer to adopt a rigorous health and safety programme. Any failure in health and safety performance may result in penalties for non-compliance with the law. A failure which results in a significant health and safety incident may be costly in terms of potential liabilities and generate adverse publicity, thereby having a negative impact on the Group's reputation.

Ability to Secure Planning and Construction Consents on a Timely Basis

Securing planning consents by the relevant authorities in a timely manner is key to the Group's ability to realise value on a site to be developed. There can be no certainty that any given application will result in planning consent being granted, or, that if granted, will not be granted on unduly onerous terms which, if occurring across a large number of developments, may materially and adversely affect the Group's business. Furthermore, planning policies are subject to change, which may consequently impact the Group's property development strategy.

Property Valuations and Net Realisable Value

The valuation of property is intrinsically subjective. Factors such as regulatory requirements and consumer spending power may influence valuations. Resultantly, the net realisable value of the Group's property may decline after purchase.

v. Risks relating to the Group: Property Investment

Liquidity Risk

Properties such as those in which the Group has invested and may in the future invest are relatively illiquid. Planning regulations may reduce the pool of potential purchasers of such properties. Further, such illiquidity may affect the Group's ability to vary, dispose or liquidate part of, its portfolio in a timely fashion and for satisfactory prices in accordance with its strategy or in response to changes in economic and, or real estate market conditions. This could have an adverse effect on the results of the Group's operations.

Costs Incurred when Proposed Property Investment is Aborted

The Group may incur significant costs in connection with the assessment of potential property investment opportunities (such as costs associated with property surveys and valuation reports). If a proposed real estate investment were not to proceed to completion after such costs have been incurred, the Group will be unable to recoup same from that investment, which could negatively impact profitability.

vi. Risks relating to the Group: Healthcare Industry

The Group invests in Associated Companies which are contractually engaged to supply healthcare workers to public hospitals and clinics, together with support services and domiciliary care. The Group is indirectly subject to the business risks inherent in the provision of such services, including: (i) applicable laws and regulations are constantly evolving, and are relatively untested by local courts; (ii) there is a risk of significant changes to healthcare programs that could be detrimental to the Group's healthcare division; (iii) operations may be affected by factors such as changing consumer preferences and the oversupply of similar properties and general economic conditions; and (iv) breaches of law or licence conditions could lead to negative consequences, including a loss of reputation. Any of the above factors may adversely affect the results of the Group's operations. Furthermore, there is no guarantee that the Group's Associated Companies will be able to extend the term of these engagements upon their expiry.

vii. Risks relating specifically to the Issuer

Dependence of the Issuer on the Group and its Business

The Issuer is a finance and investment company, with one of its purposes being that of financing or re-financing the funding requirements of the business of the Group. In this respect, the Issuer is mainly dependent on the Group's business prospects. Consequently, the operating results of the Group have a direct effect on the Issuer's financial position and performance. The risks intrinsic in the Group's business have a direct effect on the ability of the Issuer to meet its obligations in respect of the payment of interest on the Bonds and repayment of principal when due. As a majority of its assets consist of loans issued to Group Companies, the Issuer is largely dependent on receipt of interest and loan repayments from the Group Companies. The ability of Group Companies to effect payments to the Issuer will depend on their respective cash flows and earnings which may be restricted by: changes in laws and regulations; the terms of agreements to which they are or may become party; or by other factors beyond the Issuer's control. The occurrence of any such factors could negatively affect the Issuer's ability to meet its obligations in respect of the payment of interest on the Bonds and repayment of principal when due.

Concentration of Shareholding

The Group, through the Parent, is owned exclusively by Silvio Debono. The Issuer is owned as to 99.99% by the Parent and 0.01% by Silvio Debono, meaning that the ultimate owner of db Group, who is also a Director of the Issuer and other db Group Companies, exercises effective control over the Issuer. Silvio Debono is considered to be of key importance to the Group and the Issuer. Any unexpected dilution in his control or influence over the Issuer and/or db Group Companies and their business could have an adverse effect on the Issuer. There can be no assurance that such individual will not during the term of the Bonds dispose of any interest in the Issuer or db Group.

Potential Exposure to Financial Risks

The Issuer's activities are potentially exposed to a variety of financial risks, including interest rate risk. The Issuer may be exposed to the risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financing position and cash flows.

Risks Inherent in Forecasts

The financial analysis summary listed as a document available for inspection pursuant to the Registration Document features projected revenues of db Group. Forecasts are inherently subject to the risk of adverse unexpected events which may affect the revenue streams and profitability of the Group or the Issuer. These forecasts are dependent on a number of assumptions and future expectations that may or may not occur. The non-occurrence of those expectations could have material effects on the financial position and results of the Group and the Issuer.

D.3 Key information on the key risks specific to the Bonds:

An investment in the Bonds involves certain risks, including those set out in this section. In deciding whether to make an investment in the Bonds, prospective investors are advised to carefully consider, with their own independent financial and other (including tax, accounting, credit, legal and regulatory) professional advisors, the following risk factors (not listed in order of priority) and other investment considerations, together with the rest of the information contained in the Prospectus.

- i. there can be no assurance 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 sell or otherwise trade in the Bonds at or above the Bond Issue Price or at all. A public trading market depends on a number of factors over which the Issuer has no control;
- ii. investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds;
- iii. a Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference, if different;
- iv. 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, would have on the market price of the Bonds prevailing from time to time;
- v. the Issuer may incur further borrowing or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future undertakings, assets or revenues (including uncalled capital);
- vi. the Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed by the Guarantor, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured obligations of each of the Issuer and the Guarantor. The Bonds will, however, rank subordinate to the present and future secured creditors of the Issuer and the Guarantor. Furthermore, subject to the negative pledge clause set out in the Securities Note, third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer and of the Guarantor, as the case may be, for so long as such security interests remain in effect. In essence, this means that for so long as the Issuer may have secured, privileged or other higher-ranking creditors, in the event of insolvency of the Issuer the Bondholders would rank after such creditors but equally between themselves and with other unsecured creditors (if any) of the Issuer;
- vii. repayment of interest and capital on the Bonds is being guaranteed by the Guarantor, and therefore Bondholders are entitled to request the Guarantor to pay the full amounts due under the Bonds if the Issuer fails to meet any amount, when due. The strength of this undertaking on the part of the Guarantor and, therefore, the level of recoverability by the Bondholders from the Guarantor of any amounts due under any of the Bonds, is dependent upon and directly linked to, the financial position and solvency of the Guarantor, and in the case of insolvency of the Guarantor, such level of recoverability is further dependent upon the existence or otherwise of any prior ranking claims over the assets of the Guarantor;
- viii. the Issuer may incur further borrowing or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future undertakings, assets, or revenues (including uncalled capital);
- ix. in the event that the Issuer wishes to amend any of the Terms and Conditions of the Bond Issue it shall call a meeting of Bondholders. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. Furthermore, the Guarantor has the power to veto any changes to the Terms and Conditions of the Bonds which are issued with the benefit of its Guarantee. Were the Guarantor to exercise such right of veto, any proposed amendments to the Terms and Conditions of the Bonds would not be put into effect;
- x. the Terms and Conditions of the Bond Issue are based on the requirements of the Listing Rules of the Listing Authority, the Companies Act and the Commission Regulation EC No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council in effect as at the date of the Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of the Prospectus;
- xi. even after the Bonds are admitted to trading on the MSE, the Issuer is required to remain in compliance with certain requirements relating to inter alia the free transferability, clearance, and settlement of the Bonds in order to remain a listed company in good standing. Moreover, the Listing Authority has the power to suspend trading or listing of the Bonds if, inter alia, it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The Listing Authority may discontinue the listing of the Bonds on the MSE. Any such trading suspensions or listing revocations/discontinuations described above could have a material adverse effect on the liquidity and value of the Bonds;

- xii. the Issuer has not sought, nor does it intend to seek, the credit rating of an independent rating agency, and there has been no assessment by any independent rating agency of the Bonds;
- xiii. an investment in the Bonds may not be suitable for all recipients of the Prospectus, and Authorised Financial Intermediaries are to determine the suitability or otherwise of prospective investors' investment in the Bonds before making an investment decision. In particular, Authorised Financial Intermediaries should determine whether each prospective investor:
 - a) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in the Prospectus or any applicable supplement;
 - b) has sufficient financial resources and liquidity to bear all the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the prospective investor's currency;
 - c) understands thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
 - d) is able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

SECTION E OFFER

E.2b The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €64,000,000, will be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

- (i) a maximum amount of *circa* €53,500,000 of the net Bond Issue proceeds will be applied to the reduction of the bank indebtedness of the Group. Such amount will be advanced by the Issuer to: (a) two Group Subsidiaries, Seabank Hotel and Catering Limited and Hotel San Antonio Limited, for the refinancing of the outstanding HSBC Malta loans primarily applied for the purpose of financing capital expenditure related to db Seabank Resort & Spa and db San Antonio Hotel & Spa; and (b) the Guarantor, for the purpose of repaying outstanding Banif Bank loans;
- (ii) a maximum amount of *circa* €9,550,000 in value of Bonds will be advanced to the Group Subsidiary Seabank Hotel and Catering Limited, which in terms of a placement agreement, has agreed to subscribe for such amount in value of Bonds required in order to finance the redemption by Seabank Hotel and Catering Limited of a total of 4,101,020 redeemable preference shares of a nominal value of €2.329373 per share held by the Preference Shareholders. The said preference shares shall be redeemed in exchange for 95,500 Bonds to be advanced by the Issuer to the Preference Shareholders (on the instructions of Seabank Hotel and Catering Limited); and
- (iii) the remaining balance of the net Bond Issue proceeds, amounting to almost €1,000,000, will be advanced to the Parent for the general corporate funding purposes of the Group.

E.3 The Bonds are open for subscription to Authorised Financial Intermediaries, which include Bank of Valletta p.l.c. as Manager and Registrar, and Charts Investment Management Service Limited as Sponsor; Seabank Hotel and Catering Limited (either in its own name or in the name of the Preference Shareholders); and Group Employees. Pursuant to placement agreements, Authorised Financial Intermediaries and Seabank Hotel and Catering Limited (either in its own name or in the name of the Preference Shareholders) are to submit Application Forms 'A' representing the amount they have been bound to subscribe to by not later than 14:00 hours on 18 April 2017. Group Employees must lodge Application Forms 'B' with any Authorised Financial Intermediary by not later than 16:00 hours on 12 April 2017. The following is a synopsis of the general Terms and Conditions applicable to the Bonds. A Bondholder is deemed to have invested only after having received, read and understood the contents of the Prospectus, including the full terms and conditions contained in the annexes thereto:

1. Registration, Form, Denomination and Title

The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. The Bonds will be issued without interest coupons, in denominations of any integral multiple of €100, provided that on subscription the Bonds will be issued for a minimum of €2,000 per individual Bondholder. Authorised Financial Intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 to each underlying client. Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including for the making of any payments) as the absolute owner of such Bond. Title to the Bonds may be transferred as provided in the Securities Note.

2. Interest

Details of interest payable on the Bonds is provided in Element C.9 of this Summary Note.

3. Status of the Notes and Negative Pledge

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed by the Guarantor, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt of each of the Issuer and the Guarantor, if any.

4. Payments

Payment of the principal amount of a Bond will be made in Euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to 25 April 2017 (the "**Redemption Date**"), by means of direct credit transfer into such bank account as the Bondholder may designate from time to time. Such payment shall be effected within seven (7) days of the Redemption Date. Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate from time to time. Such payment shall be effected within seven (7) days of the Interest Payment Date.

5. Redemption

Unless previously purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 25 April 2027.

6. Events of Default

The Bonds shall become immediately due and repayable, at their principal amount together with accrued interest, in an event of default. Subject to agreed exceptions, materiality qualifications, reservations of law and grace periods, an event of default shall occur if: (i) the Issuer fails to pay any interest on any Bond when due; or (ii) the Issuer is in breach of any material obligation contained in the Terms and Conditions of the Bonds; or (iii) the Issuer is *inter alia* dissolved, liquidated or declared bankrupt; or (iv) the Issuer stops or suspends payments, or announces to do so, to all or any class of its debts or ceases or threatens to cease to carry on its business or a substantial part thereof; or (v) the Issuer is unable to pay its debts; or (vi) a judgment by a court is made against the Issuer for the payment in excess of €5 million; or (vii) any default occurs relating to any financial indebtedness of the Issuer in excess of €5 million.

7. Transferability of the Bonds

The Bonds are freely transferable and, once admitted to the Official List, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time. All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations. The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer. The Issuer will not register the transfer or transmission of Bonds for a period of 15 days preceding the due date for any payment of interest on the Bonds.

8. Register of Bondholders

Certificates will not be delivered to Bondholders in respect of the Bonds in virtue of the fact that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers, registration numbers and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of Bondholders held at the CSD for the purpose of inspecting information held on their respective account.

9. Further Issues

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

10. Meetings of Bondholders

The Terms and Conditions of the Bonds may be amended or waived with the approval of the Bondholders at a meeting called for that purpose by the Issuer.

11. Governing Law and Jurisdiction

The Bonds shall be governed by and construed in accordance with Maltese law. Any legal action, suit, action or proceeding against the Issuer and/or the Guarantor arising out of or in connection with the Bonds shall be brought exclusively before the Maltese Courts and the Bondholder shall be deemed to acknowledge that it is submitting to the exclusive jurisdiction of the Maltese Courts as aforesaid.

E.4 Save for the possible subscription for Bonds by Authorised Financial Intermediaries (which include Bank of Valletta p.l.c., Charts Investment Management Service Limited and the latter's sister company Mediterranean Bank plc), and any fees payable in connection with the Bond Issue to Charts Investment Management Service Limited as Sponsor and to Bank of Valletta p.l.c. as Manager and Registrar, so far as the Issuer is aware no person involved in the Issue has an interest material to the Issue.

E.7 Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €1,000,000.

EXPECTED TIME-TABLE OF THE BOND ISSUE

1. Group Employees Offer Period	30 March 2017 to 12 April 2017, both days included
2. Placement date	18 April 2017
3. Commencement of interest on the Bonds	25 April 2017
5. Announcement of basis of acceptance	25 April 2017
6. Refunds of unallocated monies (if any)	03 May 2017
7. Expected date of notification of registration	03 May 2017
8. Expected date of admission of the Bonds to listing	04 May 2017
9. Expected date of commencement of trading in the Bonds	05 May 2017

REGISTRATION DOCUMENT

dated 27 March 2017

This Registration Document is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013, Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015.

by



**A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA
WITH COMPANY REGISTRATION NUMBER C 79193**

with the joint and several Guarantee*

of

**SD HOLDINGS LIMITED
A PRIVATE LIMITED LIABILITY COMPANY REGISTERED UNDER THE LAWS OF MALTA
WITH COMPANY REGISTRATION NUMBER C 40318**

*Prospective investors are to refer to the Guarantee contained in Annex III of the Securities Note and section 1 of this Registration Document for a description of the Guarantee. Reference should also be made to the sections entitled "Risk Factors" contained in this Registration Document and the Securities Note for a discussion of certain risk factors which should be considered by prospective investors in connection with the Bonds and the Guarantee provided by the Guarantor.

Sponsor



Manager & Registrar



Legal Counsel



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

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

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

APPROVED BY THE DIRECTORS

Handwritten signature of Silvio Debono in blue ink.

Silvio Debono

Handwritten signature of Arthur Gauci in blue ink.

Arthur Gauci

Handwritten signature of Stephen Muscat in blue ink.

Stephen Muscat

Handwritten signature of Vincent Micallef in blue ink.

Vincent Micallef

Handwritten signature of Philip Micallef in blue ink.

Philip Micallef

Handwritten signature of Robert Debono in blue ink.

Robert Debono

IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION ON SD FINANCE P.L.C. (IN ITS CAPACITY AS ISSUER) AND THE GUARANTOR IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES OF THE LISTING AUTHORITY, THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA) AND COMMISSION REGULATION (EC) NO. 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS AS AMENDED BY COMMISSION DELEGATED REGULATION (EU) NO. 486/2012 OF 30 MARCH 2012, COMMISSION DELEGATED REGULATION (EU) NO. 862/2012 OF 4 JUNE 2012, COMMISSION DELEGATED REGULATION (EU) NO. 759/2013 OF 30 APRIL 2013, COMMISSION DELEGATED REGULATION (EU) NO. 382/2014 OF 7 MARCH 2014 AND COMMISSION DELEGATED REGULATION (EU) NO. 2016/301 OF 30 NOVEMBER 2015.

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

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

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR THE PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES: BY ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION.

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

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

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

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

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

ALL THE ADVISORS TO THE ISSUER AND THE GUARANTOR NAMED IN THE REGISTRATION DOCUMENT UNDER THE SUB-HEADING "ADVISORS TO THE ISSUER AND THE GUARANTOR" IN SECTION 3.2 OF THIS REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER AND THE GUARANTOR IN RELATION TO THIS PUBLIC OFFER AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

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

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS.

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1. DEFINITIONS

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

Act	the Companies Act (Cap. 386 of the Laws of Malta);
Associated Company	means an associated undertaking (as defined in article 2 of the Act) of the Parent, and the term 'Associated Companies' shall collectively refer to all associated undertakings of the Parent;
Bond(s)	the €65,000,000 bonds of a nominal value of €100 per bond redeemable at their nominal value on the Redemption Date bearing interest at the rate of 4.35% per annum;
Bondholder	a holder of the Bonds;
Bond Issue	the issue of the Bonds;
db Group or Group	the Parent and its direct or indirect Subsidiaries;
db Group Company	any one of the companies forming part of the db Group;
Directors or Board	the directors of the Issuer or of the Guarantor, as the case may be, whose names are set out in section 3 of this Registration Document under the heading "Identity of Directors, Senior Management, Advisors and Auditors of the Issuer and the Guarantor";
EBITDA	an abbreviation used for earnings before interest, tax, depreciation and amortisation;
Environment and Resources Authority	the Environment and Resources Authority established in terms of the Environment Protection Act (Cap. 549 of the Laws of Malta);
Euro or €	the lawful currency of the Republic of Malta;
GOPAR	the total revenue of the hotel less expenses incurred earning that revenue, divided by the available rooms;
Guarantee	the joint and several suretyship of the Guarantor undertaking to guarantee the due and punctual performance of all the obligations undertaken by the Issuer under the Bonds, and, without prejudice to the generality of the foregoing, to pay all amounts of principal and interest which have become due and payable to any Bondholder within 60 days from the date such amount falls due and remains unpaid by the Issuer. A copy of the Guarantee and a description of the nature, scope and terms of the Guarantee are appended to the Securities Note as Annex III thereof;
Guarantor or Parent	SD Holdings Limited, a private limited liability company registered in Malta with company number C 40318, having its registered office at Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, Malta;
Issuer or Company	SD Finance p.l.c., a public limited liability company registered in Malta with company number C 79193 having its registered office at Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, Malta;
Listing Authority	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta) by virtue of Legal Notice 1 of 2003;
Listing Rules	the listing rules of the Listing Authority;
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Memorandum and Articles of Association	the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus;
MFSA	the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
Planning Authority	means the Planning Authority established in terms of the Development Planning Act (Cap. 552 of the Laws of Malta);
Prospectus	collectively, the Registration Document, the Securities Note and the Summary Note;
Redemption Date	25 April 2027;
Registration Document	this document in its entirety;

Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by: Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of supplements to the prospectus; and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of the prospectus and dissemination of advertisements;
Securities Note	the securities note issued by the Issuer dated 27 March 2017, forming part of the Prospectus;
Subsidiary	means an entity over which the Parent has control. In terms of the International Financial Reporting Standards adopted by the European Union, a group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The term ' Subsidiaries ' shall collectively refer to the said entities;
Summary Note	the summary note issued by the Issuer dated 27 March 2017, forming part of the Prospectus.

2. RISK FACTORS

PROSPECTIVE INVESTORS SHOULD, WITH THEIR OWN INDEPENDENT AND OTHER PROFESSIONAL ADVISORS, MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS, AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT, BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE ISSUER AND 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.

SOME OF THE 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.

IF ANY OF THE RISKS DESCRIBED HEREUNDER WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE ISSUER'S AND/OR GUARANTOR'S FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE AND ON THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE BONDS AND/OR ON THE ABILITY OF THE GUARANTOR TO FULFIL ITS OBLIGATIONS UNDER THE GUARANTEE. THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AS SUCH BY THE DIRECTORS OF THE ISSUER, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE ISSUER AND/OR GUARANTOR FACES. CONSEQUENTLY, ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE ISSUER'S DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY HAVE A SERIOUS EFFECT ON THE ISSUER'S AND/OR GUARANTOR'S FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE AND ON THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE BONDS AND/OR ON THE ABILITY OF THE GUARANTOR TO FULFIL ITS OBLIGATIONS UNDER THE GUARANTEE. IN ADDITION, PROSPECTIVE INVESTORS OUGHT TO BE AWARE THAT RISK MAY BE AMPLIFIED DUE TO A COMBINATION OF RISK FACTORS.

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

SECTION 2.1 BELOW SETS OUT RISKS COMMON TO THE ISSUER AND GUARANTOR WHICH ARE CONSIDERED INTRINSIC IN FORWARD-LOOKING STATEMENTS SUCH AS THOSE CONTAINED IN VARIOUS PARTS OF THE PROSPECTUS. SECTIONS 2.2 TO 2.7 BELOW ARE CONSIDERED TO BE RISKS ASSOCIATED WITH THE GROUP, OF WHICH THE GUARANTOR IS THE PARENT COMPANY, AND ACCORDINGLY SUCH RISKS ARE ALL ULTIMATELY RISKS PERTAINING TO THE GUARANTOR ITSELF. SECTION 2.8 BELOW SETS OUT RISKS SPECIFIC TO THE ISSUER.

2.1 FORWARD LOOKING STATEMENTS

The Prospectus and the documents incorporated therein by reference or annexed thereto contain forward-looking statements that include, among others, statements concerning the Issuer's strategies and plans relating to the attainment of its objectives, capital requirements and other statements of expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts and which may involve predictions of future circumstances. Investors can generally identify forward-looking statements by the use of terminology such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", or similar phrases. These forward-looking statements are inherently subject to a number of risks, uncertainties and assumptions. Important factors that could cause actual results to differ materially from the expectations of the Issuer's Directors include those risks identified under the heading "Risk Factors" and elsewhere in the Prospectus.

As indicated above, if any of the risks described were to materialise, they could have a serious effect on the Issuer's and/or Guarantor's financial condition, operational performance and on the ability of the Issuer to fulfil its obligations under the Bonds to be issued and/or on the ability of the Guarantor to fulfil its obligations under the Guarantee. Accordingly, the Issuer cautions the reader that these forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ from those expressed or implied by such statements, and no assurance is given that the future results or expectations will be achieved.

All forward-looking statements contained in this Registration Document are made only as at the date hereof. The Issuer and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

2.2 RISKS RELATING TO THE DB GROUP AND ITS BUSINESS

2.2.1 Exposure to general economic conditions

The Group is highly susceptible to the economic trends that may from time to time be felt in Malta and internationally, including fluctuations in consumer demand, financial market volatility, inflation, the property market, interest rates, exchange rates, direct and indirect taxation, wage rates, utility costs, government spending and budget priorities and other general market, economic and social factors. Any future expansion of the Group's operations into other markets would further increase its susceptibility to adverse economic developments and trends affecting such other markets.

Negative economic factors impacting both local and foreign markets, particularly those having an effect on consumer demand, could have a material impact on the business of the Group generally, and may adversely affect revenues and results of operations and the ability of the Issuer to meet its obligations under the Bonds.

2.2.2 Level of interest rates

Interest rate risk refers to the potential changes in the value of financial assets and liabilities in response to changes in the level of interest rates and their impact on cash flows. The Group may be exposed to the risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financing position and cash flows.

2.2.3 Key senior personnel and management have been and remain material to its growth

The Group believes that its growth is partially attributable to the efforts and abilities of the members of its executive management team and other key personnel. If one or more of these persons were unable or unwilling to continue in their present position, the Group might not be able to replace them within the short term, which could have a material adverse effect on the Group's business, financial condition and results of operations. Although no single person is solely instrumental in fulfilling the Group's business objectives, there is no guarantee that these objectives will be achieved to the degree expected following the loss of key personnel.

2.2.4 The db Group's insurance policies

Historically, the db Group has maintained insurance at levels determined by the Group to be appropriate in light of the cost of cover and the risk profiles of the business in which db Group operates. With respect to losses for which the Group is covered by its policies, it may be difficult and may take time to recover such losses from insurers.

In addition, the Group may not be able to recover the full loss incurred from the insurer. No assurance can be given that the Group's current insurance coverage would be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage would always be available at acceptable commercial rates.

2.2.5 Risk of litigation

Since the db Group operates in industries which involve the continuous provision of goods and services to customers and consumers, and such operations necessarily require continuous interaction with suppliers, employees, franchisors and regulatory authorities, the Group is exposed to the risk of litigation from its customers, actual and potential partners, suppliers, employees, regulatory authorities and/or franchisors. Although as stated in section 11 under the heading "Litigation", so far as the Directors are aware the Group is not involved in any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this Registration Document, a significant effect on db Group's financial condition or operational performance, no assurance can be given that disputes which could have such effect would not arise in the future.

2.2.6 Risks relating to disputes/investigations

In recent weeks certain allegations have been reported in the Maltese press in relation to the activities of certain Group companies. The continued existence of these allegations will result in the Group deploying management resources to defend itself against such allegations, and could result in various legal actions (of a criminal, civil and, or administrative nature) being taken against member companies of the Group and possibly even against individuals personally. In particular, these allegations could lead to civil actions being brought before the Civil Courts of Malta and to criminal action being taken for any alleged breach of criminal laws in Malta. Such actions, if they were to occur, could adversely affect the financial position and financial prospects of the Group. Furthermore, exposure to litigation or to fines imposed by regulatory authorities would adversely affect the Group's reputation.

2.2.7 Risks of integration and operation of acquired businesses

The integration and operation of businesses or additional franchises that may be acquired in the future may disrupt db Group's business and create additional expenses, and db Group may not achieve the anticipated benefits of any such acquisitions and expansion.

Integration of an acquired business or additional franchise involves numerous challenges and risks, including assimilation of operations of the acquired business and difficulties in the convergence of IT systems, the diversion of management's attention from other business concerns, risks of entering markets in which db Group have had no or only limited direct experience, assumption of unknown or unquantifiable liabilities, the potential loss of key personnel and/or clients, difficulties in completing strategic initiatives already underway in the acquired companies, and unfamiliarity with partners and clients of the acquired company, each of which could have a material adverse effect on the Group's business, results of operations and financial condition.

The success of integration of acquired businesses or additional franchises typically assumes certain synergies and other benefits. There is no assurance that these risks or other unforeseen factors will not offset the intended benefits of the acquisitions or expansion, in whole or in part.

2.2.8 Reliance on non-proprietary software systems and third-party IT providers

To varying degrees, the Group is reliant upon technologies and operating systems (including IT systems) developed by third parties for the running of its business, and are exposed to the risk of failures in such systems. Whilst the Group has service level agreements and disaster recovery plans to ensure continuity and stability of these systems, there can be no assurance that the service or systems will not be disrupted. Disruption to those technologies or systems and/or lack of resilience in operational availability could adversely affect the efficiency of the Group's business, financial condition and/or operating performance.

2.2.9 Growth strategy

The Group's growth plans envisage the continued optimisation of the Group's operations, with a business strategy that looks to enhance the Group's mainstream business, with a primary focus on expansion in the hotel and leisure industries locally and, potentially, overseas.

There is a risk that db Group may not be able to execute its long-term business strategy. There is no assurance that the Group will be able to drive growth to the extent desired through its focus of efforts and resources on its sales or to enhance profitability to the extent desired through continuous improvement. Further, the Group's theoretical growth projections may, in practice, and potentially for reasons over which it has little or no control, such as those described in section 2.2.1 of this Registration Document, be considerably slower or quicker than anticipated, in turn disrupting the Group's envisioned strategy and consequently the results of its operations.

2.2.10 The Group's indebtedness

The Group has a material amount of debt and may incur additional debt in connection with its future growth.

Borrowings under bank credit facilities are or may be at variable interest rates, which would render the Group vulnerable to increases in interest rates. The financing agreements regulating the Group's bank debt impose and are likely to impose, significant operating restrictions and financial covenants on the Group. These restrictions and covenants could limit the Group's ability to obtain future financing, fund capital expenditure, withstand a future downturn in business or economic conditions generally or otherwise inhibit the ability to conduct necessary corporate activities.

In the event that db Group's generated cash flow were to be required to make principal and interest payments on any existing or prospective debt, this could give rise to a reduction in the amount of cash available for distribution by the Group, which would otherwise be available for funding of the Group's working capital, capital expenditure, development costs, and other general corporate costs, or for the distribution of dividends.

The Parent is, and may in certain cases be, required to provide guarantees for debts contracted by its Subsidiaries. Defaults under financing agreements could lead to the enforcement of security over property, where applicable, and/or cross-defaults under other financing agreements.

2.2.11 Operating expenses

A portion of db Group's costs are fixed and operating results are vulnerable to short-term changes in its revenues. The Group's fixed operating expenses are not easily reduced to react to changes in its revenue by reducing its operating expenses, which could have a material adverse effect on its business, financial condition and results of operations.

In addition, db Group's operating and other expenses could increase without a corresponding increase in turnover or revenue. The factors which could materially increase operating and other expenses include:

- increases in the rate of inflation;
- increases in payroll expenses;
- increases in property taxes and other statutory charges;
- Changes in laws, regulations or government policies;
- increases in insurance premiums;
- unforeseen increases in the costs of maintaining properties; and
- unforeseen capital expenditure.

Such increases could have a material adverse effect on the Group's financial position and its ability to make distributions to its shareholders.

2.2.12 Financing strategy

The Group may not be able to secure sufficient financing for its future operations and investments. No assurance can be given that sufficient financing will be available on commercially reasonable terms or within the timeframes required by the Group. Failure to obtain, or delays in obtaining, the capital required to complete current or future developments and investments on commercially reasonable terms, including increases in borrowing costs or decreases in loan availability, may limit the Group's growth and materially and adversely affect its business, financial condition, results of operations and prospects.

In addition, db Group may be exposed to a variety of financial risks associated with the unpredictability inherent in financial markets, including market risk (such as the risk associated with fluctuations in interest rates and fair values of investments), credit risk (the risk of loss by the Issuer due to its debtors not respecting their commitments), foreign exchange rate risk, and interest rate risk (such as the risk of potential changes in the value of financial assets and liabilities in response to changes in the level of market interest rates and their impact on cash flows).

2.2.13 Exchange rate risk

The Group can be impacted by transaction risk, which is the risk that the currency of costs and liabilities fluctuates in relation to the Euro, being its reporting currency, which fluctuation may adversely affect its operating performance. Unfavourable exchange rates may lead to higher costs or lower sales than expected at the time of signing the relative contract and may reduce margins. Such risks are beyond the control of the Issuer.

2.2.14 Changes to laws and regulation

The Group is subject to a variety of laws and regulations, including taxation, environmental and health and safety regulations. The Group is at risk in relation to changes in the laws and regulations and the timing and effects of changes in the laws and regulations to which it is subject, including changes to the interpretation thereof, which cannot be predicted. No assurance can be given as to the impact of any possible judicial decision, change in law, regulation or administrative practice, after the date of this Prospectus, on the business and operations of the Group.

2.3 RISKS RELATING TO THE HOSPITALITY INDUSTRY

The Group's hospitality operations and the results thereof are subject to a number of external factors that could adversely affect its business, many of which are common to the hotel industry and beyond the Group's control, including the following:

- changes in travel patterns, any increase in or the imposition of new taxes on air travel and fuel, and cutbacks and stoppages on Malta-bound airline routes;
- changes in laws and regulations on employment, the preparation and sale of foods and beverages, health and safety, alcohol licensing, environmental concerns, fiscal policies, zoning and development, and the related costs of compliance;
- the impact of increased threats of terrorism or actual terrorist events, impediments to means of transportation (including airline strikes and border closures), extreme weather conditions, natural disasters, travel-related accidents, outbreaks of diseases and health concerns, or other factors that may affect travel patterns and reduce the number of business and leisure travellers;
- increases in operating costs due to inflation, employment costs, workers' compensation and healthcare related costs, utility costs, increased taxes and insurance costs; and
- the termination, non-renewal and/or the renewal on less favourable terms of agreements entered into with tour operators.

The impact of any of these factors (or a combination of them) may adversely impact room rates and occupancy levels at the Group's hotels, or otherwise cause a reduction in its revenue, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, as the hospitality industry is subject to rapidly evolving consumer trends, the success of db Group's hospitality operations is dependent upon the priorities and preferences of customers, whether local or foreign, and its ability to swiftly anticipate, identify and capitalise upon emerging consumer trends. If the Group were to be unable to do so, it could experience reduced rates and occupancy levels, which could have a material adverse effect on the Group's operational results.

The Group's hospitality operations are also susceptible to strong and increasing local and global competition, influenced by a variety of determining factors including accommodation rates, packages variety, quality, availability, reliability, after-sales service and logistics, and the fluctuations in demand for private and shared accommodation alternatives. The level of competition is subject to increase, and such increase or even saturation in the supply of accommodation may negatively impact the Group's sales revenue and profitability in the hospitality sector.

In addition, many of db Group's current and potential competitors may have greater name recognition, a larger customer base and greater financial and other resources than the Group. A decline in the relative competitive strength of the Group and its brands could adversely affect the Group's results of operations. In particular, db Group may be compelled, by the strength of its competitors that are able to supply accommodation and services at lower prices, to reduce its own prices. The ability of the Group to maintain or increase its profitability will be dependent on its ability to offset such decreases in the prices and margins of its accommodation and services.

2.4 RISKS RELATING TO THE CATERING INDUSTRY

2.4.1 Dependence on franchise

The Hard Rock Café and Hard Rock Bar brands in Malta are developed pursuant to the terms of a franchise arrangement entered into by one of the Group Subsidiaries, namely Sea Port Franchising Limited (C 26395), with Hard Rock Limited, a Jersey, Channel Islands corporation (the "Franchisor"), which arrangement is regulated by a Master Franchise Agreement (as defined in section 4.4.2.1 of this Registration Document). Sea Port Franchising Limited (the "Franchisee") has undertaken to develop Hard Rock establishments under, and in accordance with the standards as prescribed by the Master Franchise Agreement. Pursuant to the franchise arrangement in place with the Franchisor, Sea Port Franchising Limited has been granted the right to adopt and use the Hard Rock Café and Hard Rock Bar systems in accordance with the terms of such Master Franchise Agreement.

In view of the nature of franchising and the said franchise arrangement in place with the Franchisor, the long-term success of db Group's franchised restaurant operations will depend, to a significant extent, on:

- the ability of the Group, through the Franchisee, and the Franchisor, to identify and react to new trends in the restaurant industry, including the development of popular menu items;
- the ability of the Group, through the Franchisee, and the Franchisor, to develop and pursue appropriate marketing strategies in order to maintain and enhance the name recognition, reputation and market perception of the Hard Rock Café and Hard Rock Bar brands, and to introduce and develop new products;
- the goodwill associated with the Hard Rock Café and Hard Rock Bar trademarks;
- a continued cooperative franchise relationship of db Group with its Franchisor. While every effort is expected to be made to ensure a positive relationship between db Group and the Franchisor, there is no assurance that events or circumstances in the future may not adversely affect that relationship or that its Franchisor will not enforce its contractual rights under the Master Franchise Agreement in a manner that is adverse to the Group; and
- the continued vitality of the Hard Rock Café and Hard Rock Bar concepts and the success, quality and management of the Franchisor's overall systems. Any adverse changes in the Franchisor's own status and performance may materially adversely affect db Group's financial and operational position and performance. Furthermore, as the operations of its Franchisor are international, the success of its franchisor is susceptible to regional economic, political, legal, security and social conditions, which may vary considerably between one region and another. Any adverse changes to the aforementioned conditions may adversely impact the Franchisor, in turn adversely impacting the Group and its business.

The Master Franchise Agreement will expire on 16 June 2020, and may only be renewed upon the Franchisee meeting certain conditions, as stipulated therein. There is no guarantee that the Franchisee will meet these conditions, and that the Master Franchise Agreement will be renewed.

2.4.2 Governing law and jurisdiction

The Master Franchise Agreement is governed by the laws of England and Wales, and any disputes arising under this agreement are subject to the jurisdiction of the Courts of England and Wales. These factors increase the complexity involved in any dispute or legal proceedings arising in connection with these agreements, as a foreign legal element is involved.

2.4.3 Term of Emphyteutical Concessions and Leases

The premises from which the Group presently operates the Tunny Net Complex in Mellieha, which establishment, as explained in section 4.4.2.1 of this Registration Document below, offers various entertainment and leisure facilities, including restaurants, is situated on a site which is currently held on temporary emphyteusis by J.D. Catering Limited (C 15193), one of the Subsidiaries. This emphyteutical grant is due to expire in July 2026.

In addition, the premises from which the Group presently operates the Hard Rock Café and Hard Rock Bar brands in Malta, which establishments, as explained in section 2.4.1 of this Registration Document above, are situated at the Baystreet Complex, Valletta Waterfront, and the Malta International Airport, are leased premises.

There is no guarantee that Group will be able to renew the abovementioned emphyteutical concession and leases on commercially acceptable terms upon their expiry, and if the Group were to be unable to do so, the potential loss of prime restaurant locations could have an adverse effect on the catering arm of the Group's profits.

Furthermore, with particular reference to the said lease agreements relating to the premises from which the Group presently operates the Hard Rock Café and Hard Rock Bar brands in Malta, it is pertinent to note that the Group's inability to renew the leases on terms acceptable to the Franchisor (or to fulfil its obligations under the present lease agreements, leading to their termination) could consequently lead to the simultaneous termination of the Master Franchise Agreement. This simultaneous termination of lease and franchise agreements may have a material adverse effect on the Group's business and results of operations.

2.4.4 General risks associated with the food and beverage industry

The Group's performance is subject to a number of risk factors that affect the food and beverage industry in general, including:

- changes in general economic conditions of the market and changes in consumer confidence, disposable income and discretionary spending patterns;
- competition in respect to price, service, location, food quality and consistency;
- changes in demographic trends, traffic patterns and the type, number and location of competing catering establishments;
- health concerns and potential litigation in relation to health issues; and
- changes in the regulatory framework setting out the requirements and obligations applicable to, inter alia, catering operators and employers in general.

Adverse changes in any one or more of these factors could reduce customer transactions at db Group's catering establishments or activities, impose limits on pricing or cause the Group to incur additional expenditure in modifying its concepts or establishments, any or all of which outcomes could adversely affect db Group's business and the results of its operations.

The Group's catering operations are also dependent on its ability to avoid (and where not possible, mitigate) any degradation in product quality and/or service levels for customers, which could undermine confidence in the services provided by the Group and cause a loss of customers or make it more difficult to attract new ones. The business of the Group could be significantly hurt from these delays, errors, failures or faults.

2.4.5 Competition

The food and beverages industry is characterised by high levels of competition and saturation, influenced by a variety of factors, including pricing, service, location, quality, availability, variety, and advertising. The Group is affronted with constant and ever-increasing competition from catering establishments of varying form, whether restaurants, or eating-out and quick-service catering establishments.

Accordingly, the success of db Group's catering establishments and activities is dependent on its ability to maintain and enhance its relative competitive strength. In part, this success is dependent on its ability to timely address consumers' shifting trends, such as increased health conscientiousness, or its ability to address particular niches such as the vegan or gluten-free consumers. Furthermore, the Group may be adversely affected should any of its competitors change their concepts or pricing to compete more directly with the Group or the menu and options offered by the Group.

2.4.6 Relations with suppliers

The Group's profitability of its catering activities depends in part on its ability to anticipate and react to changes in the cost of its supplies, and on its dependence on frequent and timely deliveries by its suppliers.

The Group may not be able to acquire suitable products in sufficient quantities and/or on terms acceptable to it in the future. Any deterioration or change in the Group's relationships with its suppliers (including supplying on less favourable terms) could have an adverse effect on the Group. Other factors, such as interruptions in supply caused by adverse weather conditions, changes in governmental regulation, recalls of products and other similar factors not within control of the Group or its suppliers, could materially adversely affect the availability, quality and costs of its products.

2.4.7 Complaints and litigious claims

In view of the nature of its catering activities, the Group may be subject to complaints or claims from customers alleging food-related illness, injuries suffer on db Group's premises, or other food quality, health or operations concerns. Adverse publicity from such allegations may materially affect sales revenue generated by db Group's catering establishments, regardless of whether such allegations are true or whether db Group is ultimately held liable.

In addition, other litigation but not limited to disputes with its employees based on claims of, amongst others, discrimination, harassment or wrongful termination, may divert financial and management resources that would otherwise be used to benefit the future performance of db Group's operations.

All litigation is expensive, time consuming and may divert management's attention away from the operation of the business. In addition, the Group cannot be certain that its insurance coverage will be sufficient to cover one or more substantial claims. Furthermore, it is possible that if complaints, claims or legal proceedings such as the aforementioned were to be brought against a direct competitor of the Group, the latter could also be affected due to the adverse publicity brought against, and concerns raised in respect of the industry in general.

2.4.8 Regulatory compliance

The Group is subject to various laws and regulations affecting its business. Each of its catering establishments is subject to licensing and regulation by a number of governmental authorities, which may include alcoholic beverage control, smoking laws, health and safety measures, disability access requirements and fire safety requirements. Difficulties in obtaining or maintaining the required licences or approvals, or the loss thereof, could adversely affect db Group's business and results of its operations. Various bodies also have the power to conduct inspections of, and possibly close down, any catering establishments which fail to comply with the relevant laws and regulations.

No assurance can be given that claims based on these laws will not be brought against db Group in the future.

2.4.9 Contract catering

As further explained in sections 4.4.2.2 and 4.4.2.3 of this Registration Document, db Group is also active in the contract catering business, a segment of the food and beverage industry which is particularly vulnerable to risks associated with food safety and quality. Claims of illness or injury relating to contaminated, spoiled, mislabelled or adulterated food can require costly measures to investigate and remediate, such as withdrawing products from sale or destroying supplies and inventory that are unfit for consumption.

Furthermore, the Group's contract catering business relies on strict adherence by employees to standards for food handling. If db Group is found negligent in its food safety, it may be exposed to significant liability, which could have an adverse impact on the Group's results of operations. Even if any such claims are without merit, any negative publicity as a result of allegations of unsafe food service can have a significant impact on the Group's reputation and could negatively impact the contract catering sales.

No assurance can be given that claims as described in this section will not be brought against db Group in the future. Furthermore, there is no guarantee that db Group will be able to extend these contracts upon their expiry.

2.5 RISKS RELATING TO PROPERTY DEVELOPMENT

2.5.1 Property market and economic conditions generally

The Group may from time to time seek opportunities for property development projects. There are a number of factors that commonly affect the real estate market generally, many of which are beyond the control of the Group, and which could adversely affect the economic performance and value of any property under development. Such factors include:

- changes in general economic conditions;
- general industry trends, including the cyclical nature of the real estate market;
- changes in local market conditions, such as over-supply of similar properties, a reduction in demand for real estate or change of local preferences and tastes;
- possible structural and environmental problems;
- acts of nature, such as earthquakes and floods, that may damage the property or delay its development;
- increase in competition in the market segment in which db Group is undertaking property market development may lead to an over-supply of commercial or residential properties in such markets, which could lead to a lowering of prices and a corresponding reduction in revenue;
- political developments;
- introduction or changes to regulation, policy or tax law;
- interest rate fluctuations;
- inflation; and
- the availability or otherwise of financing and alternative yields of investment.

Such factors may be expected to cause property prices to fluctuate and an increase in supply could impact negatively upon capital values and income streams of the property. Although real estate market activity has experienced an upturn in recent years, the past is not a guarantee for the future, and the real estate market is subject to a downturn. Any of the aforementioned factors could have a material adverse effect on the Group's business and its financial condition and prospects.

2.5.2 Construction and third-party risks

Any construction projects that may be undertaken by the Group in the future are subject to a number of specific risks inherent in this field, including in particular: the risk of cost overruns; the risk of insufficiency of resources to complete; the risk of rental/sale transactions not being effected at the prices and within the timeframe envisaged; higher interest costs; and the erosion of revenue generation. If these risks were to materialise, they would have an adverse impact on db Group's revenue generation, cash flows and financial performance.

Furthermore, for the completion of property development projects, db Group may place certain reliance on counterparties such as architects, contractors and subcontractors engaged in the demolition, excavation, construction and finishing of developments. Such parties (which may include both third parties as well as related parties) may fail to perform or default on their obligations to the Group due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond the Issuer's control, such as severe weather conditions. In addition, the failure to develop and maintain good relationships with highly skilled, competent and dependable suppliers and contractors may have a material adverse impact on the Group's property development operations.

2.5.3 Environmental liabilities and other regulatory liabilities

Laws and regulations, which may be amended from time to time, impose liability for the presence of certain materials or substances or the release of certain materials or substances into the air, land or water or the migration of certain materials of substances from a real estate development, including asbestos, and such presence, release or migration could form the basis for liability to third parties for personal injuries or other damages.

In view of these obligations, in connection with any prospective property development project, the Group may become liable for the costs of removal, investigation or remediation of any such substances, including hazardous or toxic substances that may be located on or in, or which may have migrated from, a property owned or occupied by it, which costs may be substantial. The Group may also be required to remove or remediate any such substances or materials that it causes or knowingly permits at any property that it owns or may in the future own.

In addition to environmental constraints, any activity the Group undertakes to carry out in the property development sector in the future will be subject to extensive regulations, including national and local regulation and administrative requirements and policies which relate to, among other things, planning, developing, land use, local urban regeneration strategy, fire, health and safety, and others. These regulations often provide broad discretion to the relevant authorities and non-compliance may adversely affect db Group.

2.5.4 Risk of injuries or fatalities in construction and damage to reputation

There are inherent risks to health and safety arising from the nature of property development, which accordingly require a developer to adopt and maintain a rigorous health and safety programme. A health and safety track record is critical to the success and reputation of the Group's prospective property development operations. Any failure in health and safety performance may result in penalties for non-compliance with the relevant regulatory requirements, and a failure which results in a major or significant health and safety incident, such as injury to, or fatality of, members of the construction workforce or bystanders, may be costly in terms of potential liabilities arising as a result, as well as the generation of adverse publicity having a negative impact on db Group's reputation.

2.5.5 Ability to secure planning and construction consents on a timely basis

When seeking to engage in property development projects, securing planning consents by the Planning Authority, the Environment and Resources Authority or any corresponding overseas authority in a timely manner would be key to the Group's ability to realise value on the site to be developed. There can be no certainty that any given application will result in planning consent being granted, or, that if granted, will not be so granted on unduly onerous terms, which, if occurring across a large number of developments, may materially and adversely db Group's business. Furthermore, planning policies are subject to change, which may consequently impact the Group's property development strategy.

2.5.6 Property valuations and net realisable value

The valuation of property is intrinsically subjective. Factors such as changes in regulatory requirements and applicable laws, political conditions, the financial markets, consumer spending power, and interest and inflation rate fluctuations may influence this subjective valuation. As a result, the net realisable value of land and property, whether presently owned or prospectively owned by db Group, may decline after purchase, and the Group may not be able to recoup its full purchase price.

2.6 RISKS RELATING TO PROPERTY INVESTMENT

2.6.1 Liquidity risk

Properties such as those in which the Group has invested, and may in the future invest in, are relatively illiquid. Planning regulations may further reduce the numbers and types of potential purchasers should db Group decide to sell certain properties. Such illiquidity may affect db Group's ability to vary its portfolio or dispose of or liquidate part of its portfolio in a timely fashion and at satisfactory prices in accordance with its strategy or in response to changes in economic, real estate market or other conditions. This could have an adverse effect on db Group's financial condition and results of its operations.

2.6.2 Costs incurred when proposed property investment is aborted

The Group may at times incur significant costs in connection with the assessment of potential property investment opportunities. These may involve costs associated with property surveys, valuation reports, title and environmental investigations. If a proposed real estate investment were not to proceed to completion after such costs have been incurred, db Group will be unable to recoup same directly from that investment, which could have a negative impact on profitability.

2.7 RISKS RELATING TO THE HEALTHCARE INDUSTRY

As further explained in section 4.4.2.2 of this Registration Document, the Group invests in Associated Companies actively engaged in the healthcare industry. Such companies are contractually engaged to supply healthcare workers to public hospitals and clinics, together with support services and domiciliary care for the elderly. As a result, the Group is therefore indirectly subject to the general business risks inherent in the provision of such services, as follows:

- regulations and laws relating to the healthcare industry are constantly evolving and relatively untested by the local courts. Healthcare provision has significant political and social importance in Malta;
- leading on from the previous risk, there is a risk of significant changes to current or future healthcare programs, and laws and regulations, which changes could be detrimental to the Group's healthcare division;
- operations may be affected by changing consumer preferences, fluctuations in occupancy levels, increases in labour costs and other operating costs, competition from or the oversupply of other similar properties and general economic conditions; and
- breaches of law or licence conditions could lead to, among other things, penalties, a loss of operating licences and damage to reputation.

Any one or a combination of these factors may adversely affect the business, results of operations and financial condition of the Group.

There is, moreover, no guarantee that the Group's Associated Companies will be able to extend these contracts upon their expiry.

2.8 RISKS RELATING SPECIFICALLY TO THE ISSUER

2.8.1 Issuer's dependence on the Group and its business

The Issuer is a finance and investment company, with one of its purposes being that of financing or re-financing the funding requirements of the business of db Group. In this respect, the Issuer is mainly dependent on the business prospects of the Group, and consequently, the operating results of db Group have a direct effect on the Issuer's financial position and performance, and as such the risks intrinsic in the business and operations of the Group shall have a direct effect on the ability of the Issuer to meet its obligations in respect of principal and interest under the Bonds when due.

As a majority of its assets will consist of loans issued to Group Companies, the Issuer is largely dependent, including for the purpose of servicing interest payments on the Bonds, and the repayment of the principal on the maturity date, on receipt of interest and capital repayments from the Group Companies.

The interest and capital repayments to be affected by the Group Companies in favour of the Issuer are subject to certain risks. More specifically, the ability of Group Companies to effect loan repayments will depend on their respective cash flows and earnings, which may be restricted by changes in applicable laws and regulations, by the terms of agreements to which they are or may become party, including the indenture governing their existing indebtedness, or by other factors beyond the control of the Issuer.

The occurrence of any such factors could in turn negatively affect the ability of the Issuer to meet its obligations in respect of the repayment of principal and interest under the Bonds punctually when due.

2.8.2 Concentration of shareholding

The parent company of the Group is owned exclusively by Silvio Debono. Accordingly, the ultimate owner of db Group, who is also a Director of the Issuer and other db Group Companies, exercises effective control over the Issuer. Silvio Debono is considered to be of key importance to the Group and the Issuer and any unexpected dilution in his control or influence over the Issuer and/or db Group Companies and their business could have an adverse effect on the Issuer. There can be no assurance that such individual will not at any time during the term of the Bonds dispose of any interest, direct or indirect, in the Issuer or the Group.

2.8.3 Issuer's potential exposure to certain financial risks

The Issuer's activities are potentially exposed to a variety of financial risks, including interest rate risk. The Issuer may be exposed to the risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows.

2.8.4 Risks inherent in forecasts

The financial analysis summary listed as a document available for inspection pursuant to this Registration Document features projected revenues of the Group. Forecasts are inherently subject to the risks of adverse unexpected events which may affect the revenue streams and profitability of the Group or the Issuer.

The forecasts set out in this Prospectus are dependent on a number of assumptions and future expectations that may or may not occur. The non-occurrence of those future expectations could have material effects on the financial position and results of the Group and the Issuer. The said forecasts are therefore merely an illustration of a possible future outcome which may or may not occur and the Issuer, its directors, officers and advisers make no representation as to their accuracy or likelihood of occurrence.

3. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT, ADVISORS AND AUDITORS OF THE ISSUER AND THE GUARANTOR

As at the date of this Registration Document, the Board of Directors of the Issuer is constituted by the following persons:

3.1 Directors

Directors of the Issuer

Silvio Debono 26060(M)	Silverstars, 269, Ghajn Zejtuna Road, Santa Maria Estate, Mellieha, Malta	Executive Chairman
Arthur Gauci 502968(M)	Plot 273, Triq ir-Rattan, Mellieha, Malta	Chief Executive Officer
Stephen Muscat 460561(M)	17, 'Kevman' Flat 1, Triq id-Denci, Mellieha, Malta	Independent Non-Executive Director
Vincent Micallef 407075(M)	5, Swindon, 26th March 1972 Street, Fgura, Malta	Independent Non-Executive Director
Philip Micallef 86654(M)	"Citadella" 2, Triq il-Gibba, Attard, Malta	Independent Non-Executive Director
Robert Debono 532292(M)	Silver Stars, 269, Ghajn Zejtuna Road, Santa Maria Estate, Mellieha, Malta	Executive Director

Dr Shaheryar Ghaznavi, holder of identity card number 219698(M), residing at 70, Triq ir-Russett, Kappara, San Gwann, is the company secretary of the Issuer.

THE DIRECTORS OF THE ISSUER LISTED ABOVE ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS OF THE ISSUER (WHO HAVE ALL TAKEN REASONABLE CARE TO ENSURE SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS REGISTRATION 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 persons listed under the sub-heading "Advisors to the Issuer and the Guarantor" have advised and assisted the Directors in the drafting and compilation of the Prospectus.

Directors of the Guarantor

Silvio Debono 26060(M)	Silverstars, 269, Ghajn Zejtuna Road, Santa Maria Estate, Mellieha, Malta
Robert Debono 532292(M)	Silverstars, 269, Ghajn Zejtuna Road, Santa Maria Estate, Mellieha, Malta
Victoria Debono 303094(M)	Silverstars, 269, Ghajn Zejtuna Road, Santa Maria Estate, Mellieha, Malta
Vincent DeGiorgio 164171(M)	Bonsai, Plot 5, Triq il-Mullett, Xghajra, Malta
Arthur Gauci 502968(M)	Plot 273, Triq ir-Rattan, Mellieha, Malta
Jesmond Vella 514676(M)	Flat 1, St. Anthony Flats, Triq San Guzepp, Mellieha, Malta

Mr Arthur Gauci, holder of identity card number 502968(M), residing at Plot 273, Triq ir-Rattan, Mellieha, Malta, is the company secretary of the Guarantor.

3.2 Advisors to the Issuer and the Guarantor

Legal Counsel

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

Other than as set out hereunder, there were no changes to the above structure since the last published audited consolidated financial statements of the Guarantor:

- On 11 October 2016, SD Holdings Limited increased its shareholding in Seabank Hotel and Catering Limited from 98.8% to 100% following the acquisition of 250 ordinary shares from each of Raymond Debono, Guido Debono and Natalino Debono;
- On 11 October 2016, Seabank Hotel and Catering Limited increased its shareholding in Sea Port Franchising Limited from 95% to 100% following the acquisition of 2,500 ordinary shares from Arthur Gauci.

The Issuer is a fully owned subsidiary of the Guarantor. All of the issued share capital of the Guarantor is held by Silvio Debono. The Group organisational structure has expanded over the years in line with the development phases and growth of the Group. It is currently set up such that each Subsidiary of the Group, together with each of the Group's Associated Companies, fulfils a particular function. The organisational structure places the Guarantor, the parent company of the Group, as the company responsible for the strategic direction and development of the Group, with the respective boards of the Subsidiaries focusing on achieving the Group's operational objectives. The Group's main operations through its Subsidiaries and Associated Companies are described in section 4.4 of this Registration Document.

4.2 Historical Development of the Issuer

4.2.1 Introduction

Full Legal and Commercial Name of the Issuer:	SD Finance p.l.c.
Registered Address:	Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, Malta
Place of Registration and Domicile:	Malta
Registration Number:	C 79193
Date of Registration:	20 January 2017
Legal Form	The Issuer was formed as a public limited liability company. The Issuer is lawfully existing and registered as a public limited liability company in terms of the Act.
Telephone Numbers:	+356 22891000
Email:	info@dbgroupmalta.com
Website:	http://www.dbgroupmalta.com/

4.2.2 Principal Objects of the Issuer

The principal objects of the Issuer are set out in Article 3 of its Memorandum of Association and include, but are not limited to: the carrying on of the business of a holding company; the acquisition and holding of securities and interests of and in any companies for the time being engaged, concerned or interested in any industry, trade or business; the promotion of the beneficial cooperation of any such companies with one another as well as with the Issuer; and the employment of the Issuer's funds in the development and expansion of its business and that of any of its Subsidiaries and other companies in which it may have an interest.

Accordingly the Issuer will enter into loan agreements with Group Companies from time to time, including as set out in section 4.1 of the Securities Note forming part of the Prospectus (*Reasons for the Bond Issue and Use of Proceeds*).

4.2.3 Principal Activities and Markets

The Issuer was registered as SD Finance p.l.c. on 20 January 2017, as a public limited liability company in terms of the Act. The Issuer itself does not itself carry on any trading activities apart from the raising of capital and advancing thereof to members of the Group and when the demands of their business so require. Accordingly, the Issuer is economically dependent on the Group. The Issuer operates exclusively in and from Malta.

4.3 Historical Development of the Guarantor

4.3.1 Introduction

Full Legal and Commercial Name of the Guarantor:	SD Holdings Limited
Registered Address:	Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, Malta
Place of Registration and Domicile:	Malta
Registration Number:	C 40318
Date of Registration:	19 December 2006
Legal Form	The Guarantor was formed as a private limited liability company. The Guarantor is lawfully existing and registered as a private limited liability company in terms of the Act.
Telephone Numbers:	+356 22891000
Email:	info@dbgroupmalta.com
Website:	http://www.dbgroupmalta.com/

4.3.2 Principal Objects of the Guarantor

In terms of Article 4 of its Memorandum of Association, the principal objects of the Guarantor are to provide advisory, consultancy, back-office, human resources, marketing, logistics, and other ancillary services related to the management, administration and operations of other companies; and to carry out such activities as may be ancillary to, or necessary to the attainment of, the aforesaid. Ancillary objects include: the holding of securities in other companies; the acquisition and development of property; and the establishment, operation, management and maintenance of hotels, tourist centres, catering and entertainment establishments.

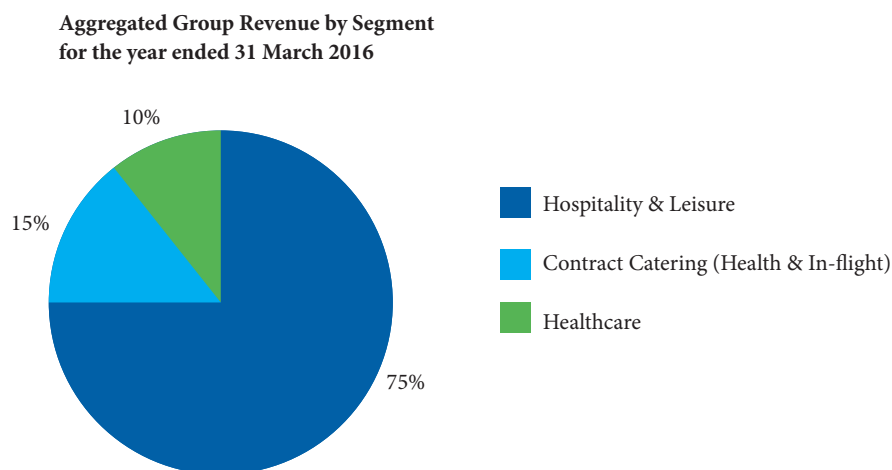
4.3.3 Principal Activities and Markets

The Guarantor was registered on 19 December 2006, as a private limited liability company in terms of the Act. The Guarantor is the holding company of the Group and does not itself carry on any trading activities. As such, the principal activities and markets in which the Guarantor operates correspond to the principal activities and markets of the db Group Companies, as outlined in section 4.4.2 of this Registration Document.

4.4 Overview of db Group's Business

4.4.1 Introduction

The Group was established over three decades ago. The Group is principally involved in the hospitality and leisure industry, including the restaurant business. Additionally, the Group has substantial associated interests in the contract catering and healthcare markets.



Note: The above chart represents the aggregated revenue by division of the Group for the financial year ended 31 March 2016, adjusted accordingly to reflect the percentage shareholding held by the Group in each respective entity.

4.4.2 Principal Activities and Markets

4.4.2.1 Hospitality and Leisure

Since its inception, and over the years, db Group has founded strategic partnerships with global players. Notable past partnerships include those with the Accor Hotel Group and RIU Hotels & Resorts. The Group is currently affiliated with the world-renowned Hard Rock Café. In 2015, db Group launched its own brand, *db Hotels + Resorts*, to operate its chain of hotels and resorts.

The Group recently completed its hotel portfolio refurbishment and extensions programme aimed at the enhancement of both db Seabank Resort & Spa and db San Antonio Hotel & Spa with a global investment of over €70 million, thereby increasing the Group's room pool by 501 rooms to a total of 1,052 rooms. Following this comprehensive programme, the Group's hospitality and leisure portfolio presently revolves around:

db Seabank Resort & Spa

The db Seabank Resort & Spa, located in Mellieha Bay, is the flagship 4* hotel of the Group. In 2012 the db Seabank Resort & Spa was completely renovated over an eight-month phase at a cost of *circa* €38 million, whereby the property was converted into a 539-room all-inclusive hotel operation. The hotel also comprises a number of themed restaurants, four bars, a large hotel pool, as well as a fitness centre and a spa with a heated indoor pool facility. In 2015, a new entertainment complex was opened at the db Seabank Resort & Spa, which includes three restaurants, a bowling alley and a sports bar.

db San Antonio Hotel & Spa

The db San Antonio Hotel & Spa is a 4* all-inclusive hotel and resort located in St. Paul's Bay, offering five themed restaurants, indoor, outdoor and rooftop pools, a spa and fitness centre, and conference and events facilities. Whilst the hotel has been operational since 2002, the Group invested *circa* €32 million on a major refurbishment in 2014/2015, where the number of rooms was increased from 300 to 513 rooms. Part of this additional room complement comprised a number of apartments which are offered to customers on a long-let basis. In this respect, Evergreen Travel Limited, a company registered in the British Virgin Islands and bearing company registration number 452933 ("ETL") was acquired by Group Subsidiary Hotel San Antonio Limited in January 2014 in order to act as the sales company for vacation ownership packages offered to tourists intent on booking a particular unit at db San Antonio Hotel & Spa at a pre-determined annual rate. The units are being made available in this manner until 2031.

Porto Azzurro Complex

The Porto Azzurro Complex is a 3*, 125-room apart-hotel located in Xemxija. The rooms and apartments are equipped with en-suite bathrooms, a fully equipped kitchenette and other amenities. The complex has a 24-hour reception, a launderette, mini market, dedicated restaurant and a pizzeria, as well as a number of leisure facilities. The Group holds a 33.33% equity interest in this operation.

Tunny Net Complex

The Tunny Net Complex, situated in Mellieha, brings together various entertainment and leisure facilities, and is located approximately 200 metres away from db Seabank Resort & Spa. These entertainment and leisure facilities include a Latino-Mexican restaurant, Maya Beach lounge bar, La Barca Italian trattoria, major water sports facilities and a number of retail outlets. J.D. Catering Limited (C 15193), a Group Subsidiary, is the entity that holds the title of temporary emphyteusis on the site currently occupied by the Tunny Net Complex, which title of temporary emphyteusis is due to expire in July 2026.

Hard Rock Café and Hard Rock Bar

Sea Port Franchising Limited, a Group Subsidiary, is the holder of the franchisee licence for the Hard Rock Café and Hard Rock Bar brands, and is the operating agent for Hard Rock International in Malta. Founded in 1971, Hard Rock International is a globally recognised entertainment and lifestyle brand, renowned not just for its hotels, casinos, bars and cafés, but also for its collectible fashion and music-related merchandise and memorabilia and Hard Rock Live performance venues.

Since the opening of the Hard Rock Café venue at the Baystreet Complex over fifteen years ago, the Group has expanded this operation to a total of three local Hard Rock establishments, with a Hard Rock Bar establishment at the Valletta Waterfront and the Malta International Airport. While its main element remains its catering arm, Hard Rock merchandise sales is an important component of the company's revenue stream - in the financial year ended 31 March 2016 merchandise sales represented *circa* 35% of total revenue of Sea Port Franchising Limited.

The Master Franchise Agreement

The franchise arrangement in place between Sea Port Franchising Limited and Hard Rock International, the Franchisor, is regulated by a franchise agreement which, while initially entered into in 2000 to regulate the Group's Hard Rock Café franchise operations at the Baystreet Complex, was over the years extended to cover the Group's Hard Rock Bar operations at both the Valletta Waterfront and the Malta International Airport (the "**Master Franchise Agreement**").

In terms of the Master Franchise Agreement:

- the Franchisee is required to pay a royalty fee based on monthly revenue generated;
- the Franchisor shall not operate Hard Rock Café restaurants / bars within Malta during the contracted term, save for amenity cafes and captive venues;
- the Franchisor has the right of first refusal on any transfer of the franchise, the business represented thereby, or an ownership interest in the Franchisee. In the event that Hard Rock does not exercise said right, the transfer can be completed with third party purchasers, subject to approval by the Franchisor.

The Franchisor may, during the term of the Master Franchise Agreement, terminate said agreement if material events of default occur (for instance, if the Franchisee commits an act that can be expected to adversely affect the reputation of the system or goodwill associated with the Hard Rock trademarks, or notably, if the lease in place for the premises is terminated due to the Franchisee's default). The Franchisee may terminate the Master Franchise Agreement if the Franchisor materially breaches said agreement and fails to cure the breach within 30 days, should a cure be possible within the stipulated time period.

The Master Franchise Agreement is due to expire on 16 June 2020. Following expiration, the Franchisee shall be entitled to enter into one successor franchise agreement, subject to a number of renewal conditions. The renewal period shall be of 10 years, following which the Franchisee shall, unless otherwise stated by the Franchisor, have no further right to operate the franchise. The option to renew is subject to specific requirements, including the obligation to refurbish the relevant premises in order to bring them in line with the then-current standards and specifications.

The Lease Agreements

As outlined in section 2.4.3 of this Registration Document, the premises from which the Group presently operates the Hard Rock Café and Hard Rock Bar brands in Malta are leased premises. The main terms of these agreements are listed below:

- **Bay Street Complex, St Julian's:** these premises are subject to a concession agreement and an operator agreement with Bronville Limited and Baystreet Limited respectively. The term of both agreements commenced on 25 November 2000, and is due to expire on 25 November 2020. The restaurant covers an area of 600m², has a seating capacity of *circa* 180 covers, and includes a bar area, merchandise shop and internationally renowned rock 'n' roll memorabilia;
- **Malta International Airport:** Sea Port Franchising Limited operates a Hard Rock Bar at the Malta International Airport pursuant to a renewed lease agreement, entered into with Malta International Airport p.l.c., the term of which commenced on 1 January 2016, and is due to expire on 31 December 2022, subject to renewal. The Hard Rock Bar is situated in the departures lounge of the airport. In 2015, the Hard Rock Bar was fully refurbished and restyled;
- **Valletta Waterfront:** in 2005, Sea Port Franchising Limited entered into a lease agreement with Valletta Cruise Port p.l.c. (formerly VISET Malta p.l.c.), following which it commenced operating a Hard Rock Bar with a seating capacity of *circa* 140 covers. The term of this lease agreement commenced on 1 March 2006 and is due to expire on 28 February 2018, subject to renewal.

Hard Rock Hotel Licence

On 11 February 2017, DB San Gorg Property Limited entered into a hotel licence agreement with Hard Rock Holding Ltd (UK), in respect of the proposed 5* hotel in St. George's Bay, St. Julian's set to form part of the City Centre Project (refer to section 4.5 of this Registration Document) (the "**Hotel Licence Agreement**"). In terms of this Hotel Licence Agreement, which *inter alia* contains terms similar to those specified above in respect of the Master Franchise Agreement, DB San Gorg Property Limited shall have the right to use the Hard Rock marks for, and develop the, Hard Rock Hotel. The term of the licence is 15 years, subject to extension.

4.4.2.2 Healthcare Services and Hospital / Retirement Home Catering Services

Malta Healthcare Caterers Limited (the "**MHC Group**") is a joint venture between the Group and James Caterers Limited (C 30139), and is principally engaged in the provision of healthcare and catering services to hospitals and retirement homes, together with other related services, in Malta and Gozo. In November 2013, the MHC Group acquired a site in Santa Lucija measuring *circa* 4,455m² with the intention of eventually developing it into a 300-bed home for the elderly.

Healthcare Division

The healthcare division of the MHC Group comprises the following subsidiary companies:

- Healthmark Care Services Ltd (C 62096) – the company is engaged in the provision of health and social care services and training to the general public, hospitals and elderly retirement and nursing homes;
- Health Services Group Limited (C 16298) – the company is engaged in the provision of nursing services;
- Support Services Limited (C 30778) – the company is engaged in the provision of nursing and caring services.

The operations of the healthcare division commenced in 2014 with the acquisition by the MHC Group of two existing healthcare sector companies. Subsequently, in November 2015, the MHC Group substantially increased its headcount to offer services previously provided by Malta Memorial District Nursing Association (which ceased providing community care services in October 2015). At the start of 2016, the MHC Group included domiciliary care for the elderly to its offerings.

At present, the healthcare division has a staff complement of *circa* 1,500 employees, including 150 professional nurses, 150 staff members providing domiciliary care for the elderly and 1,200 trained care assistants (2015: 1,092 employees). The key agreements include:

- the provision of nursing and care services under the Active Ageing and Community Care Directorate (since 2015): the term of the initial agreement expired on 4 October 2016, and, in terms of an addendum signed in 2016, the term of the contract was extended by a further 12 months, and is due to expire on 4 October 2017;
- the provision of care worker services at Mater Dei Hospital and other entities within the health department (since 2009): in 2016, through a letter of acceptance signed by the Government, the term of the contract was extended until 31 December 2016. Renewal of the contract is subject to a tendering process, which, as at the date of this Prospectus, is ongoing;
- the provision of care worker services at St Vincent de Paul Residence and Homes for the Elderly Community Care (since 2010): in 2016, through a letter of acceptance signed by the Government, the term of the contract was extended on a monthly basis, renewable every month, beginning retrospectively from 1 October 2016, until 31 March 2017, subject to further extension; and
- the provision of home help services to the Department of Contracts on behalf of the Ministry for the Family and Social Solidarity Department of the Elderly and Community Care (since 2016): through an addendum signed in December 2016, the term of the contract was extended by three months from 8 January 2017, until 8 April 2017, subject to further extension.

Hospital / Retirement Home Catering Division

The MHC Group initiated operations in contract catering in 2007, after being awarded the contract to supply meals to in-patients at Mater Dei Hospital, St Luke's Hospital and Sir Paul Boffa Hospital. In 2015, the MHC Group ceased to supply meals to Sir Paul Boffa Hospital, but instead commenced servicing Sir Anthony Mamo Oncology Centre. This agreement is due to expire on 16 November 2022.

The MHC Group also provides catering and ancillary services to in-patients and staff of Gozo General Hospital (since 2013) and St Vincent de Paul Residence (since 2014). The contract relating to the former is due to expire on 27 June 2018, subject to the option of extending by a further year. The term of the contract relating to the latter has been extended up to 7 July 2017. In aggregate, the MHC Group serves in the region of 5,700 meals per day.

4.4.2.3 Airline and Catering Services

The Group has a 30% shareholding in Sky Gourmet Malta Ltd (C 40070), a company principally involved in the provision of catering and commissary services to airlines. The other shareholders are James Caterers Limited (C 30139) with a 30% ownership, and Do & Co, an Austrian catering company which is active in segments such as airline catering, train catering and international events catering.

The company presently offers in-flight catering services to three airlines, namely Air Malta, Ryanair and Emirates, and the relevant agreements are due to expire on 31 March 2021, 18 May 2019 and 30 November 2017 respectively. The agreement with Emirates is automatically renewed for successive periods of one year, subject to applicable conditions. On an annual basis, Sky Gourmet Malta Ltd serves over two million airline meals and snacks.

4.4.2.4 Corporate Social Responsibility

The Group is conscious of its corporate social responsibility and its role in encouraging responsible and sustainable tourism. The Group seeks to minimise the environmental impact of its operations, particularly through the initiatives and measures taken to separate and reduce waste, and to reduce the consumption of water and energy. For instance:

- 95% of all the light fixtures in the Group's hotels are energy efficient;
- the room management systems reduce energy usage through the use of motion sensors;
- heating and air-conditioning systems are supplied by a water primary circuit, rather than relying on the use of fluorocarbon gases;
- the Group has invested in reverse osmosis plants to convert seawater into potable water to cater for all guests' needs;
- a state-of-the-art 180,000 litre/day sewage plant treating all sewage generated by the Group's hotels; and
- the collection of storm water for irrigation.

4.5 Principal Investments of the Group and the Issuer

In early 2016, the Government of Malta announced that the Seabank Consortium, consisting of the Guarantor, Seabank Hotel and Catering Limited and Sea Port Franchising Limited, was selected as the preferred bidder in respect of a tender for the design, build and operation of an upmarket mixed tourism and leisure development in St. Georges Bay, St Julian's, Malta (the "City Centre Project").

On 1 February 2017, the Government of Malta and DB San Gorg Property Limited, a Group Subsidiary, entered into a public deed by virtue of which the Government granted DB San Gorg Property Limited a 99-year emphyteutical concession over the site on which the City Centre Project is to be developed (the "Emphyteutical Deed").

The temporary emphyteutical concession is subject to a cash consideration of €15 million, payable over a period of seven years, with the first payment of €5 million payable on signing of the Emphyteutical Deed. The balance of €10 million is payable in seven equal annual instalments as from January 2018. Upon the issuance of the relevant Planning Authority permit determining the full extent of developable area of the City Centre Project, a consideration shall further be due to Government, or by Government to DB San Gorg Property Limited, as the case may be, which consideration is payable over a period of seven years in seven equal annual instalments, and calculated in accordance with the terms of a schedule annexed to the Emphyteutical Deed. The first instalment is to be paid one week after the issuance of the relevant Planning Authority permit. An additional consideration shall become due should a Planning Authority permit be issued allowing for further developable area than originally permitted, which consideration is to be calculated in accordance with the terms of a schedule annexed to the Emphyteutical Deed. The payment of such additional consideration shall be effected within one week from the issuance of the said Planning Authority permit.

Stamp duty of *circa* €3 million was payable upon signing of deed. The payment of *circa* €8 million (comprising the said first payment and stamp duty) was financed primarily through a bank facility.

In terms of the Emphyteutical Deed, a total annual ground rent of €1,562,509 shall be payable to Government, of which a total of €1,169,579 is to be allocated for redemption purposes based on a net floor space area of 51,030m² (comprising residential, office space and garage space). The aforementioned annual ground rent has been temporarily reduced to €1,000 per annum, and shall remain so reduced until the earlier of: (a) the issuance of a certificate of completion by an architect; or (b) the lapse of five years from date of deed.

Subject to the issuance of Planning Authority permits, the Group plans to develop the five-star Hard Rock Hotel referred to in section 4.4.2.1 of this Registration Document, a casino, an exclusive top-floor bar, catering and dining establishments, a congress hall and conference centre, a shopping mall, a car park, office suites and residential units. The construction and development of the City Centre Project is expected to be funded through a combination of own funds, bank facilities, future debt issuances as well as cash flows generated by the initial instalment of residential units set to be constructed as part of said project.

5. TREND INFORMATION AND FINANCIAL PERFORMANCE

5.1 Strategy and Trend Information

The Issuer was registered and incorporated on 20 January 2017 as a special purpose vehicle to act as the financing arm of the Group. As indicated in section 5.2 of this Registration Document, the Issuer has no financial information to report. Accordingly, it is not in a position to assert whether there has been a material adverse change since the date of publication of its latest audited financial statements.

There have been no material adverse changes in the prospects of the Guarantor since the date of publication of its latest audited consolidated financial statements.

The Issuer is dependent on the business prospects of the Group and, therefore, the trend information of the Guarantor (detailed below) has a material effect on its financial position and prospects.

As at the time of publication of this Prospectus, the Guarantor considers that generally it shall be subject to the normal business risks associated with the business in which the db Group Companies operate, and, barring unforeseen circumstances, does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be considered likely to have a material effect on the upcoming prospects of the Group and its business, at least with respect to the current financial year. However, investors are strongly advised to carefully read the risk factors in the Prospectus.

5.1.1 Hospitality and Entertainment

Tourism in Malta has in recent years been performing at a strong level and this trend continued in 2016 as well. Inbound tourist trips from January to December 2016 amounted to 1.99 million, an increase of 10.2% when compared a year earlier. Total nights spent by inbound tourists went up by 5.7%, reaching almost 15.0 million nights. During 2016, total guests in collective accommodation establishments surpassed 1.6 million, an increase of 2.1% over the same period in 2015. Within the collective accommodation establishments, the 5 star and 4 star hotels gained 10,878 guests (+2.8%) and 30,779 guests (+4.5%) respectively in 2016 when compared to a year earlier, while there was a decrease of 24,042 guests (-5.7%) in the 3 star category. Tourism expenditure was estimated at €1.71 billion in 2016, an increase of 4.3% over 2015¹.

Focus will be maintained on increasing arrivals during the winter months and attracting more visitors from new markets to Malta. This bodes well for the Maltese hospitality industry as the expectation is to continue to grow revenues and increase profitability.

Looking forward, Malta's EU Presidency in the current year (2017) together with Valletta serving as the European City of Culture in 2018 are widely expected to generate increased demand for hotels and enhance Malta's image as a tourist destination, which would in turn generate further growth in the hospitality sector. Meanwhile, the somewhat uncertain future of the national carrier Air Malta poses a concern to further growth whilst competition from other Mediterranean countries will likely remain strong.

The above-mentioned positive trend was also experienced at the db Seabank Resort & Spa and db San Antonio Hotel & Spa, as both hotels have performed particularly well in terms of revenue generation and profitability. The Directors believe that the operating performance of the hotels was further enhanced by the timely renovation and extension works at both properties and the successful marketing of the all-inclusive service package.

As described in more detail in section 4.5 of this Registration Document, the Group intends to expand its portfolio of hotels through the development of a five-star Hard Rock Hotel, and as a result, further grow the Group's operations and exposure to the hospitality industry in Malta.

With respect to Hard Rock Café Malta and Tunny Net Complex, the Directors expect such operations to continue to yield positive results and contribute to overall group profitability.

5.1.2 Healthcare

Demand for long-term care in Malta is expected to progressively rise in the coming years as the population ages. According to projections published by the NSO, the percentage of the Maltese population over 60 years of age is expected to increase to 28% by 2020 and to 30% by 2030. In absolute figures, Malta has *circa* 110,000 seniors above the age of 60 and this is expected to grow to over 135,000 by 2030². As a result of this substantial increase in elderly persons, it is envisaged that this will have a material effect on the growth in demand for care and support services provided to this category of the population.

In line with the above-mentioned statistics, the db Group, through its 50% shareholding in Malta Healthcare Caterers Ltd, foresees a steady increase in demand for nursing, home carers and other healthcare staff in the coming years, as well as a growing need for retirement and long-term care homes. As such, the Group plans to continue to focus on this sector and progressively increase its offerings, particularly, by growing the staff complement to meet the demand for long-term care in Malta. Furthermore, as described in section 4.4.2.2 of this Registration Document, Malta Healthcare Caterers Ltd intends to expand its activities in the healthcare sector through the development and operation of a residence for the elderly located in Santa Lucija.

5.1.3 Contract Catering

The demand for contract catering in Malta has developed substantially over the last ten years, particularly from the healthcare, aviation and canteen catering sectors. In the healthcare sector, demand for such service is mainly generated from state and privately-owned hospitals as well as from retirement homes. The Directors expect this market to grow further in the coming years as more hospitals and care homes are developed to meet the needs of Malta's ageing population. As such, Malta Healthcare Caterers Ltd intends to remain focused on optimising the contract catering business with a customer centric approach, while continuing to explore appropriate opportunities to profitably grow market share.

As for demand from the aviation industry, inflight catering service is decreasing as a result of airlines reducing their costs on ancillary services such as inflight meals. In this regard, the Group, through its 30% shareholding in Sky Gourmet Malta Ltd, will continue to focus on achieving operating efficiencies so as to safeguard profitability and future viability of this business.

¹ National Statistics Office – Malta (www.nso.gov.mt)

² Demographic Review 2014 – National Statistics Office, Malta.

5.2 Selected Financial Information

Selected Financial Information: The Issuer

The Issuer was registered and incorporated on 20 January 2017 as a special purpose vehicle to act as the financing arm of the Group. The Issuer has, to date, not conducted any business and has no trading record.

There has not been any significant change in the financial or trading position of the Issuer, which has occurred since the date of its incorporation.

Selected Financial Information: The Guarantor

Since SD Holdings Limited shall act as Guarantor to the Bond Issue, the selected financial information of SD Holdings Limited is contained in this section of the Registration Document. The historical consolidated financial information of SD Holdings Limited is set out in the audited consolidated financial statements for each of the financial years ended 31 March 2014 to 2016.

There has not been any significant change in the prospects or in the financial or trading position of SD Holdings Limited and its Subsidiary and/or Associate companies, which has occurred since the date up to which the aforesaid audited financial statements were prepared.

Set out below are summarised extracts from the consolidated financial statements of SD Holdings Limited for the years ended 31 March 2014 to 2016.

SD Holdings Limited			
Consolidated Statements of Comprehensive Income - Extracts			
for the year ended 31 March	2014	2015	2016
	€'000	€'000	€'000
Revenue	23,087	34,947	42,963
Cost of Sales	(14,355)	(21,475)	(22,939)
Gross profit	8,732	13,472	20,024
Selling and administrative expenses	(1,156)	(1,814)	(2,486)
Other income	9	250	266
Gross operating profit / EBITDA	7,585	11,908	17,804
Depreciation and amortisation	(2,405)	(5,461)	(6,093)
Operating profit	5,180	6,447	11,711
Net finance costs	(2,037)	(4,032)	(3,694)
Share of results of associates	692	601	424
Profit before tax	3,835	3,016	8,441
Tax	(620)	3,668	(2,814)
Profit after tax	3,215	6,684	5,627
<u>Profit attributable to:</u>			
Owners of the Parent	3,196	6,654	5,586
Non-controlling interest	19	30	41
	3,215	6,684	5,627
Other comprehensive income			
Revaluation surplus, net of deferred tax	-	-	22,586
Cash flow hedges, net of deferred tax	22	19	110
Total comprehensive income for the year, net of tax	3,237	6,703	28,323

SD Holdings Limited**Consolidated Statements of Financial Position - Extracts**

As at 31 March

	2014	2015	2016
	€'000	€'000	€'000
Assets			
Non-current assets	99,154	127,962	146,221
Current assets	5,240	9,541	10,212
Total assets	104,394	137,503	156,433
Equity			
Equity attributable to Group	10,695	17,368	45,650
Non-controlling interest	10,976	11,006	11,047
	21,671	28,374	56,697
Liabilities			
Non-current liabilities	62,373	70,412	61,268
Current liabilities	20,350	38,717	38,468
Total liabilities	82,723	109,129	99,736
Total equity and liabilities	104,394	137,503	156,433

SD Holdings Limited**Consolidated Statements of Cash flows - Extracts**

for the year ended 31 March

	2014	2015	2016
	€'000	€'000	€'000
Net cash generated from operating activities	7,269	10,119	15,989
Net cash used in investing activities	(9,432)	(21,371)	(10,272)
Net cash generated from/(used in) financing activities	1,954	9,765	(6,082)
Net decrease in cash and cash equivalents	(209)	(1,487)	(365)
Cash and cash equivalents taken over on acquisition of group undertaking	(125)	-	-
Cash and cash equivalents at 1 April	643	309	(1,178)
Cash and cash equivalents at 31 March	309	(1,178)	(1,543)

Revenue is principally generated through the Group's four main operational entities within its hospitality and leisure division, namely Seabank Hotel and Catering Limited and Hotel San Antonio Limited, which respectively generated 46.5% and 34.3% of total revenue during 2016, as well as S.R.G.N Company Ltd and Sea Port Franchising Ltd, which operate the Tunny Net complex and the three Hard Rock establishments respectively.

Over the historical period, the Group has experienced a significant increase in its levels of business activity, with the total revenue of €43.0m in 2016 representing a compound annual growth rate (CAGR) of 36.4% on 2014 levels. The revenue growth in 2015 was largely attributable to the inclusion of Hotel San Antonio Limited as a consolidated subsidiary with effect from 1 April 2014, which resulted from the Group's acquisition of the remaining 50% equity interest in the company, as a result of which it acquired full ownership and control. Meanwhile, the subsequent growth in 2016 principally emanated from the full year impact of the expanded and renovated San Antonio Hotel & Spa (which significantly increased its room capacity following an extensive development project) and its subsequent shift to an all-inclusive business model.

Over the historical period, the local tourism sector has continued to register positive results and sustain its growth, which has been characterised by the reported increases in tourist arrivals, tourist expenditure levels and the number of guest nights. Whilst this has had a direct positive impact on the Group's hotel operations, which hotels have both experienced significant annual increases in the total number of occupied room nights and the resultant Average Achieved Room Rates (AARR), other operational entities within the Group have benefitted from the spill over effects emanating from the aforesaid growth in the local tourist sector. For example, Sea Port Franchising Ltd has benefitted from the increase in tourist arrivals as a result of the proximity of its Hard Rock establishments to the most significant tourist arrival and/or departure points in Malta, in particular the cruise liner terminal located close to the Valletta Waterfront and the departures lounge at the Malta International Airport.

Gross profit (exclusive of depreciation) in 2016 amounted to €20.0m, which represented a CAGR of 51.4% since 2014. The growth in gross profit has been underpinned by an increase in overall gross profit margins, which have increased from 37.8% in 2014 to 46.6% in 2016, largely attributable to the significant improvements in AARR achieved by the Seabank and San Antonio hotel operations, which improvement has a direct impact on gross profitability. The above-mentioned growth in gross profit margins was also influenced by the increasing scale of the Group's operations, which has enabled its various group entities to leverage on economies of scale, and which has subsequently enabled greater flexibility in operations and a leaner cost structure.

The Group's administrative and selling cost base has increased from €1.2m in 2014 to €2.5m in 2016, which is equivalent to 5.0% and 5.8% of total revenue respectively. The said cost base has increased in line with the Group's overall level of business activity over the historical period, with the increase of 56.9% in 2015 largely the result of the inclusion of Hotel San Antonio Limited as a consolidated subsidiary, and the subsequent increase of 37.0% in 2016 heavily impacted by an increase in room capacity at the San Antonio hotel. Other income, which amounted to €266k during 2016, largely relates to the rental income derived from the lease of retail space at the San Antonio hotel.

The above-mentioned factors all had a positive impact on EBITDA¹, which stood at €17.8m in 2016, representing a CAGR of 53.2% since 2014. The most significant contributors to the reported EBITDA levels for 2016 were Seabank Hotel and Catering Limited and Hotel San Antonio Limited, comprising 58.1% and 37.8% of total EBITDA respectively. In this respect, both hotel operations generated GOPAR² levels that were in excess of the 4-star industry average as reported by the 2015 MHRA Survey (with the exception of San Antonio in 2014).

The increase in "depreciation and amortisation" and "finance costs" over the historical period, which have increased by a CAGR of 59.2% and 34.7% respectively since 2014, reflects the Group's significant investment in expanding and renovating the San Antonio hotel.

Whilst the Group is principally involved in the local hospitality and leisure sector, horizontal diversification in recent years has seen it extend its presence to the contract catering and healthcare sectors through a number of investments held in associate companies, namely a 30.0% equity interest in Sky Gourmet Malta Limited and Sky Gourmet Malta Inflight Services Limited, through which it provides in-flight catering services to Air Malta and other airlines, and a 50.0% equity interest in Malta Healthcare Caterers Ltd, through which it offers in-patient catering services to public hospitals as well as healthcare services to public hospitals, clinics and homes for the elderly. The Group also holds a 33.33% equity interest in Porto Azzurro Ltd, which owns and operates a 3-star apartment hotel in Xemxija.

The decrease in the share of profits from associates in 2015, which decreased by 13.1% to €601k, reflects the inclusion of Hotel San Antonio Limited as a consolidated subsidiary (i.e. previously recognised as a joint-venture). This decrease was however substantially mitigated by significant growth in profitability achieved by Malta Healthcare Caterers Limited, which growth was largely attributable to the acquisition by Malta Healthcare Caterers Limited of Support Services Ltd and Health Services Group Ltd, two entities principally involved in the provision of healthcare services. Despite the growth achieved by Malta Healthcare Caterers Ltd and Porto Azzurro Limited in 2016, the Group's overall share of profits from associates experienced a decrease of 29.5% when compared to 2015 levels, which was largely the result of losses incurred by Sky Gourmet Malta Limited following a significant reduction in its level of operation, which is expected to recover within the next few years.

On the basis of the key factors set out above, the Group's net profitability has increased from €3.2m in 2014 to €5.6m, representing a CAGR of 32.3% since 2014. The 15.8% decrease in net profitability during 2016 was principally the result of the recognition of tax income of €3.7m during 2015, largely reflecting the investment tax credits emanating from the refurbishment of the San Antonio hotel.

Total assets stood at €156.4m as at 31 March 2016, which represented a growth of 13.8% on prior year levels that is largely reflective of a revaluation exercise carried out during 2016 on the Group's most significant assets, namely the land and buildings within property, plant and equipment. As at 31 March 2016, property, plant and equipment comprised 87.4% of the Group's total asset base (2015: 82.5%), of which a large portion emanated from Seabank Hotel and Catering Limited (45.9% of total property, plant and equipment) and Hotel San Antonio Limited (51.2%). The increase in the Group's total asset base emanating from the revaluation exercise was partly offset by a reduction in the deferred tax asset, which decreased to €3.9m as at 31 March 2016 (2015: €9.4m). The decrease in the deferred tax asset, whilst reflecting the Group's utilisation of its investment tax credits and unabsorbed capital allowances, also reflects the recognition of a deferred tax liability in relation to temporary differences arising from the revaluation of property, plant and equipment.

Total liabilities amounted to €100.0m as at 31 March 2016, representing a decrease of 8.6% on prior year levels (2015: €109.1m). Bank borrowings represented the Group's most significant liability as at 31 March 2016, amounting to €61.2m (2015: €68.1m), equivalent to 61.3% of total liabilities. The reduction in total liabilities in 2016 thus principally emanated from the Group's repayment of its banking facilities, a large component of which were availed of by the Group to finance its large-scale investment projects, namely the construction, development and renovation of the Seabank hotel in 2011 / 2012, and the San Antonio Hotel in 2013 / 2014.

The Group's total equity as at 31 March 2016 amounted to €56.7m, of which €11.0m was attributable to non-controlling interest. This represented a growth of 99.8% on prior year levels, whereby total equity amounted to €28.4m, of which €11.0m was attributable to non-controlling interest. The growth in net assets in 2016 was principally driven by the revaluation exercise carried out during the year, whereby a revaluation reserve of €22.6m was created, as well as an increase in retained earnings, which increased by 36.9% to €20.7m as at 31 March 2016 (2015: €15.1m).

¹ An abbreviation used for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.

² The total revenue of the hotel less expenses incurred earning that revenue, divided by the available rooms. This indicator is another performance measure used in the hotel industry.

The interim unaudited financial results of SD Holdings Limited for the six months ended 30 September 2015 and 30 September 2016 are set out below:

SD Holdings Limited

Consolidated Statements of Comprehensive Income - Extracts

For the six-month period 1 April to 30 September

	2015	2016
	€'000	€'000
Revenue	28,307	30,388
Cost of Sales	(13,739)	(14,741)
Gross profit	14,568	15,647
Selling and administrative expenses	(1,025)	(1,226)
Other income	118	135
Gross operating profit / EBITDA	13,661	14,556
Depreciation and amortisation	(3,051)	(3,033)
Operating profit	10,610	11,523
Net finance costs	(1,906)	(1,552)
Share of results of associates	562	730
Profit before tax	9,266	10,701
Tax	(2,951)	(3,555)
Profit after tax	6,315	7,146
<i>Profit attributable to:</i>		
Owners of the Parent	6,254	7,081
Non-controlling interest	61	65
	6,315	7,146
Other comprehensive income		
Cash flow hedges, net of deferred tax	88	100
Total comprehensive income for the year, net of tax	6,403	7,246

SD Holdings Limited

Consolidated Statements of Financial Position - Extracts

As at

	31 Mar 2016	30 Sep 2016
	€'000	€'000
Assets		
Non-current assets	146,221	142,573
Current assets	10,212	21,292
Total assets	156,433	163,865
Equity		
Equity attributable to Group	45,650	52,831
Non-controlling interest	11,047	11,112
	56,697	63,943
Liabilities		
Non-current liabilities	61,268	58,045
Current liabilities	38,468	41,877
Total liabilities	99,736	99,922
Total equity and liabilities	156,433	163,865

SD Holdings Limited
Consolidated Statements of Cash flows - Extracts
For the six-month period 1 April to 30 September

	2015	2016
	€'000	€'000
Net cash from in operating activities	8,010	12,070
Net cash used in investing activities	(6,370)	(4,362)
Net cash used in financing activities	(1,414)	(3,554)
Net increase in cash and cash equivalents	226	4,154
Cash and cash equivalents at start of period	(1,178)	(1,543)
Cash and cash equivalents at end of period	(952)	2,611

During the first six months of FY 2017, SD Holdings Limited generated revenue levels in the region of €30.4m, which represented an increase of 7.4% over the same period in 2015, with each consolidated subsidiary experiencing a growth in its revenue levels. Seabank Hotel and Catering Limited and Hotel San Antonio Limited were the most significant contributors to the growth in revenue, increasing by 5.2% and 11.3% respectively when compared to the same period in 2015. This growth reflects the impact of notable improvements in the occupancy of both hotels, wherein occupancy levels of 92.3% and 91.8% were achieved by the Seabank and San Antonio respectively during H1 2017 (H1 2016: 88.3% and 82.6% respectively).

EBITDA amounted to €14.6m for the six-month period ended 30 September 2016, representing an increase of 6.6% when compared to the same period during 2015. The most significant contributors to the EBITDA levels generated by the Group during the six-month period ended 30 September 2016 were Seabank Hotel and Catering Limited and Hotel San Antonio Limited, which comprised 51.2% and 39.2% of total EBITDA respectively.

Net profitability increased by 13.2% to €7.1m during the six-month period ended 30 September 2016.

The Group's net assets increased from €56.7m as at 31 March 2016 to €63.9m as at 30 September 2016, which growth was largely the result of an increase of 4.8% in total assets, in particular a significant growth in trade and other receivables and cash balances. This reflects the seasonality of the Group's operations, whereby 30 September 2016 coincided with the end of the peak summer period. The increase in trade and other receivables was partially offset by a reduction in the Group's deferred tax asset as it utilised its unabsorbed capital allowances and investment tax credits. Total liabilities as at 30 September 2016 amounted to €99.9m, which represented a marginal growth over the respective balance as at 31 March 2016, whereby an increase in trade and other payables (also reflecting the seasonality in operations) was offset by a decrease in borrowings.

6. MANAGEMENT

6.1 The Board of Directors of the Issuer

The Board of Directors of the Issuer is to consist of a minimum of two (2) and a maximum of seven (7) Directors. Presently there are six (6) directors. The Board meets regularly to establish and review the policies and strategies of the Issuer and to monitor the implementation thereof and the overall performance of the Issuer.

6.1.1 Executive Directors

The Executive Directors of the Issuer are entrusted with the company's day-to-day management and are also directors or officers of other companies within the Group. The Executive Directors are supported in this role by several consultants and benefit from the know-how gained by members and officers of the Group.

The Executive Directors of the Issuer are Mr Silvio Debono, Mr Arthur Gauci and Mr Robert Debono.

6.1.2 Non-Executive Directors

The Non-Executive Directors constitute a majority on the Board of the Issuer and their main functions are to monitor the operations of the Executive Directors and their performance, as well as to review any proposals tabled by the Executive Directors.

The Non-Executive Directors of the Issuer are Mr Stephen Muscat, Dr Vincent Micallef and Mr Philip Micallef.

6.1.3 Curriculum Vitae of Directors of the Issuer

Mr Silvio Debono

Mr Debono is the Chairman of the db Group. Amongst his first business ventures was the acquisition of the Commando Bar in Mellieha in the 1980s, and subsequently that of the Pot of Gold, serving to culminate the Group's growth path to the manner in which it stands today. Mr Debono has, together with his team of dedicated personnel, transformed the Seabank Hotel, now restyled as db Seabank Resort & Spa, into one of the leading resorts in Malta, having also aided in securing major awards in the tourism sector at an international level.

Further, Mr Debono was instrumental in successfully negotiating the acquisition of the 50% shareholding in Hotel San Antonio plc (rendering the db Hotel San Antonio & Spa a fully owned Group Subsidiary), and in securing and maintaining the Hard Rock Café franchise in Malta.

Mr Debono serves on the board of directors of all companies forming part of the db Group described in this Registration Document.

Mr Arthur Gauci

Mr Gauci graduated with a Bachelor of Accountancy from the University of Malta in 1991. He joined the Group in the mid-1990s as Financial Controller, and was primarily responsible for the finance and IT departments. Mr Gauci has played a key role in the Group's expansion. He was instrumental in securing the acquisition of the newly styled db Hotel San Antonio & Spa, whilst also successfully negotiating the acquisition of franchise rights for Hard Rock Café and Hard Rock Bar in Malta.

Mr Gauci has for the past seven years occupied the post of CEO of the Group and serves as a director in the following Group Companies: Sea Port Franchising Limited, Seabank Hotel and Catering Limited, Hotel San Antonio Limited, Sky Gourmet Malta Ltd, Sky Gourmet Malta Inflight Services Ltd and DB San Gorg Property Limited. Today, as Director of Franchise Operations, he manages the Group's franchised restaurant business.

Mr Robert Debono

After having graduated with a Bachelor of Commerce (Hons.) in Management, from the University of Malta, with a dissertation entitled, "A Case Study of the Seabank All Inclusive Resort & Spa: Managerial Perspectives of Service Quality Measuring Tools & Organisational Culture", Mr Debono was, in 2015, appointed Director of Healthcare Operations for the Group, involved mainly in the management of, and vision for, the Group's presence in the healthcare sector, with a particular focus on the operations of Healthmark Care Services Ltd. His primary responsibilities include overseeing the efficient use of human resources, cashflow management and budgeting, the liaison and overall coordination of all contracts with various government entities and the private sector, and oversight of the implementation of new technology-based solutions and IT changeover systems.

Today, Mr Debono also serves as a director in the following Group Companies: Support Services Limited, Health Services Group Limited, Healthmark Care Services Ltd, Sky Gourmet Malta Ltd, Sky Gourmet Malta Inflight Services Ltd, Seabank Hotel and Catering Limited and DB San Gorg Property Limited.

Dr Vincent Micallef

Dr Micallef graduated from the University of Malta with a Doctor of Laws (LL.D) degree in 2006, and was admitted to the bar in 2007. In 1993, he joined the Malta Police Force, and held the positions of Police Constable and Police Sergeant. During his years as a member of the Malta Police Force, Dr Micallef was assigned to specialised duties and posted within the Criminal Investigation Department, Economic Crimes Unit, where he specifically dealt with white-collar crime and money laundering investigations.

After completing his law degree, Dr Micallef served as legal advisor within the Legal Office / Prosecutions Unit of the Malta Police Force. Dr Micallef has also represented the Malta Police Force in expert meetings and seminars dealing with Witness Protection Programmes and International Relocation of Witnesses under the auspices of Europol at the European Commission in Brussels, Belgium and Prague.

Dr Micallef presently serves as company secretary of DB San Gorg Property Limited, and sits on the board of directors of two companies not related to the Group. He is chairperson of the Government Formulary List Advisory Appeals Committee, and also holds the post of secretary of the Malta Council for Science and Technology. Furthermore, Dr Micallef is currently the Commissioner for Justice, a position he has held since January 2014.

Mr Stephen Muscat

Mr Muscat is a Certified Public Accountant and a graduate of the University of Malta with a B.A. (Honours) Accountancy degree, a fellow of the Malta Institute of Accountants, the Malta Institute of Taxation and the Institute of Directors (UK). He is a former CEO and Director of Maltacom p.l.c. (today GO p.l.c.).

Since 2006, Mr Muscat has been a corporate services provider with his own advisory practice and serves as an independent non-executive director of a number of companies operating in financial services, insurance, fiduciary as well as shipping, infrastructure, ICT and a resident director of various holding companies. Within a number of locally regulated entities, he practices as a member of Audit, Investment, Risk, Remuneration and Valuation Committees.

Mr Muscat sits on the board of directors of various companies not related to the Group.

Mr Philip Micallef

Mr Micallef holds a Bachelor of Science in Electrical Engineering (B. Sc Eng.), specialising in telecommunications, from the University of Malta. He also holds a Masters of Business Administration (MBA) from the University of Warwick in the UK. Mr Micallef is a Chartered Engineer of the Institute of Electrical Engineers (UK), European Engineer (Eur. Ing.) of the Federation of European Engineers, and Member of the Association Française pour le Service et son Management.

Between 1999 and 2002, Mr Micallef served as a non-executive director on the board of Maltacom. Mr Micallef is a former CEO of Malta Enterprise, Melita Cable and Air Malta, and also served as Executive Chairman of the Malta Communications Authority.

Mr Micallef is currently serving as a non-executive director on the board of Atlas Insurance PCC Limited.

6.1.4 Directors' Service Contracts

None of the Directors of the Issuer have a service contract with the Issuer.

6.1.5 Aggregate Emoluments of Directors

In terms of the Memorandum and Articles of Association of the Issuer, the aggregate emoluments of all Directors in any one financial year, and any increases thereto, shall be such amount as may from time to time be determined by the Issuer in General Meeting, and any notice convening the General Meeting during which an increase in the maximum limit of such aggregate emoluments shall be proposed, shall contain a reference to such fact. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Issuer or in connection with the business of the Issuer.

6.1.6 Loans to Directors

There are no loans outstanding by the Issuer to any of its Directors nor any guarantees issued for their benefit by the Issuer.

6.1.7 Removal of Directors

A Director may, unless he resigns, be removed by ordinary resolution of the shareholders as provided in article 140 of the Act.

6.1.8 Powers of Directors

The business of the Issuer is managed by the Directors, who may, in accordance with the Issuer's articles of association, exercise all such powers as are not by the statutes or by the memorandum or articles of the Issuer required to be exercised by it in general meeting.

In accordance with the Issuer's articles of association, the board of the Issuer may exercise all the powers of the Issuer to borrow money and to hypothecate or charge its undertaking, property and uncalled capital or any part thereof, and to issue bonds, debentures, debenture stock and other securities, on such terms, in such manner and for such consideration as they may deem fit, whether outright or as security for any debt, liability or obligation of the company or of any third party.

6.2 Employees of the Issuer

As at the date of the Prospectus, the Issuer has no employees.

6.3 The Board of Directors of the Guarantor

The Board of Directors of the Guarantor consists of a minimum of one (1) and a maximum of six (6) Directors. Presently there are six (6) directors. The Board meets regularly to establish and review the policies and strategies of the Guarantor and to monitor the implementation thereof and the overall performance of the Guarantor.

6.3.1 Curriculum Vitae of Directors of the Guarantor

Ms Victoria Debono

Ms Debono's involvement with the Group began in 2011, when she was appointed by the Group as accounting and bookkeeping clerk, which position she retained until 2013. In 2013, Ms Debono began working in various departments of the db Seabank Resort & Spa, including front office, sales and marketing, and housekeeping. In 2014, Ms Debono was appointed Assistant General Manager of the db Seabank Resort & Spa. Until 2016, Ms Debono also shadowed the Rooms Division Manager for the maintenance, front office, housekeeping, spa and animation departments. In 2016, Ms Debono was appointed Room Division Manager, responsible for the management of the aforementioned departments, the continued maintenance and oversight of guest relations, and staff training.

Ms Debono also serves as director in the following Group companies: Seabank Hotel and Catering Limited, Hotel San Antonio Limited and DB San Gorg Property Limited.

Mr Vincent Degiorgio

After having completed his studies in accounting and economics, Mr Degiorgio began his career as an accounts executive, and subsequently moved into the field of hospitality. In 2004, he secured the position of Chief Financial Controller of San Antonio Hotel & Spa. In 2007, Mr Degiorgio's professional career drew nearer to hospitality management as he oversaw the management of San Antonio Hotel & Spa as General Manager. Mr Degiorgio was also responsible for the upgrade to the San Antonio Hotel & Spa's quarters in 2014, having successfully managed and monitored budgets for the refurbishment and upgrades.

Today, he also serves as a director in the following Group companies: DB San Gorg Property Limited, Hotel San Antonio Limited, and, as Director of Hotel Operations, manages the hotel portfolio of the Group.

Mr Jesmond Vella

Mr Jesmond Vella entered the catering industry in 1994, when he was appointed chef by the Group at the Seabank Hotel. In 2000, Mr Vella was appointed head chef, whereby he was responsible for ensuring a high level of consistency in food dishes in line with Group standards, and maintaining high quality plates and presentation standards, the management and training of kitchen staff and the evaluation of the staff's performance, inter alia. In 2009, Mr Vella was appointed General Manager of the Tunny Net Complex, responsible for running this part of the Group's business.

He is also the Group's Head of Purchasing and Logistics, and, in occupying this role, is mainly responsible for forecasting the levels of and managing the demand for services and products in the various sectors within which the Group retains a presence. Mr Vella also serves as director in the following Group companies: Healthmark Care Services Ltd, Malta Healthcare Caterers Ltd and DB San Gorg Property Limited.

The CVs of Mr Silvio Debono, Mr Robert Debono and Mr Arthur Gauci are set out in section 6.1.3 of this Registration Document.

6.3.2 Directors' Service Contracts

Ms Victoria Debono and Mr Vincent DeGiorgio have written service contracts with the Guarantor, specifically in respect of their respective operational roles within the Group.

The rest of the Directors do not have a service contract with the Guarantor.

6.3.3 Aggregate Emoluments of Directors

For the financial year ended 31 March 2016, no director emoluments were due by the Guarantor.

6.3.4 Loans to Directors

There are no loans outstanding by the Guarantor to any of its Directors nor any guarantees issued for their benefit by the Guarantor.

6.3.5 Removal of Directors

A Director may, unless he resigns, be removed by ordinary resolution of the shareholders as provided in article 140 of the Act.

6.3.6 Powers of Directors

By virtue of the Articles of Association of the Guarantor, the Board of Directors is empowered to exercise all the rights of the company except those rights as are expressly reserved for decision by the shareholders in general meeting.

6.4 Employees of the Guarantor

As at the date of the Prospectus, the Guarantor has no employees.

6.5 Employees of the Group

As at the date of the Prospectus, in aggregate the Group had approximately 518 full-time equivalent employees.

7. MANAGEMENT STRUCTURE

7.1 General

The Issuer is a finance and investment company which does not require an elaborate management structure. Mr Silvio Debono has been appointed Executive Chairman of the Company. The Directors believe that the current organisational structures are adequate for the current activities of the Company and the Group. The Directors will maintain these structures under continuous review to ensure that they meet the changing demands of the business and to strengthen the checks and balances necessary for better corporate governance.

7.2 Management Team

The key members of the Group's management team are the following:

Name	Designation	Abbreviation
Silvio Debono	Executive Chairman	EC
Arthur Gauci	Chief Executive Officer	CEO
	Director of Franchise Operations	DFO
Vincent Degiorgio	Director of Hotel Operations	DHO
Jesmond Vella	Head of Purchasing and Logistics	HPL
Bradley Dingli	General Manager of db San Antonio Hotel & Spa	GM
Massimo Azzopardi	General Manager of db Seabank Resort & Spa	GM
Robert Debono	Director of Healthcare Operations	DHCO
Trevor Vella	Chief Financial Officer	CFO

The EC, CEO, DHO and the HPL, who also sit on the board of directors of the Parent, constitute the senior management of the Group, and form the Group's strategic core, responsible for establishing the focal points of the Group's operations and the direction to be taken by the Group in the various industries within which it operates.

The DHO is responsible for the management of the Group's hospitality portfolio. The GM of db San Antonio Hotel & Spa and the GM of db Seabank Resort & Spa, report directly to the DHO. The Group's DFO is responsible for the management of the Group's franchised restaurant business. The DHCO is involved primarily in the management of the Group's presence in the healthcare sector. The Group's CFO oversees the Group's financial operations and is also responsible for the coordination of the Group's head office team. On the other hand, the Group's HPL is mainly responsible for forecasting the levels of, and managing the demand for, services and products in the various sectors within which the Group retains a presence.

The EC and the CEO are at the helm of the reporting structure of the Group. Reporting lines for all segments of the Group's operations are ultimately channeled through the CEO, with the DHO, the DHCO and the CFO reporting directly to the CEO.

7.3 Conflict of Interest

As at the date of this Prospectus, Silvio Debono, Arthur Gauci, Victoria Debono, Robert Debono, Jesmond Vella and Vincent Degiorgio are officers of a number of db Group Companies, and as such are susceptible to conflicts between the potentially diverging interests of the different members of the Group. Victoria Debono and Robert Debono are the direct descendants of Silvio Debono.

No private interests or duties unrelated to the Issuer or the Guarantor, as the case may be, have been disclosed by the general management team and management teams of the Subsidiaries which may or are likely to place any of them in conflict with any interests in, or duties towards, the Issuer or the Guarantor, as the case may be.

In addition, in view of the lender-borrower relationship which is to arise between the Issuer and companies forming part of the Group, there may be situations that could give rise to conflicts between the potentially diverging interests of members of the Group.

In these situations the Directors of the Issuer shall act in accordance with the majority decision of those directors who would not have a conflict in the situation and in line with the advice of outside legal counsel.

The Audit Committee of the Issuer has the task of ensuring that any such potential conflicts of interest relating to the directors of the Issuer are handled in the best interests of the Issuer. In terms of the Act, any director of each db Group Company who, in any way, whether directly or indirectly has an interest in a contract or a proposed contract or in any transaction or arrangement (whether or not constituting a contract) with the respective Group Company, is required to declare the nature of his/her interest at a meeting of such company's board of directors.

To the extent known or potentially known to the Issuer as at the date of this Prospectus, there are no other potential conflicts of interest between any duties of the Directors and of executive officers of the Issuer and/or the directors of the Guarantor, as the case may be, and their respective private interests and/or their other duties, which require disclosure in terms of the Regulation.

8. AUDIT COMMITTEE PRACTICES

8.1 Audit Committee

The Audit Committee's primary objective is to assist the Board in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The Committee oversees the conduct of the internal and external audit and acts to facilitate communication between the Board, management, the external auditors and the internal audit team. The internal and external auditors are invited to attend Audit Committee meetings. The Audit Committee reports directly to the Board of Directors.

The terms of reference of the Audit Committee include support to the Board of Directors of the Issuer in its responsibilities in dealing with issues of risk, control and governance, and associated assurance. The Board has set formal terms of establishment and the terms of reference of the Audit Committee which set out its composition, role and function, the parameters of its remit as well as the basis for the processes that it is required to comply with.

Briefly, the Committee is expected to deal with and advise the Board on:

- (a) its monitoring responsibility over the financial reporting processes, financial policies and internal control structures;
- (b) maintaining communications on such matters between the Board, management and the external auditors; and
- (c) preserving the Issuer's assets by assessing the Issuer's risk environment and determining how to deal with those risks.

In addition, the Audit Committee has the role and function of evaluating any proposed transaction to be entered into by the Issuer and a related party, including the Guarantor, to ensure that the execution of any such transaction is at arm's length, on a commercial basis and ultimately in the best interests of the Issuer. Furthermore, the Audit Committee has the role of assessing any potential conflicts of interest between the duties of the Directors of the Issuer and their respective private interests or duties unrelated to the Issuer.

The committee is made up entirely of independent non-executive Directors, who are appointed for a period of three years, unless terminated earlier by the Board. The Audit Committee is composed of Stephen Muscat, Philip Micallef and Vincent Micallef. The Chairman of the Audit Committee, appointed by the Board, is entrusted with reporting to the Board on the workings and findings of the Committee. Stephen Muscat, who occupies the post of Chairman of the Audit Committee, is the independent non-executive director of the Company considered by the Board to be competent in accounting and/or auditing in terms of the Listing Rules.

9. COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

9.1 The Issuer

Prior to the present Bond Issue, the Company was not regulated by the Listing Rules and accordingly was not required to comply with the Code of Principles of Good Corporate Governance forming part of the Listing Rules (the “Code”). As a consequence of the present Bond Issue in accordance with the terms of the Listing Rules, the Issuer is required to comply with the provisions of the Code. The Issuer declares its full support of the Code and undertakes to fully comply with the Code to the extent that this is considered complementary to the size, nature and operations of the Issuer.

The Issuer supports the Code and is confident that the application thereof shall result in positive effects accruing to the Issuer.

Going forward and in view of the reporting structure adopted by the Code, the Issuer shall, on an annual basis in its annual report, explain the level of the Issuer’s compliance with the principles of the Code, in line with the “comply or explain” philosophy of the Code, explaining the reasons for non-compliance, if any.

As at the date of this Prospectus, the Board considers the Company to be in to be in compliance with the Code save for the following exceptions:

Principle 7 “Evaluation of the Board’s Performance”: under the present circumstances, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board’s performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of, the Board itself, the Company’s shareholders, the market and the rules by which the Issuer is regulated as a listed company.

Principle 8 “Committees”:

- the Issuer does not have a Remuneration Committee as recommended in Principle 8; and
- the Issuer does not have a Nomination Committee as recommended in Principle 8.

Appointments to the Board of Directors are determined by the shareholders of the Company in accordance with the Memorandum and Articles of Association. The Issuer considers that the members of the Board provide the level of skill, knowledge and experience expected in terms of the Code.

9.2 The Guarantor

As the Guarantor is not a public company having securities listed on a regulated market, it is not bound by the provisions of the Code set out in the Listing Rules, including, *inter alia*, the requirement to set up an audit committee.

10. HISTORICAL INFORMATION

The historical financial information relating to the Guarantor for the three financial years ended 31 March 2014 to 2016 as audited by PricewaterhouseCoopers are set out in the consolidated financial statements of the Guarantor, which are available for inspection as set out in section 16 below.

As indicated in section 5.2 of this Registration Document, there is no historical financial information pertaining to the Issuer.

There have been no significant changes to the financial or trading position of the Guarantor since the end of the financial period to which the last audited consolidated financial statements relate.

11. LITIGATION

The Directors are not aware of any current litigation against or otherwise involving the Issuer, including actual, pending or threatened governmental, legal or arbitration proceedings, which the Directors consider could have significant effects on the Issuer’s financial position or profitability.

There are no governmental, legal or arbitration proceedings against the Guarantor, including any pending or threatened proceedings, of which the Guarantor is aware and considers could have significant effects on the financial position or profitability of the Guarantor. However, the attention of prospective investors is drawn to section 12 of this Registration Document (Other Disputes / Investigations), referring to reports about disputes involving the Group or its owner ongoing as at the date of the Prospectus.

12. OTHER DISPUTES/INVESTIGATIONS

Certain allegations have been reported in the Maltese press in relation to the activities of certain Group companies. These allegations relate principally to three matters, set out hereunder.

First, reports have questioned the price paid by the Group to the Government of Malta for the acquisition of property located in St George's Bay (described in section 4.5 above). Both the Group and the Government have strongly defended the transaction and categorically rebutted any allegation of irregularity in relation to the transaction. It has been further reported that the transaction has been referred for investigation by the National Audit Office.

The Group has stated its view that: the award of the tender leading to the transaction was carried out in line with prevailing tendering procedures and the final transaction was finally executed following a further 12 months of discussion on the applicable terms; the negotiated price was based entirely on a detailed valuation exercise carried out by independent experts, which price was deemed a fair value by Government and was accepted by the Group notwithstanding that it was significantly higher than the price originally tendered by the Group. The Group reiterates its view that the allegations being levelled at it in connection with the transaction relating to the St. George's Bay land described in section 4.5 above are completely unfounded at law.

Second, articles appearing in the local press have reported that a company forming part of the Group (ETL, a company registered in the British Virgin Islands, referred to in section 4.4.2.1 above) is being investigated by the Tax Compliance Unit and the Financial Intelligence Analysis Unit as part of the Panama Papers probe. To date, the Tax Compliance Unit has requested information from the Group in connection with this particular aspect of its operations, as part of what is understood to be a wider investigation covering the probity of offshore companies belonging to Maltese residents. ETL has thus far fully cooperated with the Tax Compliance Unit in the course of its investigation. As at the date of this Registration Document, the said investigation has as yet yielded no conclusive results, and remains ongoing. The Group is not aware of any investigations having been launched by the Financial Intelligence Analysis Unit in connection with ETL and its operations. The Group has denied, and continues to deny, any links to the Panamanian jurisdiction and rebuts any allegation of irregularity in this respect.

Third, press reports have stated that the Electoral Commission is planning to investigate allegations that a Group company had donated funds to the political party in opposition to cover the salaries of certain party officials in violation of party financing regulations. The Group has strongly denied, and continues to rebut, any allegation of irregularity in relation to this matter.

Whilst the Group strongly denies and rebuts any allegations of irregularity or of having acted in an improper manner, the Group acknowledges that the continued existence of these allegations will result in the Group deploying management resource to defend itself against such allegations, and could result in various legal actions (of a criminal, civil and, or administrative nature) being taken against member companies of the Group and possibly even against individuals personally. In particular, these allegations could lead to civil actions being brought before the Civil Courts of Malta and to criminal action being taken for any alleged breach of criminal laws in Malta. As indicated in section 2.2.6 above, such actions, if they were to occur, could adversely affect the financial position and financial prospects of the Group. Furthermore, exposure to litigation or to fines imposed by regulatory authorities would adversely affect the Group's reputation.

13. ADDITIONAL INFORMATION

13.1 Major Shareholders

13.1.1 Shareholding of the Issuer

The authorised and issued share capital of the Issuer is €250,000 divided into 250,000 ordinary shares of a nominal value of €1.00 each. The issued share capital of the Issuer is subscribed for, allotted and taken up as follows:

- 249,999 ordinary shares, 100% paid up, are held by the Guarantor; and
- 1 ordinary share, 100% paid up, is held by Silvio Debono.

The authorised share capital of the Issuer may be increased by an ordinary resolution of the shareholders in general meeting. Shares can be issued when and under those conditions decided by extraordinary resolution of the shareholders in general meeting.

Each ordinary share confers the right to one (1) vote at general meetings of the Issuer. All ordinary shares rank *pari passu* in all respects.

The shares of the Issuer are not listed on the Malta Stock Exchange and no application for such listing has been made to date.

It is not expected that the Issuer will issue, during the next financial year, any shares, whether fully or partly paid up, in consideration for cash or otherwise.

There is no capital of the Issuer which is currently under option, nor is there any agreement by virtue of which any part of the capital of the Issuer is to be put under option. There are no arrangements, known to the Issuer, which may at a subsequent date result in a change in control of the Issuer.

The Issuer adopts measures in line with the Code to ensure that the relationship of the Issuer and/or Guarantor with the rest of the Group and/or with the shareholder of the Guarantor, are retained at arm's length, including, in respect of both the Issuer and the Guarantor, adherence to rules on Related Party Transactions set out in Chapter 5 of the Listing Rules requiring the vetting and approval of any related party transaction by the Audit Committee, in which the majority is constituted by independent non-executive Directors of the Issuer. With particular reference to the relationship between the Issuer and the shareholder of the Guarantor (the shareholder of the Guarantor is a director of the Issuer), the articles of association of the Issuer require any director of the Issuer who in any way, whether directly or indirectly, has an interest in a contract, arrangement, transaction or proposal with the Issuer, to declare the nature of his interest at a meeting of the Board of Directors of the Issuer. Furthermore, said Director shall not be permitted to vote at that meeting in respect of any contract, arrangement, transaction or any other proposal in which he has, either directly or indirectly, a personal material interest.

13.1.2 Shareholding of the Guarantor

The authorised share capital of the Guarantor is €5,000,000 divided into 5,000,000 ordinary shares of a nominal value of €1.00 each. The issued share capital of the Guarantor is €4,000,000 divided into 4,000,000 ordinary shares of a nominal value of €1.00. All the issued share capital of the Guarantor is subscribed for, allotted and taken up as fully paid up shares by Silvio Debono.

The authorised share capital of the Guarantor may be increased by an ordinary resolution of the shareholders in general meeting. Shares can be issued when and under those conditions decided by extraordinary resolution of the shareholders in general meeting.

Each ordinary share confers the right to one (1) vote at general meetings of the Issuer. All ordinary shares rank *pari passu* in all respects.

There is no capital of the Issuer which is currently under option, nor is there any agreement by virtue of which any part of the capital of the Guarantor is to be put under option. There are no arrangements, known to the Guarantor, which may at a subsequent date result in a change in control of the Guarantor.

13.2 Memorandum and Articles of Association of the Issuer

13.2.1 Objects

The Memorandum and Articles of Association are registered with the Registry of Companies. The main objects of the Issuer's activities are set out in Article 3 of its memorandum of association as described in section 4.2.2 of this Registration Document.

A copy of the Memorandum and Articles of Association may be inspected during the lifetime of this Registration Document at the registered office of the Issuer and at the Registry of Companies.

13.2.2 Appointment of Directors

At present, in terms of the Memorandum and Articles of Association, the Board shall consist of not less than two (2) and not more than seven (7) directors. Directors shall be appointed by means of an ordinary resolution of the shareholders of the Company in general meeting, which ordinary resolution shall be determined and decided by means of a poll. The procedures for the election of Directors may be established by the Company in General Meeting from time to time.

13.2.3 Powers of Directors

The business of the Company shall be managed by the Directors who may exercise all such powers of the Company as are not by the statutes or by the Memorandum and Articles of Association required to be exercised by the Company in general meeting.

The board of Directors may exercise all the powers of the Company to borrow money and to hypothecate or charge its undertaking, property and uncalled capital or any part thereof, and to issue bonds, debentures, debenture stock and other securities, on such terms, in such manner and for such consideration as they may deem fit, whether outright or as security for any debt, liability or obligation of the Company or of any third party.

13.3 Memorandum and Articles of Association of the Guarantor

13.3.1 Objects

The memorandum and articles of association of the Guarantor are registered with the Register of Companies. The main objects of the Guarantor's activities are set out in Clause 4 of the memorandum of association of the Guarantor and include, but are not limited to: acting as a holding company; providing advisory, consultancy, back-office, human resources, marketing, logistics, and other services related to the management, administration and operations of other companies; and the establishment of hotels, tourist centres and restaurants, and operate, manage and maintain the same.

A copy of the memorandum and articles of association of the Guarantor may be inspected during the lifetime of this Registration Document at the registered office of the Issuer and at the Registry of Companies.

13.3.2 Appointment of Directors

At present, in terms of the memorandum and articles of association of the Guarantor, the Board shall consist of not less than one (1) and not more than six (6) directors. Directors shall be appointed by means of an ordinary resolution of the shareholders of the Company in general meeting.

13.3.3 Powers of Directors

The Directors are vested with the management of the Guarantor, and their powers of management and administration emanate directly from the memorandum and articles of association and the law. The Directors are empowered to act on behalf of the Guarantor and in this respect have the authority to enter into contracts, sue and be sued in representation of the Guarantor.

In terms of the memorandum and articles of association they may do all such things that are not by the memorandum and articles of association reserved for the shareholders in general meeting.

There are no provisions in the Guarantor's memorandum and articles of association regulating the retirement or non-retirement of Directors over an age limit.

14. MATERIAL CONTRACTS

None of the Issuer, the Guarantor or any other Group company have entered into any material contracts which are not in the ordinary course of their business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's or Guarantor's ability to meet their obligations to security holders in respect of the securities being issued pursuant to, and described in, the Securities Note forming part of the Prospectus.

15. INTEREST OF EXPERTS AND ADVISORS, AND THIRD PARTY INFORMATION

Save for the financial analysis summary set out as Annex IV to the Securities Note, the Prospectus does not contain any statement or report attributed to any person as an expert.

The financial analysis summary has been included in the form and context in which it appears with the authorisation of Charts Investment Management Services Limited (C 7944), which has given and has not withdrawn its consent to the inclusion of such report therein. Charts Investment Management Services Limited does not have any material interest in the Issuer. The Issuer confirms that the financial analysis summary has been accurately reproduced in the Prospectus and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

The sourced information contained in section 5.1 has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading.

16. DOCUMENTS AVAILABLE FOR INSPECTION

For the duration period of this Registration Document the following documents (or copies thereof) shall be available for inspection at the registered address of the Issuer:

- (a) Memorandum and Articles of Association of the Issuer;
- (b) Memorandum and Articles of Association of the Guarantor;
- (c) The Guarantee;
- (d) Audited Consolidated Financial Statements of the Guarantor for the financial years ended 31 March 2014 to 2016;
- (e) Unaudited Interim Consolidated Financial Statements of the Guarantor for the six-month period 1 April 2016 to 30 September 2016;
- (f) Audited Financial Statements of each Subsidiary (other than Hotel San Antonio Limited) for the financial years ended 31 March 2014 to 2016;
- (g) Audited Financial Statements of Hotel San Antonio Limited for the financial periods ended 31 December 2013, 31 March 2015 and 31 March 2016;
- (h) The letter of confirmation drawn up by KPMG dated 27 March 2017;
- (i) Financial Analysis Summary prepared by Charts Investment Management Service Limited dated 27 March 2017; and
- (j) The Emphyteutical Deed referred to in section 4.5 of this Registration Document.

Documents (a), (b), (d) and (i) are also available for inspection in electronic form on the Issuer's website <http://www.dbgroupmalta.com/>

SECURITIES NOTE

dated 27 March 2017

This document is a Securities Note issued in accordance with the provisions of Chapter 4 of the Listing Rules published by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013, Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015. This Securities Note is issued pursuant to the requirements of Listing Rule 4.14 of the Listing Rules and contains information about the Bonds being issued by SD Finance p.l.c. Application has been made for the admission to listing and trading of the Bonds on the Official List of the Malta Stock Exchange. This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about the Issuer.

In respect of an Issue of up to €65,000,000 4.35% Unsecured Bonds 2027 of a nominal value of €100 per Bond issued at par

by



A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA
WITH COMPANY REGISTRATION NUMBER C 79193

with the joint and several Guarantee*

of

SD HOLDINGS LIMITED

A PRIVATE LIMITED LIABILITY COMPANY REGISTERED UNDER THE LAWS OF MALTA
WITH COMPANY REGISTRATION NUMBER C 40318

*Prospective investors are to refer to the Guarantee contained in Annex III of the Securities Note for a description of the scope, nature and term of the Guarantee. Reference should also be made to the sections entitled "Risk Factors" contained in the Registration Document and this Securities Note for a discussion of certain risk factors which should be considered by prospective investors in connection with the Bonds and the Guarantee provided by SD Holdings Limited.

ISIN: MT0001431205

Sponsor



Manager & Registrar



Legal Counsel



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

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

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

APPROVED BY THE DIRECTORS

Handwritten signature of Silvio Debono in blue ink.

Silvio Debono

Handwritten signature of Arthur Gauci in blue ink.

Arthur Gauci

Handwritten signature of Stephen Muscat in blue ink.

Stephen Muscat

Handwritten signature of Vincent Micallef in blue ink.

Vincent Micallef

Handwritten signature of Philip Micallef in blue ink.

Philip Micallef

Handwritten signature of Robert Debono in blue ink.

Robert Debono

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IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY SD FINANCE P.L.C. (THE “ISSUER”) OF A MAXIMUM OF €65,000,000 UNSECURED BONDS 2027 OF A NOMINAL VALUE OF €100, ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 4.35% PER ANNUM, PAYABLE ANNUALLY ON 25 APRIL OF EACH YEAR. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON 25 APRIL 2027. THE ISSUER SHALL REDEEM THE BONDS ON SUCH DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION.

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

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

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

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

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

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

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

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

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

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

ALL THE ADVISORS TO THE ISSUER AND THE GUARANTOR NAMED IN THE PROSPECTUS UNDER THE SUB-HEADING “**ADVISORS TO THE ISSUER AND THE GUARANTOR**” UNDER SECTION 3 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER AND THE GUARANTOR IN RELATION TO THIS ISSUE AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

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

1 DEFINITIONS

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

Act	the Companies Act (Cap. 386 of the Laws of Malta);
Applicant/s	an Authorised Financial Intermediary or a Preference Shareholder executing a placement agreement as described in section 7.4 of this Securities Note; a Group Employee lodging an Application Form; and / or any person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
Application/s	the application to subscribe for Bonds made by an Applicant/s by completing an Application Form and delivering same to any of the Authorised Financial Intermediaries;
Application Form/s	the forms of application of subscription for Bonds, specimens of which are contained in Annex II of this Securities Note, that is: Application Form 'A' to be submitted by Authorised Financial Intermediaries either in their own names or in the names of underlying clients and/or Group company Seabank Hotel and Catering Limited (C 40319) (either in its own name or in the name of the Preference Shareholders); and Application Form 'B' to be submitted by Group Employees;
Authorised Financial Intermediaries	the licensed stockbrokers and financial intermediaries listed in Annex I of this Securities Note;
Bond(s)	a maximum of €65,000,000 unsecured bonds of a face value of €100 per bond bearing interest at the rate of 4.35% per annum and redeemable on the Redemption Date at their nominal value;
Bondholder	a holder of Bonds;
Bond Issue	the issue of the Bonds;
Bond Issue Price	the price of €100 per Bond;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
CSD	the Central Securities Depository of the Malta Stock Exchange, having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063, Malta;
db Group (or Group)	the Parent and its direct or indirect Subsidiaries;
Euro (or €)	the lawful currency of the Republic of Malta;
Exchange, Malta Stock Exchange (or MSE)	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, and bearing company registration number C 42525;
Group Employees	any persons employed by the Parent or any of the Subsidiaries as at 27 March 2017;
Guarantee	the joint and several suretyship of the Guarantor undertaking to guarantee the due and punctual performance of all the obligations undertaken by the Issuer under the Bonds, and, without prejudice to the generality of the foregoing, to pay all amounts of principal and interest which have become due and payable to any Bondholder within 60 days from the date such amount falls due and remains unpaid by the Issuer. A copy of the Guarantee and a description of the nature, scope and terms of the Guarantee are appended to this Securities Note as Annex III hereof;
Guarantor or Parent	SD Holdings Limited, a private limited liability company registered in Malta with company number C 40318, having its registered office at Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, Malta;
Interest Payment Date	25 April of each year between and including each of the years 2018 and the year 2027, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Issue Date	expected on 4 May 2017;
Issuer (or Company)	SD Finance p.l.c., a company registered under the laws of Malta with company registration number C 79193 and having its registered office at Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, Malta;
Listing Authority	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta) by virtue of Legal Notice 1 of 2003;

Listing Rules	the listing rules of the Listing Authority;
Manager and Registrar	Bank of Valletta p.l.c.;
Official List	the list prepared and published by the MSE as its official list in accordance with the MSE Bye-Laws;
Preference Shareholders	the holders of redeemable preference shares in Group company Seabank Hotel and Catering Limited (C 40319) as at the date of the Prospectus, save for the Parent;
Prospectus	collectively the Registration Document, Summary Note and this Securities Note (each as defined in this Securities Note);
Redemption Date	25 April 2027;
Redemption Value	the nominal value of each Bond (€100 per Bond);
Registration Document	the registration document issued by the Issuer dated 27 March 2017, forming part of the Prospectus;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by: Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 amending Regulation (EC) No. 809/2004 as regards regulatory technical standards for publication of supplements to the prospectus; and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015 amending Regulation (EC) No. 809/2004 as regards regulatory technical standards for publication of the prospectus and dissemination of advertisements;
Securities Note	this document in its entirety;
Sponsor	Charts Investment Management Service Limited, an authorised financial intermediary licensed by the MFSA and a member of the MSE;
Subsidiary	means an entity over which the Parent has control. In terms of the International Report Standards adopted by the European Union, a group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The term ‘ Subsidiaries ’ shall collectively refer to the said entities;
Summary Note	the summary note issued by the Issuer dated 27 March 2017, forming part of the Prospectus;
Terms and Conditions	the terms and conditions of the Bond Issue, including the terms contained in this Securities Note.

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

Unless it appears otherwise from the context:

- a) words importing the singular shall include the plural and vice-versa;
- b) words importing the masculine gender shall include the feminine gender and vice-versa;
- c) the word “may” shall be construed as permissive and the word “shall” shall be construed as imperative.

2 RISK FACTORS

2.1 GENERAL

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY ON THE REDEMPTION DATE UNLESS THE BONDS ARE PREVIOUSLY RE-PURCHASED AND CANCELLED.

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

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

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

2.2 FORWARD LOOKING STATEMENTS

This Securities Note contains “forward looking statements” which include, among others, statements concerning matters that are not historical facts and which may involve projections of future circumstances. These forward looking statements are subject to a number of risks, uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer’s Directors. No assurance is given that the future results or expectations will be achieved.

2.3 SUITABILITY OF INVESTMENT

An investment in the Bonds may not be suitable for all recipients of the Prospectus, and Authorised Financial Intermediaries are to determine the suitability or otherwise of prospective investors’ investment in the Bonds before making an investment decision. In particular, Authorised Financial Intermediaries should determine whether each prospective investor:

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

2.4 RISKS RELATING TO THE BONDS

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

- Prior to the Bond Issue, there has been no public market nor trading record for the Bonds within or outside Malta. Due to the absence of any prior market for the Bonds, there can be no assurance that the Bond Issue price will correspond to the price at which the Bonds will trade in the market subsequent to the Bond Issue.
- The existence of an orderly and liquid market for the Bonds depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Issuer’s Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell or otherwise trade in the Bonds at or above the Bond Issue Price or at all.

- An investment in the Issuer may not be suitable for all recipients of this Prospectus and investors are urged to consult a licensed stockbroker or investment advisor licensed under the Investment Services Act (Cap. 370 of the laws of Malta) as to the suitability or otherwise of an investment in any of the Bonds before making an investment decision. An informed investment decision can only be made by investors after they have read and fully understood the risk factors associated with an investment in the Bonds and the inherent risks associated with the Issuer's business. In the event that an investor in the Bonds does not seek professional advice and/or does not read and fully understand the provisions of this Prospectus, there is a risk that such investor may acquire an investment which is not suitable for his or her profile.
- The Issuer is entitled to issue Bonds bearing a fixed rate of interest. Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. Investors should also be aware that the price of fixed rate Bonds moves adversely to changes in interest rates. When prevailing market interest rates are rising, the price of fixed rate Bonds decline. Conversely, if market interest rates are declining, the price of fixed rate Bonds rises. This is referred to as market risk since it arises only if a Bondholder decides to sell the Bonds before maturity on the secondary market.
- A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference, if different.
- No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, would have on the market price of the Bonds prevailing from time to time.
- The Issuer may incur further borrowing or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future undertakings, assets, or revenues (including uncalled capital).
- The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed by the Guarantor, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured obligations of each of the Issuer and the Guarantor. The Bonds will, however, rank subordinate to the present and future secured creditors of the Issuer and the Guarantor. Furthermore, subject to the negative pledge clause (section 5.7 of this Securities Note), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer and of the Guarantor, as the case may be, for so long as such security interests remain in effect. In essence, this means that for so long as the Issuer may have secured, privileged or other higher-ranking creditors, in the event of insolvency of the Issuer the Bondholders would rank after such creditors but equally between themselves and with other unsecured creditors (if any) of the Issuer.
- Repayment of interest and capital on the Bonds is being guaranteed by the Guarantor, and therefore Bondholders are entitled to request the Guarantor to pay the full amounts due under the Bonds if the Issuer fails to meet any amount, when due. The strength of this undertaking on the part of the Guarantor and, therefore, the level of recoverability by the Bondholders from the Guarantor of any amounts due under any of the Bonds, is dependent upon and directly linked to, the financial position and solvency of the Guarantor, and in the case of insolvency of the Guarantor, such level of recoverability is further dependent upon the existence or otherwise of any prior ranking claims over the assets of the Guarantor.
- In the event that the Issuer wishes to amend any of the Terms and Conditions of Issue of the Bonds it shall call a meeting of Bondholders in accordance with the provisions of section 5.13 of this Securities Note. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. Furthermore, the Guarantor has the power to veto any changes to the Terms and Conditions of the Bonds which are issued with the benefit of its Guarantee. Were the Guarantor to exercise such right of veto, any proposed amendments to the Terms and Conditions of the Bonds would not be put into effect.
- The Terms and Conditions of this Bond Issue are based on the requirements of the Listing Rules of the Listing Authority, the Companies Act and the Commission Regulation EC No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council in effect as at the date of the Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in law or administrative practice after the date of the Prospectus.
- Even after the Bonds are admitted to trading on the MSE, the Issuer is required to remain in compliance with certain requirements relating to *inter alia* the free transferability, clearance, and settlement of the Bonds in order to remain a listed company in good standing. Moreover, the Listing Authority has the power to suspend trading or listing of the Bonds if, *inter alia*, it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The Listing Authority may discontinue the listing of the Bonds on the MSE. Any such trading suspensions or listing revocations/discontinuations described above could have a material adverse effect on the liquidity and value of the Bonds.
- The Issuer has not sought, nor does it intend to seek, the credit rating of an independent rating agency and there has been no assessment of the Bonds by any independent rating agency.

3 PERSONS RESPONSIBLE

This document includes information given in compliance with the Listing Rules for the purpose of providing prospective investors with information with regard to the Issuer. All of the directors of the Issuer, whose names appear under the sub-heading “Directors” under the sub-heading ‘Identity of Directors, Senior Management, Advisors and Auditors of the Issuer and the Guarantor’ in section 3 of the Registration Document, accept responsibility for the information contained in this Securities Note. To the best of the knowledge and belief of the directors of the Issuer, who have taken all reasonable care to ensure that such is the case, the information contained in this Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The directors of the Issuer accept responsibility accordingly.

3.1 CONSENT FOR USE OF PROSPECTUS

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

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

- (i) in respect of Bonds subscribed for through Authorised Financial Intermediaries listed in Annex I of this Securities Note: pursuant to the placement agreements as detailed in Section 7.4 of this Securities Note; and during the Group Employees Offer Period, as applicable;
- (ii) to any resale or placement of Bonds subscribed for as aforesaid, taking place in Malta;
- (iii) to any resale or placement of Bonds subscribed for as aforesaid, taking place within the period of 60 days from the date of the Prospectus.

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

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

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

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

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

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

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

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

4 ESSENTIAL INFORMATION

4.1 REASONS FOR THE ISSUE AND USE OF PROCEEDS

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €64,000,000, will be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

- (i) a maximum amount of *circa* €53,500,000 of the net Bond Issue proceeds will be applied to the reduction of the bank indebtedness of the Group. Such amount will be advanced by the Issuer to: (a) two Group Subsidiaries, Seabank Hotel and Catering Limited and Hotel San Antonio Limited, for the refinancing of the outstanding HSBC Malta loans primarily applied for the purpose of financing capital expenditure related to db Seabank Resort & Spa and db San Antonio Hotel & Spa; and (b) to the Guarantor, for the purpose of repaying outstanding Banif Bank loans. Details of the said loan facilities are provided in section 5.2 (Ranking of the Bonds) below under the heading 'Consolidated Borrowings';
- (ii) a maximum amount of *circa* €9,550,000 in value of Bonds will be advanced to the Group Subsidiary Seabank Hotel and Catering Limited, which, in terms of a placement agreement as described in section 7.4 of this Securities Note, has agreed to subscribe for such amount in value of Bonds required in order to finance the redemption by Seabank Hotel and Catering Limited of a total of 4,101,020 redeemable preference shares of a nominal value of €2.329373 per share held by the Preference Shareholders. The said preference shares shall be redeemed in exchange for 95,500 Bonds to be advanced by the Issuer to the Preference Shareholders (on the instructions of Seabank Hotel and Catering Limited); and
- (iii) the remaining balance of the net Bond Issue proceeds, amounting to almost €1,000,000, will be advanced to the Parent for the general corporate funding purposes of the Group.

4.2 EXPENSES

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €1,000,000. There is no particular order of priority with respect to such expenses.

4.3 ISSUE STATISTICS

Amount:	€65,000,000;
Form:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at CSD;
Denomination:	Euro (€);
ISIN:	MT0001431205;
Minimum amount per subscription:	Minimum of €2,000 and multiples of €100 thereafter;
Redemption Date:	25 April 2027;
Plan of Distribution:	The Bonds are open for subscription by: <ul style="list-style-type: none">• Authorised Financial Intermediaries, either for their own account or for the account of underlying customers; and• as better described in section 7.3 below, the Preference Shareholders and Group Employees;
Preferred Allocations:	Group Employees will be granted preference in their applications for Bonds, up to an aggregate amount of €1,000,000;
Bond Issue Price:	At par (€100 per Bond);
Status of the Bonds:	The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed by the Guarantor, and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves and with other unsecured debt of each of the Issuer and the Guarantor, if any;
Listing:	Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the MSE for the Bonds to be listed and traded on its Official List;
Application Forms available for Group Employees:	30 March 2017;
Placement Agreements:	The Issuer has entered into conditional placement agreements whereby a maximum amount of €54,450,000 in value of Bonds (together with any amount not taken up by Group Employees) has been made available for subscription by Authorised Financial Intermediaries, and a maximum amount of €9,550,000 in value of Bonds has been made available for subscription by Seabank Hotel and Catering Limited (either in its own name or in the name of the Preference Shareholders), details of which placement agreements can be found in section 7.4 of this Securities Note;

Group Employees Offer Period:	30 March 2017 to 12 April 2017, both days included;
Interest:	4.35% per annum;
Interest Payment Date(s):	Annually on 25 April as from 25 April 2018 (the first interest payment date);
Governing Law of Bonds:	The Bonds are governed by and shall be construed in accordance with Maltese law;
Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

4.4 INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for the possible subscription for Bonds by Authorised Financial Intermediaries (which include Bank of Valletta p.l.c., Charts Investment Management Service Limited and the latter's sister company Mediterranean Bank plc), and any fees payable in connection with the Bond Issue to Charts Investment Management Service Limited as Sponsor and to Bank of Valletta p.l.c. as Manager and Registrar, so far as the Issuer is aware no person involved in the Issue has an interest material to the Issue.

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

5.1 GENERAL

5.1.1 Each Bond forms part of a duly authorised issue of 4.35% Unsecured Bonds 2027 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €65,000,000 (except as otherwise provided under clause 5.12 "Further Issues"). The expected Issue Date of the Bonds is 4 May 2017.

5.1.2 The currency of the Bonds is Euro (€).

5.1.3 Subject to admission to listing of the Bonds to the Official List of the MSE, the Bonds are expected to be assigned ISIN MT0001431205;

5.1.4 All outstanding Bonds not previously purchased and cancelled shall be redeemed by the Issuer at par on the Redemption Date.

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

5.1.6 The Group Employee Offer Period of the Bonds is between 30 March 2017 and 12 April 2017, both days included.

5.1.7 The Bond Issue is not underwritten.

5.2 RANKING OF THE BONDS

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed by the Guarantor, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt of each of the Issuer and the Guarantor, if any. Furthermore, subject to the negative pledge clause (section 5.7 of this Securities Note), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect. As at the date of this Securities Note, the Issuer does not have any subordinated indebtedness.

The following table sets out a summary of Group indebtedness as at 14 February 2017, and includes details of security given in respect of guarantees, overdraft facilities, bank loans and other borrowings from related companies. The bank borrowings and facilities listed below are secured by privileges and hypothecs, and therefore, to the extent that such borrowings and/or facilities remain outstanding, the indebtedness being created by the Bonds would, specifically in respect of the assets constituting the said security, rank after all these borrowings and/or facilities. In addition, the Bonds would also rank after any future debts which may be secured by a cause of preference such as a privilege and/or a hypothec, in so far as the asset constituting the relevant security is concerned.

The loan facilities issued by HSBC Malta forming part of the Group indebtedness set out in the table below shall be repaid out of part of the net proceeds of the Bond Issue, up to an aggregate amount of €52 million. Save where indicated otherwise, all security granted in favour of HSBC Malta as specified in the table below shall be released.

SD Holdings Limited
Consolidated Borrowings
as at 14 February 2017

Parties and description of facility	Amount Outstanding €'000	Security
Banif Bank Malta - loan and overdraft	1,566	Group company guarantees.
(i) HSBC Malta - loans and overdraft	31,525	(i) First general hypothec for €4,565,000 on overdraft basis and for €40,940,000 on loan basis over all assets present and future given by Seabank Hotel and Catering Limited;
(ii) HSBC Malta - loan facility for financing the purchase of property located in St George's Bay, St Julians	7,491	(ii) First special hypothec for €4,565,000 on overdraft basis and for €40,940,000 on loan basis over the freehold property of Seabank Hotel and Catering Limited; (iii) Group company guarantees and pledge on Silvio Debono's life policy.
HSBC Malta - loans and overdraft	21,236	(i) First general hypothec for €815,281 on overdraft basis and for €39,908,617 on loan basis over all assets present and future given by Hotel San Antonio Limited; (ii) First special hypothec for €815,281 on overdraft basis and for €45,268,000 on loan basis over the freehold property of Hotel San Antonio Limited; (iii) Special privilege for €7,813,995 on loan basis over property of Hotel San Antonio Limited; (iv) Guarantee by Seabank Hotel and Catering Limited, pledge over business policy and various letters of undertaking given by directors, Seabank Hotel and Catering Limited and shareholders.
Amounts owed to ultimate shareholder	234	unsecured
Total borrowings	62,052	

Note: Other than the HSBC Malta loan amounting to *circa* €7.5 million (which was utilised for the acquisition of the property in St George's Bay, St Julians), all outstanding bank facilities shall be repaid from net proceeds of the Bond Issue. It is expected that upon listing of the Bonds the outstanding balance of the aforesaid facilities will amount to *circa* €53.5 million (vide section 4.1 of the Securities Note).

5.3 RIGHTS ATTACHED TO THE BONDS

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

- (i) the repayment of capital;
- (ii) the payment of interest;
- (iii) seek recourse from the Guarantor pursuant to the Guarantee, in case of failure by the Issuer to pay any sum payable by it to Bondholders pursuant to the Terms and Conditions of the Bonds detailed in this Securities Note;
- (iv) ranking with respect to other indebtedness of the Issuer in accordance with the provisions of section 5.2 above;
- (v) attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and
- (vi) enjoy all such other rights attached to the Bonds emanating from this Prospectus.

5.4 INTEREST

5.4.1 The Bonds shall bear interest from and including 25 April 2017 at the rate of 4.35% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 25 April 2018 (covering the period 25 April 2017 and 24 April 2018). Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. In terms of article 2156 of the Civil Code (Cap. 16 of the Laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Bonds is barred by the lapse of five (5) years.

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

5.5 YIELD

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is 4.35%.

5.6 REGISTRATION, FORM, DENOMINATION AND TITLE

5.6.1 Certificates will not be delivered to Bondholders in respect of the Bonds in virtue of the fact that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of bondholders held at the CSD for the purpose of inspecting information held on their respective account.

5.6.2 The CSD will issue, upon a request by a Bondholder, a statement of holdings to such Bondholder evidencing his/her/its entitlement to Bonds held in the register kept by the CSD.

5.6.3 The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of €100 provided that on subscription, the Bonds will be issued for a minimum of €2,000 per individual Bondholder. Authorised Financial Intermediaries subscribing for Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 to each underlying client.

5.6.4 Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under the heading 'Transferability of the Bonds' in section 5.11 of this Securities Note.

5.6.5 Upon submission of an Application Form, Applicants who opt to subscribe for the online e-portfolio by ticking the appropriate box on the Application Form will be registered by the CSD for the online e-portfolio facility and will receive by mail at their registered address a handle code to activate the new e-portfolio login. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio is found on <https://eportfolio.borzamalta.com.mt/Help>.

5.7 NEGATIVE PLEDGE

The Issuer and the Guarantor undertake, 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 and/or the Guarantor. The instrument creating any such Permitted Security Interest shall provide that the Issuer's and Guarantor's indebtedness under the Bonds, shares in and is secured equally and rateably with such Permitted Security Interest.

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

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

"Permitted Security Interest" means:

- (A) any Security Interest arising by operation of law;
- (B) any Security Interest securing temporary bank loans or overdrafts or guarantees (including those issued to the Group's franchisors and suppliers) in the ordinary course of business;
- (C) any Security Interest securing any indebtedness of the Issuer created for the sole purpose of financing or raising finance for the redemption of all the Bonds;
- (D) any other Security Interest (in addition to (A), (B) and (C) above) securing Financial Indebtedness of the Issuer or Guarantor (as the case may be), in an aggregate outstanding amount not exceeding 90% of the difference between the value of the Unencumbered Assets of the Issuer and Guarantor and the aggregate principal amount of Bonds outstanding at the time;

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

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

5.8 PAYMENTS

5.8.1 Payment of the principal amount of a Bond will be made in Euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder may designate from time to time. Such payment shall be effected within seven (7) days of the Redemption Date. The Issuer shall not be responsible for any loss or delay in transmission or any charges in connection therewith. Upon payment of the Redemption Value, the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD.

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

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

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

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

5.9 REDEMPTION AND PURCHASE

5.9.1 Unless previously purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 25 April 2027.

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

5.9.3 All Bonds so purchased will be cancelled forthwith and may not be re-issued or re-sold.

5.10 EVENTS OF DEFAULT

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

5.10.1 the Issuer shall fail to pay any interest on any Bond when due and such failure shall continue for thirty (30) days after written notice thereof shall have been given to the Issuer by any Bondholder; or

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

5.10.3 an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer and/or Guarantor; or

5.10.4 the Issuer stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or ceases or threatens to cease to carry on its business or a substantial part of its business; or

5.10.5 the Issuer is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent; or

5.10.6 there shall have been entered against the Issuer and/or the Guarantor a final judgment by a court of competent jurisdiction from which no appeal may be or is made for the payment of money in excess of five million Euro (€5,000,000) or its equivalent and ninety (90) days shall have passed since the date of entry of such judgment without its having been satisfied or stayed; or

5.10.7 any default occurs and continues for ninety (90) days under any contract or document relating to any Financial Indebtedness (as defined in section 5.7 of this Securities Note) of the Issuer and/or the Guarantor in excess of five million Euro (€5,000,000) or its equivalent at any time.

5.11 TRANSFERABILITY OF THE BONDS

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

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

5.12 FURTHER ISSUES

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

5.13 MEETINGS OF BONDHOLDERS

- 5.13.1 The Issuer may from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting and to effect any change to the Terms and Conditions of the Bonds.
- 5.13.2 A meeting of Bondholders shall be called by the Directors by giving all Bondholders listed on the register of Bondholders as at a date being not more than thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (14) days notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section 5.13 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.
- 5.13.3 The amendment or waiver of any of the Terms and Conditions of the Bond Issue contained in this Securities Note may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.
- 5.13.4 A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose at least two (2) Bondholders present, in person or by proxy, representing not less than 51% in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting the number of Bondholders present, in person or by proxy, shall constitute a quorum and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.
- 5.13.5 Any person who in accordance with the Memorandum and Articles of Association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.
- 5.13.6 Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting, the directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote, shall not be taken into account for the purpose of such vote.

5.13.7 The voting process shall be managed by the Company Secretary under the supervision and scrutiny of the auditors of the Issuer.

5.13.8 The proposal placed before a meeting of Bondholders shall only be considered approved if at least 65% in nominal value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.

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

5.14 AUTHORISATIONS AND APPROVALS

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a board of directors' resolution passed on 20 January 2017.

The Guarantee being given by the Guarantor in respect of the Bonds was authorised by a resolution of the board of directors of the Guarantor dated 20 January 2017.

5.15 NOTICES

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

6 TAXATION

6.1 GENERAL

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

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

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

6.2 MALTA TAX ON INTEREST

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

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder need not declare the interest so received in his Maltese income tax return. No person should be charged to further tax in Malta in respect of such income. Furthermore, such tax should not be available as a credit against the recipient's tax liability or for a refund, as the case may be, for the relevant year of assessment in Malta.

In the case that a valid election is made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his Maltese income tax return and be subject to tax on such interest at the standard rates applicable to that person at that time. Additionally in the case that an election has been made by the Bondholder to receive the interest gross of Maltese income tax, the Issuer will advise the Inland Revenue on an annual basis of the identity of all such recipients unless the beneficiary does not fall within the definition of a "recipient" as described above. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

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

6.3 COOPERATION WITH OTHER JURISDICTION ON TAX MATTERS

The Council of the European Union has adopted Directive 2014/107/EU amending Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime that implements the OECD measures known as the “Common Reporting Standard”. Malta has transposed Directive 2014/107/EU into national law by means of Legal Notice 384 of 2015 amending the Cooperation with Other Jurisdictions on Tax Matters Regulations. In terms of this legal notice, the automatic exchange of information obligations extend to jurisdictions that are not EU Member States with which there is a relevant information exchange agreement in place.

Consequently, financial institutions of an EU Member State and of participating jurisdictions, including Maltese financial institutions, are required to report to their respective tax authorities certain financial account information in respect of account holders (and in some cases, beneficial holders), that are residents of another EU Member State or of a participating jurisdiction in order to be exchanged automatically with the tax authorities of the other EU Member States or participating jurisdictions. Financial account information in respect of holders of the Bonds could fall within the scope of the Common Reporting Standard and they may therefore be subject to reporting obligations.

6.4 FOREIGN ACCOUNT TAX COMPLIANCE ACT (“FATCA”)

FATCA is contained within the U.S. Hiring Incentives to Restore Employment (HIRE) Act of 2010. FATCA requires foreign financial institutions to provide the Internal Revenue Service with information on Specified US persons holding accounts outside of the US, including certain non-US entities with US Controlling Persons. Non-compliance results in a punitive 30% withholding tax on distributions captured by FATCA. FATCA was transposed into Maltese law by means of Legal Notice 78 of 2014 as amended by Legal Notice 30 of 2015. Consequently all Maltese financial institutions are obliged to identify and report to the Maltese tax authorities financial accounts held by Specified US persons and certain non-US entities with US Controlling Persons. Financial account information in respect of holders of the Bonds could fall within the scope of FATCA and they may therefore be subject to reporting obligations.

6.5 MALTESE TAXATION ON CAPITAL GAINS ON TRANSFER OF THE BONDS

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

6.6 DUTY ON DOCUMENTS AND TRANSFERS

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

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

7 TERMS AND CONDITIONS OF THE BOND ISSUE

7.1 EXPECTED TIMETABLE OF THE BOND ISSUE

1. Group Employees Offer Period	30 March 2017 to 12 April 2017, both days included
2. Placement date	18 April 2017
3. Commencement of interest on the Bonds	25 April 2017
4. Announcement of basis of acceptance	25 April 2017
5. Refunds of unallocated monies (if any)	03 May 2017
6. Expected date of notification of registration	03 May 2017
7. Expected date of admission of the Bonds to listing	04 May 2017
8. Expected date of commencement of trading in the Bonds	05 May 2017

7.2 GENERAL TERMS AND CONDITIONS

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

- 7.2.2 If the Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have bound his principal, or the relative corporation, corporate entity, or association of persons and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such intermediary may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Registrar.
- 7.2.3 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. In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed, *vis-à-vis* the Issuer, to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner.
- 7.2.4 The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 7.2.5 No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 7.2.6 It is the responsibility of any person outside Malta wishing to make any Application, to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 7.2.7 The Bonds will be issued in Euro (€). The aggregate principal amount of the Bond Issue is of €65,000,000.
- 7.2.8 Pursuant to the placement agreements described in more detail under sections 7.3 and 7.4 below, Authorised Financial Intermediaries (either in their own names or in the names of underlying clients) and Seabank Hotel and Catering Limited (either in its own name or in the name of the Preference Shareholders) are to submit Application Forms 'A' representing the amount they have been bound to subscribe to by not later than 14:00 hours on 18 April 2017.
- 7.2.9 Group Employees may obtain Application Forms 'B' from the Issuer's offices. Such applications may be lodged with any Authorised Financial Intermediary by not later than 16:00 hours on 12 April 2017.
- 7.2.10 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.
- 7.2.11 Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of 18 years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of 18 years. In the case of joint Applications, the joint holders shall nominate one of their number as their representative and his/her name will be entered in the register with such designation. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional Applicants" in the Application Form or joint holders in the register as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.
- 7.2.12 Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down any Application, including multiple or suspected multiple Applications and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.
- 7.2.13 If any Application by a Group Employee is not accepted, or is accepted for fewer Bonds than those applied for, the respective Application monies or the balance of the amount paid on Application will be returned without interest by direct credit into the Bondholder's bank account as indicated by the Bondholder on the Application Form 'B'. The Issuer shall not be responsible for any charges, and any loss or delay in transmission.

- 7.2.14** The Bonds will be issued in multiples of €100. The minimum subscription amount of Bonds that can be subscribed for by Applicants is €2,000.
- 7.2.15** The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List of the MSE. In the event that the Bonds are not admitted to the Official List of the MSE, any Application monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form.
- 7.2.16** All Application Forms must be accompanied by the full price of the Bonds applied for in Euro.
- 7.2.17** Within five (5) Business Days from the placement date, the Issuer shall announce the result of the Issue and shall determine, and issue a company announcement setting out, the basis of acceptance of applications and allocation policy to be adopted.
- 7.2.18** For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations (Subsidiary Legislation 373.01 of the Laws of Malta), as amended from time to time, all appointed Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the "Code of Conduct for Members of the Malta Stock Exchange" appended as Appendix IV to Chapter 3 of the MSE Bye-Laws, irrespective of whether the said appointed Authorised Financial Intermediaries are MSE Members or not. Such information shall be held and controlled by the MSE in terms of the Data Protection Act (Cap. 440 of the Laws of Malta) for the purposes and within the terms of the MSE Data Protection Policy as published from time to time.
- 7.2.19** By completing and delivering an Application Form, the Applicant:
- a agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the Guarantor and the issue of the Bonds contained therein;
 - b warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects and in the case where an MSE account number is indicated in the Application Form, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant;
 - c authorises the Issuer and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta). The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates;
 - d confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer and the Guarantor or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
 - e agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
 - f agrees to provide the Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application;
 - g warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond or his/her Application;
 - h warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
 - i represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
 - j agrees that Charts Investment Management Service Limited will not, in their capacity of Sponsor, treat the Applicant as their customer by virtue of such Applicant making an Application for the Bonds, and that Charts Investment Management Service Limited will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their suitability for the Applicant;
 - k agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form; and
 - l renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds.

7.3 PLAN OF DISTRIBUTION AND ALLOTMENT

The Bonds shall be distributed principally through an intermediaries offer. A total amount of €54,450,000 in Bonds is expected to be allocated to Authorised Financial Intermediaries pursuant to placement agreements, details of which placement agreements can be found in section 7.4 hereunder. In terms of these placement agreements, Authorised Financial Intermediaries may subscribe for Bonds for their own account or for the account of underlying customers, and shall in addition be entitled to either distribute to the underlying customers any portion of the Bonds subscribed for upon commencement of trading or submit Application Forms 'A' directly in the name of their underlying customers.

The remaining €10,550,000 in Bonds shall be allocated as follows:

- (a) to Preference Shareholders, pursuant to a placement agreement entered into between the Issuer and Seabank Hotel and Catering Limited for the subscription of a total amount of €9,550,000 in Bonds. Such agreement is subject to the same terms and conditions applicable to placement agreements entered into with Authorised Financial Intermediaries, details of which placement agreements can also be found in section 7.4 hereunder. Seabank Hotel & Catering Limited shall submit an Application Form 'A' (either in its own name or in the name of the Preference Shareholders) and
- (b) to Group Employees, who may apply for up to a maximum of €1,000,000 in Bonds by submitting Application Forms 'B' through any of the Authorised Financial Intermediaries. In the event that this amount reserved for Group Employees is not fully taken up, the unsubscribed portion of this reserved amount shall be subscribed for by Charts Investment Management Service Ltd in terms of the relative placement agreement described in section 7.4 below.

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

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

7.4 PLACEMENT AGREEMENTS

The Issuer has entered into placement agreements with a number of Authorised Financial Intermediaries and with Seabank Hotel and Catering Limited, whereby the Issuer bound itself to allocate a maximum aggregate amount of €54,450,000 in Bonds (together with any amount not taken up by Group Employees) to such Authorised Financial Intermediaries, and a maximum aggregate amount of €9,550,000 in Bonds to said Preference Shareholders. The Authorised Financial Intermediaries and Seabank Hotel and Catering Limited in turn bound themselves to subscribe to a specified amount of Bonds subject to, and conditional upon, the Bonds being admitted to the Official List of the Malta Stock Exchange.

In terms of the placement agreements, Authorised Financial Intermediaries may subscribe for Bonds for their own account or for the account of underlying customers, and shall in addition be entitled to either distribute to the underlying customers any portion of the Bonds subscribed for upon commencement of trading, or submit Application Forms 'A' directly in the name of their underlying customers. In either case, subscription amounts made by Applicants through Authorised Financial Intermediaries, including those made under nominee, shall be in multiples of €100 Bonds, subject to a minimum subscription amount of €2,000 in Bonds by each individual Bondholder/underlying customer.

Furthermore, Charts Investment Management Service Ltd bound itself to subscribe to any Bonds reserved for Group Employees which are not taken up by the closing of the Group Employees Offer Period.

Each placement agreement, which is subject to the terms of the Prospectus, will become binding on all parties thereto on the respective placement agreement date, subject to the Issuer having received all subscription proceeds in cleared funds on the placement date.

7.5 ALLOCATION POLICY

The Issuer shall allocate the Bonds on the basis of the following policy:

- a. A total amount of €54,450,000 in Bonds shall be allocated to Authorised Financial Intermediaries pursuant to the placement agreements entered into with the Issuer, details of which can be found in section 7.4 above;
- b. A total amount of €9,550,000 in Bonds shall be allocated to the Preference Shareholders pursuant to the placement agreement entered into between Seabank Hotel and Catering Limited and the Issuer, details of which can be found in section 7.4 above;
- c. Up to an aggregate amount of €1,000,000 in Bonds has been reserved for subscription by Group Employees and shall be allocated in accordance with the allocation policy as determined by the Issuer and Registrar; and
- d. In the event that the amount of €1,000,000 in Bonds available to Group Employees referred to in (c) above is not fully taken up, such unsubscribed portion will be subscribed for by Charts Investment Management Service Ltd pursuant to the placement agreement referred to in section 7.4 above.

The Issuer will announce the allocation policy for the allotment of Bonds through a company announcement within five (5) Business Days from the placement date.

7.6 PRICING

The Bonds are being issued at par, that is, at €100 per Bond.

7.7 ADMISSION TO TRADING

7.7.1 The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 27 March 2017.

7.7.2 Application has been made to the MSE for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List.

7.7.3 The Bonds are expected to be admitted to the MSE with effect from 4 May 2017 and trading is expected to commence on 5 May 2017.

7.8 ADDITIONAL INFORMATION

Save for the financial analysis summary set out as Annex IV, the Securities Note does not contain any statement or report attributed to any person as an expert.

The financial analysis summary has been included in the form and context in which it appears with the authorisation of Charts Investment Management Service Limited of Valletta Waterfront, Vault 17, Pinto Wharf, Floriana, FRN 1913, Malta, which has given and has not withdrawn its consent to the inclusion of such report herein.

Charts Investment Management Service Limited does not have any material interest in the Issuer. The Issuer confirms that the financial analysis summary has been accurately reproduced in the Securities Note and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

ANNEX I – AUTHORISED FINANCIAL INTERMEDIARIES

NAME	ADDRESS	TELEPHONE
Bank of Valletta p.l.c.	BOV Centre, Cannon Road, St Venera SVR 9030	22751732
Calamatta Cuschieri Investment Services Ltd	Europa Business Centre, Triq Dun Karm, Birkirkara BKR 9034	25688130
Charts Investment Management Service Ltd	Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913	21224106
Curmi & Partners Ltd	Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102	21347331
Jesmond Mizzi Financial Advisors Ltd	67/3 South Street, Valletta VLT 1105	23265696
FINCO Treasury Management Ltd	Level 5, The Mall Complex, The Mall, Floriana FRN 1470	21220002
Mediterranean Bank plc	10, St Barbara Bastion, Valletta VLT 1961	25574400
Rizzo, Farrugia & Co (Stockbrokers) Ltd	Airways House, Third Floor, High Street, Sliema SLM 1549	22583000

ANNEX II – SPECIMEN APPLICATION FORMS



SD FINANCE P.L.C.
€65,000,000 4.35% UNSECURED BONDS 2027
APPLICATION FORM 'A'
PRE-PLACEMENT

Please read the notes overleaf before completing this Application Form. **Mark 'X' where applicable.**

A APPLICANT <i>(see notes 2 to 7)</i>								
<input type="checkbox"/> Non-Resident	<input type="checkbox"/> Minor (under 18)	<input type="checkbox"/> Body Corporate/ Body of Persons	<input type="checkbox"/> CIS-Prescribed Fund					
B TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME / REGISTERED NAME						
ADDRESS								
			POSTCODE					
MSE A/C NO. <i>(if applicable)</i>	I.D. CARD / PASSPORT / COMPANY REG. NO.	TEL. NO.	MOBILE NO. <i>(mandatory for e-portfolio registration)</i>					
<input type="checkbox"/> PLEASE REGISTER ME FOR E-PORTFOLIO								
C ADDITIONAL (JOINT) APPLICANTS <i>(see note 4)</i> <i>(please use additional Application Forms if space is not sufficient)</i>								
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.					
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.					
D MINOR'S PARENTS / LEGAL GUARDIAN/S <i>(see note 5)</i> <i>(to be completed ONLY if the Applicant is a minor)</i>								
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.					
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.					
E I/WE APPLY TO PURCHASE AND ACQUIRE <i>(see notes 8 & 9):</i>								
AMOUNT IN FIGURES €		AMOUNT IN WORDS						
SD Finance p.l.c. 4.35% Unsecured Bonds 2027 (the "Bonds") (minimum subscription of €2,000 and in multiples of €100 thereafter) at the Bond Issue Price (at par), as defined in the Prospectus dated 27 March 2017 (the 'Prospectus'), payable in full upon application under the Terms and Conditions of the Bonds as set out in the Prospectus.								
F RESIDENT - WITHHOLDING TAX DECLARATION <i>(see notes 10 & 11a)</i> <i>(to be completed ONLY if the Applicant is a resident of Malta)</i>								
<input type="checkbox"/> I/We elect to have final withholding tax deducted from my/our interest.								
<input type="checkbox"/> I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).								
G NON-RESIDENT - DECLARATION FOR TAX PURPOSES <i>(see note 3, 11 & 11a)</i> <i>(to be completed ONLY if the Applicant is a non-resident)</i>								
TAX COUNTRY		CITY OF BIRTH						
T.I.N. (Tax Identification Number)		COUNTRY OF BIRTH						
PASSPORT/NATIONAL I.D. CARD NUMBER		COUNTRY OF ISSUE	ISSUE DATE					
<input type="checkbox"/> I/We am/are NOT resident in Malta but I/we am/are resident in the European Union								
<input type="checkbox"/> I/We am/are NOT resident in Malta and I/we am/are NOT resident in the European Union								
H INTEREST AND REDEMPTION MANDATE <i>(see note 12)</i> <i>Completion of this panel is MANDATORY</i>								
BANK		IBAN						
<input type="checkbox"/> I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions of the Bonds as contained therein which I/we fully accept.								
Signature/s of Applicant/s <small>(Parent/s or legal guardian/s are/is to sign if Applicant is a minor) (All parties are to sign in the case of a joint Application)</small>			Date					
AUTHORISED FINANCIAL INTERMEDIARY'S STAMP		AUTHORISED FINANCIAL INTERMEDIARY'S CODE	APPLICATION NUMBER					
		<table border="1" style="margin: auto;"> <tr> <td style="width: 15px; height: 15px;"></td> <td style="width: 15px; height: 15px;"></td> <td style="width: 15px; height: 15px;"></td> <td style="width: 15px; height: 15px;"></td> <td style="width: 15px; height: 15px;"></td> </tr> </table>						

ANNEX II – SPECIMEN APPLICATION FORMS

Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 27 March 2017 regulating the Bond Issue

1. This Application is governed by the general terms and conditions contained in Section 7.2 of the Securities Note dated 27 March 2017 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS.
3. Applicants who are non-residents in Malta for tax purposes, must indicate their passport number in Panel B and complete Panel G. The relative box in Panel A must also be marked appropriately.
4. Applicants are to insert full personal details in Panel B. In the case of an Application by more than one person (including husband and wife) full details of all individuals, including I.D. card numbers, must be given in Panels B and C **but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 7 below).**
Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility (by marking the relative box in Panel B), will receive by mail at their registered address a handle code to activate the new e-portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.
5. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. The relative box in Panel A must also be marked appropriately. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
6. In the case of a body corporate, the name of the entity exactly as registered and the registration number are to be inserted in Panel B. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
7. **APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MSE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THIS APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE EFFECTED.**
8. Applications must be for a minimum subscription of €2,000 and thereafter in multiples of €100.
9. Applications must be accompanied by the relevant subscription amount in Euro.
10. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will be obliged to declare interest so received in the tax return. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a prescribed fund (having indicated their status in the appropriate box in Panel A) will have final withholding tax (currently 10%), deducted from interest payments.
In terms of Section 6.2 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of final withholding tax, (currently 15%) of the gross amount of interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta).
11. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU, of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.
- 11a. The contents of Notes 10 and 11 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.
12. Interest and redemption proceeds will be credited to the account indicated in Panel H or as otherwise amended by the Bondholder/s during the term of the Bond.
13. Authorised Financial Intermediaries are to submit completed Application Forms representing the total amount committed in terms of the Placement Agreement as mentioned in Section 7.4 of the Securities Note by latest 14:00 hours on 18 April 2017. The Issuer reserves the right to refuse any Application which appears to be in breach of the General Terms and Conditions as contained in the Prospectus.
14. By completing and delivering an Application Form you (as the Applicant(s)) acknowledge that:
 - a. the Issuer may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);
 - b. the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and
 - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

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

ANNEX II – SPECIMEN APPLICATION FORMS



**SD FINANCE P.L.C.
€65,000,000 4.35% UNSECURED BONDS 2027
APPLICATION FORM 'B'
GROUP EMPLOYEES**

Please read the notes overleaf before completing this Application Form. Mark 'X' where applicable.

APPLICANT (see notes 2 to 6)

A Non-Resident Minor (under 18)

B TITLE (Mr/Mrs/Ms/...) FULL NAME AND SURNAME

ADDRESS

POSTCODE

MSE A/C NO. (if applicable) I.D. CARD / PASSPORT TEL. NO. MOBILE NO. (mandatory for e-portfolio registration)

PLEASE REGISTER ME FOR E-PORTFOLIO

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

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

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

This Application Form is not transferable and entitles you to subscribe for SD Finance p.l.c. 4.35% Unsecured Bonds 2027 as an employee of SD Holdings Ltd or any of its Subsidiaries as at 27 March 2017 (the "Group Employees").

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

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

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

E I/WE APPLY TO PURCHASE AND ACQUIRE (see notes 7 & 8)

AMOUNT IN FIGURES AMOUNT IN WORDS

€

SD Finance p.l.c. 4.35% Unsecured Bonds 2027 (minimum subscription of €2,000 and in multiples of €100 thereafter) at the Bond Issue Price (at par), as defined in the Prospectus dated 27 March 2017, (the "Prospectus"), payable in full upon application under the Terms and Conditions of the Bond Issue as set out in the Prospectus.

F RESIDENT - WITHHOLDING TAX DECLARATION (See notes 9 & 10a) (to be completed ONLY if the Applicant is a resident of Malta)

I/We elect to have final withholding tax deducted from my/our interest.

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

G NON-RESIDENT - DECLARATION FOR TAX PURPOSES (See notes 3, 10 & 10a) (to be completed ONLY if the Applicant is a non-resident)

TAX COUNTRY TOWN OF BIRTH

T.I.N. (Tax Identification Number) COUNTRY OF BIRTH ISSUE DATE

PASSPORT/NATIONAL I.D. CARD NUMBER

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

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

I INTEREST, REFUND & REDEMPTION MANDATE (See note 11) Completion of this Panel is MANDATORY

BANK IBAN

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

Signature/s of Applicant/s Date

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

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

AUTHORISED FINANCIAL INTERMEDIARY'S STAMP

AUTHORISED FINANCIAL INTERMEDIARY'S CODE

APPLICATION NUMBER

ANNEX II – SPECIMEN APPLICATION FORMS

Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 27 March 2017 regulating the Bond Issue.

1. This Application is governed by the general terms and conditions contained in Section 7.2 of the Securities Note dated 27 March 2017 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the same meaning as that ascribed to them in the Prospectus.
2. This Application Form is to be completed in BLOCK LETTERS.
3. Applicants who are non-residents in Malta for tax purposes, must indicate their passport number in Panel B and complete Panel G. The relative box in Panel A must also be marked appropriately.
4. Applicants are to insert full personal details in Panel B. In the case of an Application by more than one person (including husband and wife) full details of all individuals, including I.D. card numbers, must be given in Panels B and C **but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 6 below).**

Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility (by marking the relative box in Panel B), will receive by mail at their registered address a handle code to activate the new e-portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.
5. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. The relative box in Panel A must also be marked appropriately. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
6. **APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MSE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THIS APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE EFFECTED.**
7. Applications must be for a minimum subscription of €2,000 and thereafter in multiples of €100.
8. Applications must be accompanied by the relevant subscription amount in Euro. In the event that the cheque accompanying an Application Form is not honoured on the first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application.
9. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as residents in Malta. In such a case, the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case, such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will then be obliged to declare interest so received in the tax return. Interest received by Non-Resident Applicants is not taxable in Malta and Non-Residents will receive interest gross.

In terms of Section 6.2 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act, interest shall be paid to such person net of final withholding tax (currently 15%) of the gross amount of interest, pursuant to article 33 of the Income Tax Act.
10. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU, of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.
- 10a. The contents of 9 and 10 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.
11. Should any Application not be accepted, or be accepted for fewer Bonds than those applied for, the monies of the balance of the amount paid but not allocated, as the case may be, will be returned by direct credit into the bank account as indicated in Panel G. Interest or redemption proceeds will be credited to the account designated in Panel G or as otherwise amended by the Bondholder/s during the term of the Bond.
12. Completed Application Forms are to be delivered to any of the Authorised Financial Intermediaries listed in Annex I of the Securities Note by not later than 16:00 hours on 12 April 2017. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not being received by the closing date indicated above. The Issuer reserves the right to refuse any application which appears to be in breach of the general Terms and Conditions as contained in the Prospectus. Any Applications received by the Registrar after 16:00 hours on 12 April 2017 will not be accepted.
13. By completing and delivering an Application Form you (as the Applicant/s) acknowledge that:
 - a. the Issuer may process the personal data that you may provide in the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);
 - b. the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and
 - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself, as the Applicant to whom the personal data relates.

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

ANNEX III – GUARANTEE

THE GUARANTEE

To All Bondholders:

Re: GUARANTEE AND INDEMNITY

Reference is made to the issue of up to €65 million Bonds 2027 by SD Finance p.l.c., a company registered in Malta bearing company registration number C 79193 (the “**Issuer**”) pursuant to and subject to the terms and conditions contained in the Securities Note forming part of the Prospectus to be dated 27 March 2017 (the “**Bonds**”).

Now therefore by virtue hereof we, SD Holdings Limited (C 40318), hereby stand surety jointly and severally with the Issuer and irrevocably and unconditionally guarantee the due and punctual performance of all the obligations undertaken by the Issuer under the Bonds and, without prejudice to the generality of the foregoing, undertake to pay all amounts of principal and interest which have become due and payable by the Issuer to Bondholders under the Bonds, within 60 days from the date such amount falls due and remains unpaid by the Issuer.

This guarantee shall be governed by the laws of Malta.

Signed and executed on this the 24th day of March 2017.



Director
SD Holdings Limited

INTERPRETATION

In this Guarantee, unless the context otherwise requires:

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

NATURE, SCOPE AND TERMS OF THE GUARANTEE

1. NATURE OF THE GUARANTEE

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

2. INFORMATION ABOUT THE GUARANTOR

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

3. TERMS OF THE GUARANTEE

3.1 Covenant to Pay

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

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

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

This Guarantee shall apply to all Bonds issued on or after 4 May 2017 in accordance with the terms of the Securities Note.

3.2 Guarantor as Joint and Several Surety

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

3.3 Maximum Liability

This is a continuing Guarantee for the whole amount due or owing under the Bonds or which may hereafter at any time become due or owing under the Bonds by the Issuer, but the amount due by the Guarantor to the Bondholders under this Guarantee shall be up to and shall not be in excess of €65,000,000 (sixty five million Euros), apart from interests due up to the date of payment and costs and expenses relating to the protection, preservation, collection or enforcement of the Bondholders' rights against the Issuer and/or the Guarantor, which shall be additional to the maximum sum herein stated.

3.4 Continuing and Unconditional Liability

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

- a. the bankruptcy, insolvency or winding up of the Issuer; or
- b. the incapacity or disability of the Issuer or any other person liable for any reason whatsoever; or
- c. any change in the name, style, constitution, any amalgamation or reconstruction of either the Issuer or the Guarantor;
- d. a Bondholder conceding any time or indulgence, or compounding with, discharging, releasing or varying the liability of the Issuer or any other person liable or renewing, determining, reducing, varying or increasing any accommodation or transaction or otherwise dealing with the same in any manner whatsoever or concurring in, accepting or in any way varying any compromise, composition, arrangement or settlement or omitting to claim or enforce or extract payment from the Issuer or any other person liable; or
- e. any event, act or omission that might operate to exonerate the Guarantor without settlement in full of the Indebtedness towards the relevant Bondholder.

3.5 Indemnity

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

3.6 Representations and Warranties

3.6.1 The Guarantor represents and warrants:-

- (i) that it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business;
- (ii) that it has power to grant this Guarantee and that this Guarantee is duly authorised and all corporate action has been taken by the Guarantor in accordance with its deeds of constitution and the laws of its incorporation and regulation;
- (iii) that this Guarantee constitutes and contains valid and legally binding obligations of the Guarantor enforceable in accordance with its terms;
- (iv) that this Guarantee does not and will not constitute default with respect to or run counter to any law, by-law, articles of incorporation, statute, rule, regulation, judgement, decree or permit to which the Guarantor is or may be subject, or any agreement or other instrument to which the Guarantor is a party or is subject or by which it or any of its property is bound;

- (v) that this Guarantee shall not result in or cause the creation or imposition of, or oblige a Guarantor to create, any encumbrance on any of the Guarantor's undertakings, assets, rights or revenues;
- (vi) that it is in no way engaged in any litigation, arbitration or administrative proceeding of a material nature (which for the purposes of this Guarantee shall mean proceedings relative to a claim amounting to at least €10,000,000) and nor is it threatened with any such procedures;
- (vii) that the obligations of the Guarantor under this Guarantee constitute general, direct and unsecured obligations of the Guarantor and rank equally with all its other existing and future unsecured obligations, except for any debts for the time being preferred by law;
- (viii) that it is not in breach of or in default under any agreement relating to indebtedness to which it is a party or by which it may be bound nor has any default occurred in its regard;
- (ix) that all the information, verbal or otherwise tendered in connection with the negotiation and preparation of this Guarantee is accurate and true and there has been no omission of any material facts; and
- (x) that the granting of this Guarantee is in the commercial interest of the Guarantor and that the Guarantor acknowledges that it is deriving commercial benefit therefrom.

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

3.7 Deposit and Production of the Guarantee

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

3.8 Subrogation

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

3.9 Benefit of the Guarantee and No Assignment

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

3.10 Amendments

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

3.11 Notices

Any notice required to be given by any party hereto to the other party shall be deemed to have been validly served if delivered by hand or sent by pre-paid registered letter through the post or by facsimile to such other party at his address given herein or such other address as may from time to time be notified to the other party for this purpose and any notice so served shall be deemed to have been served, if delivered by hand, at the time of delivery, or if by post, seven days after posting and if by facsimile, at the time of transmission of the facsimile, provided that in the case of a change in the details of specified below, a company announcement by the Issuer to this effect shall constitute sufficient and proper notice to the Bondholders for the purposes of this clause.

For the purposes of this Guarantee, the proper address and telephone number of the Guarantor is:

SD Holdings Ltd

Address: Seabank Hotel, Marfa Road, Ghadira, Mellicha MLH 9064, Malta

Tel. No.: +356 22891000

Contact Person: Mr Arthur Gauci (Director)

3.12 Governing Law and Jurisdiction

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

Any dispute, controversy or claim arising out of or relating to this Guarantee or as to the interpretation, validity, performance or breach thereof shall be referred to and finally resolved by arbitration under the UNCITRAL Rules of Arbitration in accordance with the provisions of Part V (International Arbitration) of the Arbitration Act, 1996. Any arbitration commenced pursuant to this clause shall take place in Malta and be administered by the Malta Arbitration Centre. The number of arbitrators shall be three (3), one arbitrator to be appointed by each of the Parties or, in default, by the Malta Arbitration Centre, whereas the third arbitrator shall be appointed by the first two arbitrators or, if they fail to agree on such an appointment, by the Malta Arbitration Centre. No appeal shall lie from any such award given.

Financial Analysis Summary

27 March 2017

Issuer SD Finance p.l.c.

Guarantor SD Holdings Limited

The Directors
SD Finance p.l.c.
Seabank Hotel
Marfa Road, Ghadira
Mellieha MLH 9064
Malta

27 March 2017

Dear Sirs

Financial Analysis Summary

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

The purpose of the financial analysis is that of summarising key financial data appertaining to SD Finance p.l.c. (the “**Issuer**”) and SD Holdings Limited (the “**Guarantor**”). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the three years ended 31 March 2014 to 31 March 2016 has been extracted from the audited consolidated financial statements of the Guarantor for the three years in question.
- (b) The forecast data for the years ending 31 March 2017 and 31 March 2018 has been provided by management.
- (c) Our commentary on the results of the db Group and on its financial position is based on the explanations provided by management.
- (d) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 5 of the Analysis.
- (e) Relevant financial data in respect of the companies included in Part 4 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

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

Yours faithfully,



Wilfred Mallia
Director

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PART 1 – INFORMATION ABOUT THE DB GROUP

1. KEY ACTIVITIES OF THE ISSUER

SD Finance p.l.c. (the “**Issuer**” or “**Company**”) was incorporated in January 2017 as a public limited liability company under the Companies Act with an authorised and fully paid up issued share capital of €250,000. The principal activity of the Company is to carry on the business of a holding and finance company within the Group.

The Issuer is not engaged in any trading activities but is involved in raising debt and advancing same to members of the Group as and when the demands of this business or the demands of a particular project so require. Accordingly, the Issuer is economically dependent on the operations, performance and prospects of the Group.

2. DIRECTORS OF THE ISSUER

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

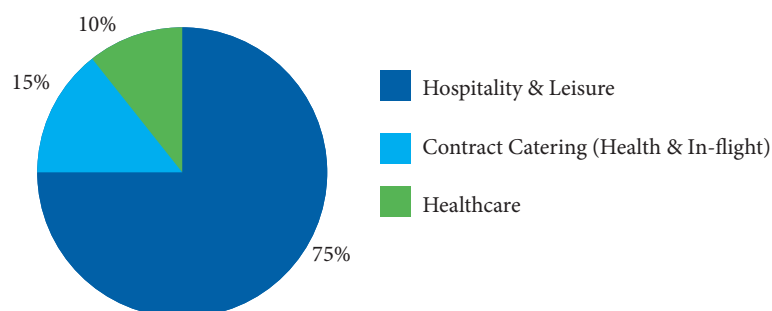
Board of Directors

Silvio Debono	Chairman
Arthur Gauci	Chief Executive Officer
Robert Debono	Non-Executive Director
Stephen Muscat	Independent Non-Executive Director
Vincent Micallef	Independent Non-Executive Director
Philip Micallef	Independent Non-Executive Director

3. KEY ACTIVITIES OF THE GUARANTOR

SD Holdings Limited (the “**Guarantor**”) is the parent holding company of the Group and is principally engaged, through subsidiary companies, in the operation of: db Seabank Resort Spa, Mellieha Bay, Malta; db San Antonio Hotel & Spa, St Paul’s Bay, Malta; Tunny Net Complex, Mellieha, Malta; and 3 outlets under the Hard Rock Café franchise which are each located at the Valletta Waterfront, Baystreet Complex, St Julians and the Malta International Airport. Furthermore, the Group is involved, through associated entities, in the provision of contract catering and healthcare services in Malta, and the operation of Porto Azzurro Complex, St Paul’s Bay, Malta.

**Aggregated Group Revenue by Segment
for the year ended 31 March 2016**



Note: The above chart represents the aggregated revenue by division of the Group for the financial year ended 31 March 2016, adjusted accordingly to reflect the percentage shareholding held by the Group in each respective entity.

The authorised share capital of the Guarantor is €5,000,000 divided into 5,000,000 ordinary shares of €1 each. As at 31 March 2016, the Guarantor had an issued share capital of €520,000. By virtue of the capitalisation of amounts payable to the ultimate shareholder, during October 2016, the Guarantor issued and allotted an additional 3,480,000 ordinary shares of €1 each. As a result, the issued share capital is €4,000,000, which is subscribed for, allotted and taken up as fully paid up shares by Silvio Debono.

4. DIRECTORS OF THE GUARANTOR AND SENIOR MANAGEMENT

The Guarantor is managed by a Board comprising six directors who are entrusted with its overall direction and management, including the establishment of strategies for future development. The Board members of the Guarantor as at the date of this report are included hereunder:

Board of Directors

Silvio Debono	Chairman
Arthur Gauci	Chief Executive Officer
Robert Debono	Director
Victoria Debono	Director
Vincent DeGiorgio	Director
Jesmond Vella	Director

In the execution of the strategic direction, investment and management oversight of the db Group, the Board is assisted by the following members of senior management:

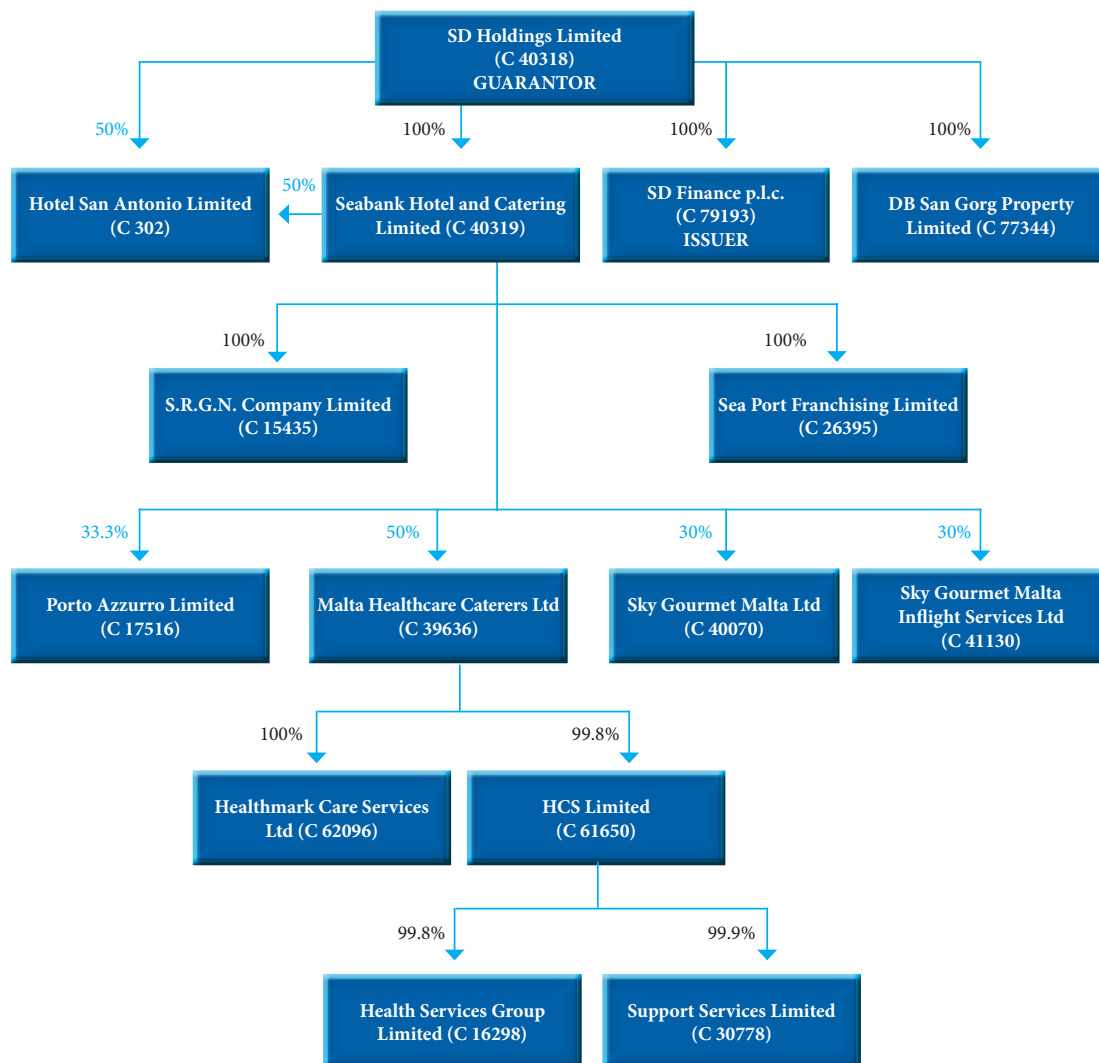
Senior Management of the db Group

Silvio Debono	Executive Chairman
Arthur Gauci	Chief Executive Officer and Director of Franchise Operations
Vincent DeGiorgio	Director of Hotel Operations
Jesmond Vella	Head of Purchasing and Logistics
Massimo Azzopardi	General Manager of db Seabank Resort & Spa
Bradley Dingli	General Manager of db San Antonio Hotel & Spa
Robert Debono	Director of Healthcare Operations
Trevor Vella	Chief Financial Officer

The weekly average number of employees engaged by the Group during FY2016 amounted to 518 persons (FY2015: 481).

5. DB GROUP ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the principal subsidiaries and associates within the organisational structure of the db Group and the position within the said group of the Issuer and Guarantor. The complete list of companies forming part of the Group and further information on other investments of the Group are included in the consolidated audited financial statements of the Guarantor for the year ended 31 March 2016. The Group's businesses are described in more detail in Part 2 below.



Other than as set out hereunder, there were no changes to the above structure since the last published audited consolidated financial statements of the Guarantor:

- On 11 October 2016, SD Holdings Limited increased its shareholding in Seabank Hotel and Catering Limited from 98.8% to 100% following the acquisition of 250 ordinary shares from each of Raymond Debono, Guido Debono and Natalino Debono;
- On 11 October 2016, Seabank Hotel and Catering Limited increased its shareholding in Sea Port Franchising Limited from 95% to 100% following the acquisition of 2,500 ordinary shares from Arthur Gauci.

PART 2 – OPERATIONAL DEVELOPMENT

6. DB SEABANK RESORT & SPA

Introduction

Seabank Hotel and Catering Limited, a subsidiary of the Guarantor, owns the 539-room four-star db Seabank Resort & Spa, which occupies a land area of over 30,000m² and is located in Mellieha Bay, Malta (the “Seabank Hotel”). Over a span of 8 months commencing in 2012, the Seabank Hotel was redeveloped at a cost of *circa* €38 million which was financed from bank funding. It was officially re-opened during the financial year ended 31 March 2013 as an all-inclusive resort with 7 themed restaurants, 4 bars, an external pool, a fitness centre and health spa. In 2015, a new entertainment complex was opened at a cost of *circa* €1 million, which includes 3 restaurants, a bowling alley, a sports bar and a children club. The carrying value of the Seabank Hotel as at 31 March 2016 is €62.7 million (FY2015: €54.8 million).

Operational Performance

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

db Seabank Resort & Spa		FY2014	FY2015	FY2016	FY2017	FY2018
		Actual	Actual	Actual	Forecast	Projection
Turnover (€'000)		16,485	18,044	19,988	20,929	21,348
Gross operating profit (€'000)		8,041	8,878	10,879	11,415	11,644
Gross operating profit margin (%)		49	49	54	55	55
Occupancy level (%)		71	82	82	83	83
Revenue per occupied room (RevPOR) (€)	(a)	118	112	125	128	131
Gross operating profit per available room (GOPAR) (€)	(b)	13,712	15,663	19,203	19,543	19,933
Benchmark performance						
Occupancy level (%)		76	80	84		
Revenue per occupied room (RevPOR) (€)	(c)	88	93	102		
Gross operating profit per available room (GOPAR) (€)	(d)	7,402	6,090	12,526		
Revenue Generating Index (RGI)	(a)/(c)	1.34	1.20	1.23		
Gross Operating Profit Generating Index (GOPGI)	(b)/(d)	1.85	2.57	1.53		

Source: Management information.

FY2014 (1 April 2013 to 31 March 2014) was the first full financial year of operation of the Seabank Hotel following the *circa* €38 million redevelopment and room-extension project which was concluded in 2012. In the said year, the hotel generated revenue of €16.5 million and gross operating profit of €8.0 million, and achieved an occupancy level of 71%. The Seabank Hotel continued to perform positively in both FY2015 and FY2016 due to: (i) a favourable trend in tourism in Malta; (ii) its advantage as a newly refurbished property over other competing hospitality establishments; and (iii) the success of management in promoting the all-inclusive service package.

The hotel registered a 9.5% increase in revenue from €16.5 million in FY2014 to €18.0 million in FY2015 (+€1.6 million), and thereafter reported an increase of €1.9 million (+10.8%) in revenue to €20.0 million in FY2016. Gross operating profit also increased yearly from €8.0 million in FY2014 to €8.9 million in FY2015 (+10%) and €10.9 million in FY2016 (+23%). Furthermore, gross operating profit margin improved from 49% in FY2014 to 55% in FY2016.

As to competitive set analysis, no hotel within the four-star sector in Malta fully operates on an all-inclusive basis (other than the San Antonio Hotel described hereunder) and therefore, no peer is deemed to be directly comparable to the Seabank Hotel. As such, the Seabank Hotel has been compared to the average four-star sector results published in the Malta Hotels and Restaurants Association (MHRA) Survey.

In terms of occupancy level, the Seabank Hotel underperformed the benchmark in FY2014 (71% as compared to the industry's 76%) and in FY2016 (82% as compared to 84%), whilst in FY2015 the hotel surpassed its peer group by 2 percentage points and achieved an occupancy level of 82%. Given that the hotel is one of the largest hotels in Malta with 539 rooms, management believes that it is more challenging to outperform the industry average.

As for RevPOR (which incorporates room revenue, food & beverage and other income), the Seabank Hotel performed better than the four-star industry average in each of the historical years under review (as evidenced by the RGI above 1 in FY2014 to FY2016). Furthermore, the Seabank Hotel generated GOPAR in FY2014, FY2015 and FY2016 well in excess of the four-star average (GOPGI of 1.85, 2.57 and 1.53 respectively), primarily as a result of the hotel benefiting from economies of scale, allowing for greater flexibility in operations and having a leaner structure.

With respect to FY2017 and FY2018, the Seabank Hotel is projected to increase occupancy level from 82% in FY2016 to 83%, and RevPOR is expected to increase from €125 in FY2016 to €128 and €131 in FY2017 and FY2018 respectively. As such, revenue is forecasted at €20.9 million in FY2017 (+4.7% over FY2016) and €21.3 million in the subsequent year. Gross operating profit margin is expected to increase from the current 54% to 55% in each of the projected financial years.

7. DB SAN ANTONIO HOTEL & SPA

Introduction

Hotel San Antonio Limited, a db Group subsidiary company, owns the 513-room 10-floor four-star db San Antonio Hotel & Spa, located in St Paul's Bay, Malta (the "San Antonio Hotel"). The Group acquired 50% of the San Antonio Hotel in 2000 and purchased the remaining 50% shareholding in December 2013. During the first two quarters of 2014 (Jan-Jun'14), the hotel was closed for refurbishment and development works which comprised the extension of the room count from 300 to over 500 rooms. In addition, a number of apartments were developed, which are offered to customers on a long-let basis. The total capital expenditure amounted to *circa* €32 million and was financed from bank funding. The San Antonio Hotel is an all-inclusive hotel with 5 themed restaurants, indoor, outdoor and rooftop pools, a fitness centre, a Hammam spa and conference facilities. The carrying value of the San Antonio Hotel as at 31 March 2016 is €70.0 million (FY2015: €51.4 million).

Operational Performance

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

db San Antonio Hotel & Spa		FY2013	FY2015	FY2016	FY2017	FY2018
		12 months	15 months	12 months	12 months	12 months
		Actual	Actual	Actual	Forecast	Projection
Turnover (€'000)		5,456	9,393	14,727	16,280	16,819
Gross operating profit (€'000)		1,985	3,491	7,438	8,494	8,793
Gross operating profit margin (%)		36	37	51	52	52
Occupancy level (%)		72	67	70	78	79
Revenue per occupied room (RevPOR) (€)	(a)	81	113	123	126	129
Gross operating profit per available room (GOPAR) (€)	(b)	5,586	8,597	15,826	17,856	18,497
Benchmark performance						
Occupancy level (%)		76	80	84		
Revenue per occupied room (RevPOR) (€)	(c)	88	93	102		
Gross operating profit per available room (GOPAR)(€)	(d)	7,402	6,090	12,526		
Revenue Generating Index (RGI)	(a)/(c)	0.92	1.22	1.21		
Gross Operating Profit Generating Index (GOPGI)	(b)/(d)	0.75	1.41	1.26		

Source: Management information.

Note 1: Following the acquisition of the remaining 50% in Dec'13, the company changed its financial year end from 31 Dec to 31 Mar. As such, the financial information of FY2013 relates to the year 1 Jan to 31 Dec'13, and that of FY2015 refers to the period 1 Jan'14 to 31 Mar'15.

Note 2: The financial results of db San Antonio Hotel & Spa are consolidated with the results of the Guarantor will effect from 1 Jan'14, and are therefore included in the financial results for FY2015 (covering the period 1 Jan'14 to 31 Mar'15). As such, financial information in the table above relating to the period prior to 1 Jan'14 has been included for comparison purposes only.

In FY2013, San Antonio Hotel generated revenue of €5.5 million and gross operating profit of €2.0 million. During Q1 and Q2 of 2014, the Hotel was closed for refurbishment and expansion to 500 rooms, and re-opened ahead of the summer months as an all-inclusive hotel under the Group's db brand. The renovation works had an immediate positive effect on the average room rate and the increase in room count further enhanced revenue and gross operating profit. As such, revenue generated in FY2015 amounted to €9.4 million, an increase of €3.9 million over FY2013, and gross operating profit increased from €2.0 million in FY2013 to €3.5 million in FY2015. In FY2016, revenue increased by €5.3 million, from €9.4 million in FY2015 to €14.7 million, reflecting the full-year impact of the renovated all-inclusive hotel. Gross operating profit registered an increase of €3.9 million, from €3.5 million in FY2015 to €7.4 million.

As to competitive set analysis, no hotel within the four-star sector in Malta fully operates on an all-inclusive basis (other than the Seabank Hotel described above) and therefore, no peer is deemed to be directly comparable to the San Antonio Hotel. As such, the San Antonio Hotel has been compared to the average four-star sector results published in the Malta Hotels and Restaurants Association (MHRA) Survey.

Similar to the Seabank Hotel, the San Antonio Hotel is one of the largest hotels in Malta with 513 rooms (as of FY2016) and thus is more of a challenge to match and surpass the industry's average occupancy level. In FY2013 and FY2015, the hotel achieved an occupancy level of 72% and 67% respectively, which was lower than the sector average of 76% and 80% respectively. This was primarily due to the fact that the hotel was in a transition period until renovation works were fully executed. This position was also reflected in RevPOR, as the hotel generated RevPOR of €81 in FY2013 as compared to an sector average of €88, which improved to €113 in FY2015 (benchmark performance: €93). As a newly refurbished property, the hotel managed to attain a RevPOR of €123 in FY2016, which was 21% higher than the sector average of €102.

With respect to GOPAR, the San Antonio Hotel exceeded the market average in each of the reviewed historical financial years (other than FY2013), as management took advantage of economies of scale afforded by the property (in view of the higher room inventory than the sector average). As such, in FY2016, the San Antonio Hotel generated GOPAR of €15,826 (FY2015: €8,597), which was 26% higher than the market average of €12,526 (FY2015: €6,090).

During FY2017, the San Antonio Hotel is forecasted to further expand its all-inclusive offering and as a result, occupancy level for the said year is set to reach 78%, an increase of eight percentage points when compared to the prior year. Thereafter, occupancy level is projected to increase to 79% (in FY2018). In terms of RevPOR, management has projected an increase from €123 in FY2016 to €126 and €129 in FY2017 and FY2018 respectively. Due to the afore-mentioned growth, revenue in FY2017 is forecasted to increase by €1.6 million (+11%) from €14.7 million in FY2016 to €16.3 million, and gross operating profit is expected to increase by €1.1 million (+14%) from €7.4 million in FY2016 to €8.5 million. The aforesaid increase in business activity should further enhance operating efficiency at the hotel and therefore, management is forecasting a marginal improvement in gross operating profit margin from 51% in FY2016 to 52%.

As for FY2018, management is projecting revenue to increase by 3.3% from €16.3 million in FY2017 to €16.8 million, and gross operating profit for the reviewed year is estimated at €8.8 million, an increase of 3.5% from a year earlier.

8. HARD ROCK CAFÉ MALTA

Introduction

Sea Port Franchising Limited, a db Group subsidiary company, was awarded the Hard Rock Café franchise for Malta in 2000, pursuant to the terms of a franchise agreement entered into with Hard Rock International. This franchise agreement is due to expire on 16 June 2020, subject to renewal.

The db Group presently operates 3 Hard Rock Café outlets in the following localities:

- **Bay Street Complex, St Julian's** – The premises is subject to a concession agreement and an operator agreement with Bronville Limited and Baystreet Limited respectively. The term of both agreements commenced on 25 November 2000, and is due to expire on 25 November 2020. The restaurant covers an area of 600m², has a seating capacity of *circa* 180 covers, and includes a bar area, merchandise shop and internationally renowned rock 'n' roll memorabilia.
- **Malta International Airport** – Sea Port Franchising Limited operates a Hard Rock Bar at the Malta International Airport pursuant to a lease agreement, entered into with Malta International Airport p.l.c., the term of which commenced on 1 January 2016 and is due to expire on 31 December 2022, subject to renewal. The Hard Rock Bar is situated in the departures lounge of the airport. In 2015, the Hard Rock Bar was fully refurbished and restyled.
- **Valletta Waterfront** – In 2005, Sea Port Franchising Limited entered into a lease agreement with Valletta Cruise Port p.l.c. (formerly VISET Malta p.l.c.), following which it commenced operating a Hard Rock Bar with a seating capacity of *circa* 140 covers. The term of this lease agreement commenced on 1 March 2006 and is due to expire on 28 February 2018, subject to renewal.

Operational Performance

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

Hard Rock Café Malta	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR	CAGR
	Actual	Actual	Actual	Forecast	Projection	FY14-16	FY14-18
Turnover (€'000)	4,944	5,295	5,529	5,695	5,809	5.8%	4.1%
Food and beverage	3,050	3,340	3,571	3,679	3,752	8.2%	5.3%
Merchandise	1,894	1,955	1,958	2,016	2,057	1.7%	2.1%
EBITDA (€'000)	156	285	389	493	822	57.9%	51.5%
EBITDA margin (%)	3	5	7	9	14		

EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.
CAGR - Compound annual growth rate.

Source: Management information.

During the three historical financial years under review (FY2014 – FY2016), revenue increased from €4.9 million in FY2014 to €5.5 million in FY2016, an increase of €0.6 million (+12%, CAGR of 5.8%). This growth is mainly attributable to an increase in revenue generated from food & beverage, as merchandise sales remained broadly constant over the afore-mentioned years.

EBITDA in FY2014 amounted to €0.2 million, which increased to €0.3 million in FY2015 and €0.4 million in the subsequent financial year. The EBITDA margin improved from 3% in FY2014 to 5% in FY2015, and increased further to 7% in FY2016.

A growth rate of 3% in revenue has been assumed for FY2017 (amounting to €5.7 million) and 2% in the subsequent year (FY2018: €5.8 million). EBITDA is projected to increase from €0.4 million in FY2016 to €0.5 million in FY2017, resulting in an increase in EBITDA margin of two percentage points to 9%. As for FY2018, EBITDA is expected to increase by €0.3 million (+66%) from a year earlier to €0.8 million, which should result in an EBITDA margin of 14% (FY2017: 9%). The significant improvement in EBITDA margin reflects the impact of a reduction in franchise royalty fees agreed to with the franchisor (Hard Rock International).

9. TUNNY NET COMPLEX

Introduction

Tunny Net Complex is operated by S.R.G.N. Company Limited, a subsidiary company of the db Group. The complex is located at Mellieha Bay, Malta (in close proximity to db Seabank Resort & Spa) and offers entertainment and leisure facilities to customers, including a beach lido, water sports facilities and a number of restaurants and retail outlets. It was completely refurbished in 2014. The property is leased from a subsidiary company – J.D. Catering Limited (C 15193) – which holds title of temporary emphyteusis granted to it by the Government of Malta and is due to expire on 31 July 2026.

Operational Performance

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

Tunny Net Complex	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Forecast	FY2018 Projection	CAGR FY14-16	CAGR FY14-18
Turnover (€'000)	1,708	2,192	2,655	2,735	2,790	24.7%	13.1%
Food and beverage	1,171	1,301	1,513	1,559	1,590	13.7%	7.9%
Souvenir shop articles	502	853	1,104	1,137	1,160	48.3%	23.3%
Other income	35	38	38	39	40	4.2%	3.4%
EBITDA (€'000)	52	203	233	287	293	111.7%	54.1%
EBITDA margin (%)	3	9	9	10	11		

EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.
CAGR - Compound annual growth rate.

Source: Management information.

Tunny Net Complex increased its revenue during the three years FY2014 to FY2016 at a compound annual growth rate of 24.7%, from €1.71 million in FY2014 to €2.19 million and €2.66 million in FY2015 and FY2016 respectively. The growth in revenue of *circa* €0.5 million per annum is due to an increase in food and beverage income as well as retail sales, and is a reflection of the refurbishment completed in FY2014, the positive trends exhibited in the local tourism sector and the resultant spill over effect from the increased occupancy levels at the Seabank Hotel. EBITDA has improved from €52,000 in FY2014 to €0.20 million in each of FY2015 and FY2016.

This positive trend is expected to continue in both FY2017 and FY2018, whereby management is assuming revenue to grow by 3% in FY2017 and 2% in FY2018 to €2.79 million (FY2016: €2.66 million). EBITDA should also increase to €0.28 million in FY2017 and €0.29 million in FY2018.

10. HOSPITALITY & LEISURE SECTOR ANALYSIS

10.1 ECONOMIC UPDATE

Economic activity in Malta is expected to remain robust in the near term, supported by both demand and supply factors. In particular, the energy reforms that have taken place in recent years, new investment projects, increased labour market participation and robust services exports are the primary drivers supporting the economic expansion. Real GDP growth is expected at 4.3% for 2016 and thereafter, is projected to decelerate to 4.1% in 2017, 3.7% in 2018 and 3.3% in 2019.

As a result, the labour market is projected to remain tight, with the unemployment rate falling further to 4.9% in 2016, before increasing slightly to 5.3% by 2019. Downward international price pressures are expected to contribute towards a further easing of consumer price inflation in 2016 (annual inflation should ease from 1.2% in 2015 to 0.9% in 2016). It is then projected to trend up to 1.9% by 2019, reflecting a pick-up in international commodity prices and domestic cost pressures.

In terms of public finances, restraint in key expenditure variables is expected to contribute towards a decline in the general government deficit, with the government budget set to become broadly in balance by 2019.

10.2 TOURISM MARKET

Tourism in Malta has in recent years been performing at a strong level and this trend continued in 2015 as well as in 2016. Inbound tourism from January to December 2015 amounted to 1.8 million guests, an increase of 6.0% over the same period in 2014. Although tourists residing in collective accommodation (hotels, guesthouses, hostels, B&Bs, etc) made up 71.7% of the market in 2015, preference for private accommodation has been growing in the last years at a faster pace, and actually increased by 18.2% from 2014. Tourism expenditure was estimated at €1.6 billion, 7.5% higher than that recorded for the comparable period in 2014.

Inbound tourist trips from January to December 2016 amounted to 1.99 million, an increase of 10.2% when compared a year earlier. Total nights spent by inbound tourists went up by 5.7%, reaching almost 15.0 million nights. During 2016, total guests in collective accommodation establishments surpassed 1.6 million, an increase of 2.1% over the same period in 2015. Within the collective accommodation establishments, the 5 star and 4 star hotels gained 10,878 guests (+2.8%) and 30,779 guests (+4.5%) respectively in 2016 when compared to a year earlier, while there was a decrease of 24,042 guests (-5.7%) in the 3 star category. Tourism expenditure was estimated at €1.71 billion in 2016, an increase of 4.3% over 2015.

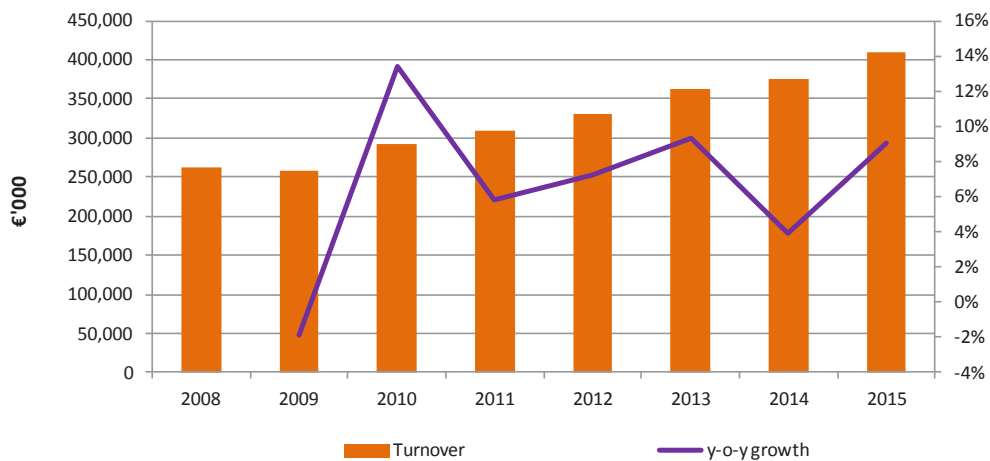
Focus will be maintained on increasing arrivals during the winter months and attracting more visitors from new markets to Malta. This bodes well for the Maltese hospitality industry as the expectation is to continue to grow revenues and increase profitability.

Looking forward, Malta's EU Presidency in the current year (2017) together with Valletta serving as the European City of Culture in 2018 are widely expected to generate increased demand for hotels and enhance Malta's image as a tourist destination, which would in turn generate further growth in the hospitality sector. Meanwhile, the somewhat uncertain future of the national carrier Air Malta poses a concern to further growth whilst competition from other Mediterranean countries will likely remain strong.

10.3 FOOD & BEVERAGE SERVICE SECTOR

The food & beverage service sector comprises restaurants & mobile food service activities and beverage serving activities. In 2015 (being the latest available statistical data), the total income from this sector in Malta amounted to €411 million, an increase of 9.1% over the previous year. The chart below illustrates the output from the food & beverage service sector in Malta for the past 8 years (2008 to 2015). As highlighted, market output has progressively increased over the reviewed period, except for 2009 when gross income decreased marginally by €4.8 million (-1.8%) when compared to the prior year. Since 2008, the food & beverage service sector grew at an annual compound rate of 6.6%.

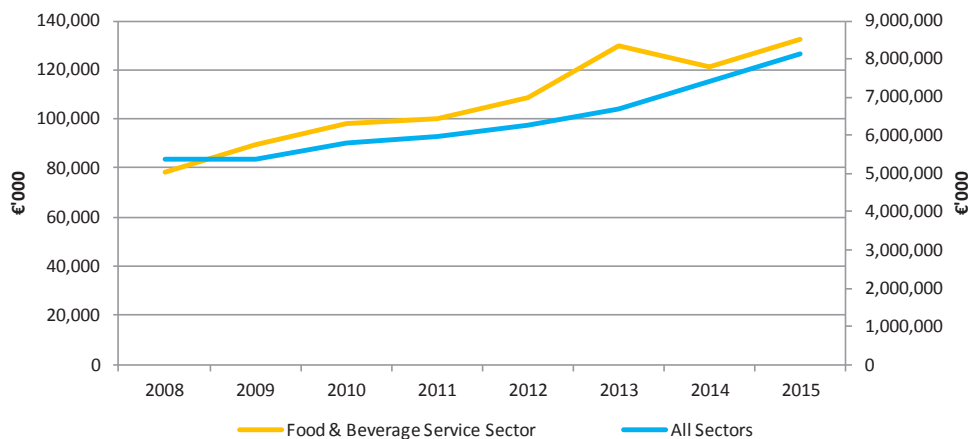
Food & Beverage Service Sector in Malta



Source: National Statistics Office Malta (NACE 56.1 & NACE 56.3 data)

The chart hereunder shows that the gross value added generated by the food & beverage service sector in Malta has grown on a year-to-year basis from €78.1 million in 2008 to €132.4 million in 2015. The chart also highlights the sector's correlation to Malta's economic performance, since over the reported period the food & beverage service sector has maintained the same percentage of gross value added generated by the whole economy of circa 1.7%.

Gross Value Added



Source: National Statistics Office Malta (NACE 56.1 & NACE 56.3 data)

11. INVESTMENTS IN ASSOCIATED COMPANIES

11.1 HEALTHCARE AND CATERING SERVICES

Introduction

Malta Healthcare Caterers Limited (the “MHC Group”) is a joint venture between the db Group and James Caterers Limited (C 30139), and is principally engaged in the provision of healthcare and catering services to hospitals and retirement homes, together with other related services, in Malta and Gozo. In 2013, the MHC Group acquired a site in Santa Lucija measuring *circa* 4,455m² with the intention of eventually developing it into a 300-bed home for the elderly.

Healthcare Division

The healthcare division of the MHC Group comprises the following subsidiary companies:

- Healthmark Care Services Ltd – the company is engaged in the provision of health and social care services and training to the general public, hospitals and elderly retirement and nursing homes;
- Health Services Group Limited – the company is engaged in the provision of nursing services;
- Support Services Limited – the company is engaged in the provision of nursing, medical and clinical services.

The operations of the healthcare division commenced in 2014 with the acquisition by the MHC Group of two existing healthcare sector companies. Subsequently, in November 2015, the MHC Group substantially increased its headcount to offer services previously provided by Malta Memorial District Nursing Association (which ceased providing community care services in October 2015). At the start of 2016, the MHC Group included domiciliary care for the elderly to its offerings.

At present, the healthcare division has a staff complement of *circa* 1,500 employees, including 150 professional nurses, 150 staff members providing domiciliary care for the elderly and 1,200 trained care assistants (2015: 1,092 employees). The key agreements include: (i) the provision of nursing and care services under the Active Ageing and Community Care Directorate; (ii) the provision of care worker services at Mater Dei Hospital and other entities within the Health Department; (iii) the provision of care worker services at St Vincent de Paul Residence and Homes for the Elderly Community Care; and (iv) the provision of home help services.

Catering Division

The MHC Group initiated operations in contract catering in 2007, after being awarded the contract to supply meals to in-patients at Mater Dei Hospital, St Luke’s Hospital and Sir Paul Boffa Hospital. In 2015, the MHC Group ceased to supply meals to Sir Paul Boffa Hospital, but instead commenced servicing Sir Anthony Mamo Oncology Centre. This agreement shall expire on 16 November 2022.

The MHC Group also provides catering and ancillary services to in-patients and staff of Gozo General Hospital (since 2013) and St Vincent de Paul Residence (since 2014). The contract relating to the former is due to expire on 27 June 2018, subject to the option of extending by a further year. The term of the contract relating to the latter has been extended up to 7 July 2017. In aggregate, the MHC Group serves in the region of 5,700 meals per day.

Operational Performance

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

Malta Healthcare Caterers Limited	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Forecast	FY2017 Projection	CAGR FY13-15	CAGR FY13-17
Turnover (€'000)	4,325	12,904	25,128	25,128	25,128	141.0%	55.3%
Catering services	4,325	6,404	7,436	7,436	7,436	31.1%	14.5%
Healthcare services	0	5,690	17,692	17,692	17,692	210.9%	46.0%
Profit for the year (€'000)	104	712	848	848	848	185.5%	69.0%
Net profit margin (%)	2	6	3	3	3		
Seabank Group's share of profit at 50%	52	356	424	424	424		

CAGR - Compound annual growth rate.

Source: Management information.

Note 1: The year end of Malta Healthcare Caterers Limited is 31 December, whilst the Seabank Group's year end is 31 March. As such, the last available audited consolidated financial statements of the Seabank Group for the year ended 31 March 2016 includes the share of profits of Malta Healthcare Caterers Limited for the financial year ended 31 December 2015.

The table above summarises the historical financial performance of MHC Group for the years ended 31 December 2013 to 31 December 2015. As previously explained, the provision of healthcare services commenced in FY2014 and therefore revenue in FY2013 related solely to contract catering services. In FY2014, revenue generated by the MHC Group amounted to €12.9 million, an increase of €8.6 million when compared to FY2013, of which €5.7 million related to the initiation of healthcare services. In the subsequent year (FY2015), income from healthcare services more than tripled from €5.7 million to €17.7 million due to high demand for such offerings. During the reviewed period, net profit increased from €0.1 million in FY2013 to €0.7 million and €0.8 million in FY2014 and FY2015 respectively. With respect to the forecasted two financial years, management has assumed a nil growth scenario and therefore, the projected financials of FY2016 and FY2017 are a replica of the FY2015 financial results.

11.2 AIRLINE CATERING SERVICES

Introduction

The Group has a 30% shareholding in Sky Gourmet Malta Ltd, a company principally involved in the provision of catering and commissary services to airlines. On an annual basis, the company serves over 2 million airline meals and snacks. The other shareholders are James Caterers Limited (C 30139) with a 30% ownership, and Do & Co, an Austrian catering company which is active in segments such as airline catering, train catering and international events catering.

During the financial years ended 31 March 2014 to 2016, the company serviced three airlines, namely Air Malta, Ryanair and Emirates, and the relevant contract agreements expire on 31 March 2021, 18 May 2019 and 30 November 2017 respectively. The agreement with Emirates is automatically renewed for successive periods of one year, subject to applicable conditions.

Operational Performance

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

Sky Gourmet Malta Limited	FY2014	FY2015	FY2016	FY2017	FY2018
	Actual	Actual	Actual	Forecast	Projection
Turnover (€'000)	9,603	8,733	5,685	5,685	5,685
Profit (loss) for the year (€'000)	471	532	-227	-227	-227
Net profit (loss) margin (%)	5	6	-4	-4	-4
Seabank Group's share of results at 30%	141	160	-68	-68	-68

CAGR - Compound annual growth rate.

Source: Management information.

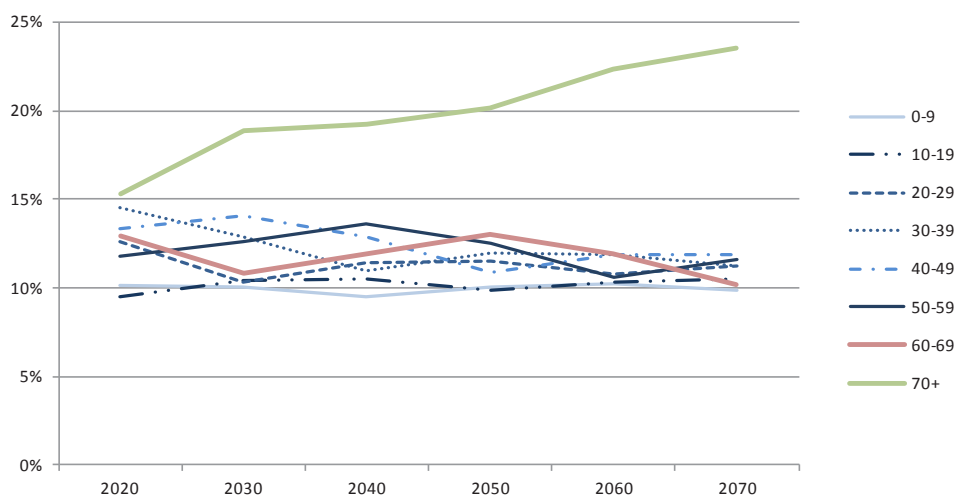
In FY2014, the company generated €9.60 million in revenue and profit for the year amounted to €0.47 million. In the subsequent year, although revenue decreased by 9% to €8.73 million, the company managed to generate marginally higher profits by €61,000 to €0.53 million. During FY2016, the company's level of business was adversely impacted by contractual changes negotiated with Air Malta. This resulted in a decline of €3.04 million in revenue, from €8.73 million in FY2015 to €5.69 million in FY2016, and the company declared a loss for the year of €0.23 million (FY2015: profit of €0.53 million). Since the share of results of Sky Gourmet Malta Limited is not material to the Group's financial performance, management has assumed a similar performance as in FY2016 for each of the projected financial years FY2017 and FY2018.

11.3 LONG-TERM CARE TREND ANALYSIS

Demand for long-term care in Malta is expected to progressively rise in the coming years as the population ages. According to projections published by the NSO, the percentage of the Maltese population over 60 years of age is expected to increase to 28% by 2020 and to 30% by 2030 (vide population distribution chart below). In absolute figures, Malta has *circa* 110,000 seniors above the age of 60 and this is expected to grow to over 135,000 by 2030. As a result of this substantial increase in elderly persons, it is envisaged that this will have a material effect on the growth in demand for care and support services provided to this category of the population.

In line with the above-mentioned statistics, the MHC Group foresees a steady increase in demand for nursing, home carers and other healthcare staff in the coming years, as well as a growing need for retirement and long-term care homes. As such, the MHC Group plans to continue to focus on this sector and progressively increase its offerings, particularly, by growing the staff complement to meet the demand for long-term care in Malta. Furthermore, as described hereinabove, the MHC Group intends to expand its activities in the healthcare sector through the development and operation of a residence for the elderly located in Santa Lucija.

Projected percentage distribution of total population



Source: Demographic Review 2014, National Statistics Office, Malta

11.4 CONTRACT CATERING TREND ANALYSIS

The demand for contract catering in Malta has developed substantially over the last ten years, particularly from the healthcare, aviation and canteen catering sectors. In the healthcare sector, demand for such service is mainly generated from state and privately-owned hospitals as well as from retirement homes. The Directors expect this market to grow further in the coming years as more hospitals and care homes are developed to meet the needs of Malta's ageing population. As such, the MHC Group intends to remain focused on optimising the contract catering business with a customer centric approach, while continuing to explore appropriate opportunities to profitably grow market share.

As for demand from the aviation industry, inflight catering service is decreasing as a result of airlines reducing their costs on ancillary services such as inflight meals. In this regard, the Group, through its 30% shareholding in Sky Gourmet Malta Ltd, will continue to focus on achieving operating efficiencies so as to safeguard profitability and future viability of this business.

11.5 OTHER INVESTMENTS IN ASSOCIATED COMPANIES

The Group owns 33.3% of Porto Azzurro Limited, a company that owns, manages and operates a three star 125-room aparthotel located in Xemxija, Malta. The rooms and apartments are equipped with en-suite bathrooms, a fully equipped kitchenette and other amenities. The hotel has a 24-hour reception, a launderette, mini market, dedicated restaurant and a pizzeria, as well as a number of leisure facilities. During the year ended 31 March 2016, the company generated revenue amounting to €0.84 million (FY2015: €0.79 million) and profits of €0.25 million (FY2015: €0.16 million).

The Group owns 30% of Sky Gourmet Malta Inflight Services Ltd, a company principally involved in the provision of personnel and administration services to Sky Gourmet Malta Limited. During the year ended 31 March 2016, the company generated €1.81 million (FY2015: €1.95 million) in revenue and registered a profit for the year of €0.11 million (FY2015: €0.11 million).

12. PRINCIPAL FUTURE INVESTMENTS

On 1 February 2017, the Group, through DB San Gorg Property Limited, entered into a deed of temporary emphyteusis with the Commissioner of Land, on behalf of the Government of Malta, for the design, build and operation of a tourism and leisure development on the site currently occupied by the Institute of Tourism Studies located in St George's Bay, St Julians, Malta.

The 99-year temporary emphyteutical concession is subject to a cash consideration of €15.0 million, payable over a period of seven years, with the first payment of €5.0 million payable on signing of the said deed. The balance of €10.0 million is payable in seven equal annual instalments as from January 2018. Upon the issuance of the relevant Planning Authority permit determining the full extent of developable area of the City Centre Project, a consideration shall further be due to Government, or by Government to DB San Gorg Property Limited, as the case may be, which consideration is payable over a period of seven years in seven equal annual instalments, and calculated in accordance with the terms of a schedule annexed to the Emphyteutical Deed. The first instalment is to be paid one week after the issuance of the relevant Planning Authority permit. An additional consideration shall become due should a Planning Authority permit be issued allowing for further developable area than originally permitted, which consideration is to be calculated in accordance with the terms of a schedule annexed to the Emphyteutical Deed. The payment of such additional consideration shall be effected within one week from the issuance of the said Planning Authority permit.

Stamp duty of *circa* €3.0 million was payable upon signing of deed. The payment of *circa* €8.0 million (comprising the said first payment and stamp duty) was financed primarily through a bank facility.

In terms of the deed, a total annual ground rent of €1,562,509 shall be payable to Government, of which a total of €1,169,579 is to be allocated for redemption purposes based on a net floor space area of 51,030m² (comprising residential, office space and garage space). The afore-mentioned annual ground rent shall be temporarily reduced to €1,000 per annum until the earlier of: (a) the issuance of a certificate of completion by an architect; or (b) the lapse of five years from date of deed.

Subject to the issuance of Planning Authority permit, the db Group plans to develop a five-star Hard Rock Hotel, a casino, an exclusive top-floor bar, catering and dining establishments, a congress hall and conference centre, a shopping mall, a car park, office suites and residential units. The cost of construction and development of the above-mentioned project is expected to be funded through a combination of own funds, bank facilities and issuance of debt as well as cash flows generated by the initial instalment of residential units set to be constructed as part of the project.

PART 3 – PERFORMANCE REVIEW

13. FINANCIAL INFORMATION RELATING TO SD FINANCE PLC

The Issuer was registered and incorporated on 20 January 2017, and as such there is no historical financial information pertaining to the Issuer. The forecasted financial information for the years ending 31 March 2017 and 2018 has been provided by management of the Company.

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

SD Finance p.l.c.		
Income Statement		
for the year ended 31 March		
	2017	2018
	€'000	€'000
	Forecast	Projection
Finance income	-	2,941
Finance costs	-	(2,844)
Administrative expenses	-	(19)
Profit before tax	-	78
Taxation	-	(27)
Profit for the year	-	51

SD Finance p.l.c.		
Cash Flow Statement		
for the year ended 31 March		
	2017	2018
	€'000	€'000
	Forecast	Projection
Net cash from operating activities	-	2,841
Net cash from investing activities	-	(54,447)
Net cash from financing activities	250	51,685
Net movement in cash and cash equivalents	250	79
Cash and cash equivalents at beginning of year	-	250
Cash and cash equivalents at end of year	250	329

SD Finance p.l.c.		
Balance Sheet		
as at 31 March		
	2017	2018
	€'000	€'000
	Forecast	Projection
ASSETS		
Non-current		
Loans owed by parent company	-	64,081
	-	64,081
Current		
Cash and cash equivalents	250	329
	250	329
Total assets	250	64,410
EQUITY		
Capital and reserves		
Called up share capital	250	250
Retained earnings	-	51
	250	301
LIABILITIES		
Non-current		
Bonds in issue	-	64,081
	-	64,081
Current		
Taxation	-	28
	-	28
	-	64,109
Total equity and liabilities	250	64,410

The Issuer is a fully owned subsidiary of SD Holdings Limited, the parent company of the db Group, and is principally engaged to act as a finance company. It is anticipated that in FY2017, the Issuer will on-lend the net proceeds of the €65 million Bond Issue to Group companies, and as a result, finance income will principally represent interest receivable from loan advanced to Group companies and finance costs will comprise interest payable to bondholders.

14. FINANCIAL INFORMATION RELATING TO SD HOLDINGS LIMITED

The financial information provided hereunder is extracted from the audited consolidated financial statements of SD Holdings Limited for each of the years ended 31 March 2014 to 31 March 2016. The forecasted financial information for the years ending 31 March 2017 and 2018 has been provided by management of the Company.

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

SD Holdings Limited					
Consolidated Income Statement					
for the year ended 31 March					
	2014	2015	2016	2017	2018
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
Revenue	23,087	34,947	42,963	45,702	46,828
<i>db Seabank Resort & Spa</i>	16,485	18,044	19,988	20,929	21,348
<i>db San Antonio Hotel & Spa</i>		9,393	14,727	16,280	16,819
<i>Hard Rock Café Malta</i>	4,944	5,295	5,529	5,695	5,809
<i>Tunny Net Complex</i>	1,708	2,192	2,655	2,735	2,790
<i>Other</i>	(50)	23	64	63	62
Cost of sales	(14,355)	(21,475)	(22,939)	(24,400)	(24,654)
Gross profit	8,732	13,472	20,024	21,302	22,174
Other net operating costs	(1,147)	(1,564)	(2,220)	(1,961)	(2,030)
EBITDA¹	7,585	11,908	17,804	19,341	20,144
<i>db Seabank Resort & Spa</i>	7,391	8,442	10,351	10,534	10,744
<i>db San Antonio Hotel & Spa</i>		2,983	6,730	8,089	8,379
<i>Hard Rock Café Malta</i>	156	285	389	493	822
<i>Tunny Net Complex</i>	52	203	233	287	293
<i>Other</i>	(14)	(5)	101	(62)	(94)
Depreciation	(2,405)	(5,461)	(6,093)	(6,080)	(5,583)
Operating profit	5,180	6,447	11,711	13,261	14,561
Net finance costs	(2,038)	(4,032)	(3,694)	(2,731)	(3,085)
Share of results of associates	692	601	424	424	424
Profit before tax	3,834	3,016	8,441	10,954	11,900
Taxation	(619)	3,668	(2,814)	(3,863)	(4,222)
Profit for the year	3,215	6,684	5,627	7,091	7,678
Other comprehensive income					
Revaluation surplus, net of deferred tax	-	-	22,586	-	-
Cash flow hedges, net of deferred tax	22	19	110	-	-
Total comprehensive income for the year net of tax	3,237	6,703	28,323	7,091	7,678

¹ EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

SD Holdings Limited
Consolidated Balance Sheet
as at 31 March

	2014	2015	2016	2017	2018
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
ASSETS					
Non-current assets					
Property, plant and equipment	88,478	113,436	136,667	133,136	129,299
Intangible assets	1,453	1,211	970	786	607
Prepaid operating lease	-	-	-	7,895	9,228
Investments in associates	3,631	3,932	4,356	4,780	5,204
Deferred tax assets	5,592	9,383	3,901	227	-
Trade and other receivables	-	-	327	44	-
	<u>99,154</u>	<u>127,962</u>	<u>146,221</u>	<u>146,868</u>	<u>144,338</u>
Current assets					
Inventories	586	832	917	1,090	1,116
Trade and other receivables	3,080	6,958	8,787	8,723	8,710
Current tax assets	64	1	-	-	-
Cash and cash equivalents	1,510	1,750	508	1,624	13,386
	<u>5,240</u>	<u>9,541</u>	<u>10,212</u>	<u>11,437</u>	<u>23,212</u>
Total assets	<u>104,394</u>	<u>137,503</u>	<u>156,433</u>	<u>158,305</u>	<u>167,550</u>
EQUITY					
Capital and reserves					
Share capital	520	520	520	4,000	4,000
Reserves	1,694	1,713	24,409	25,886	35,516
Retained earnings	8,481	15,135	20,721	26,370	24,495
Non-controlling interest	10,976	11,006	11,047	9,553	-
	<u>21,671</u>	<u>28,374</u>	<u>56,697</u>	<u>65,809</u>	<u>64,011</u>
LIABILITIES					
Non-current liabilities					
Borrowings and bonds	55,262	61,942	54,745	54,229	72,284
Other non-current liabilities	7,111	8,470	6,523	7,207	10,345
	<u>62,373</u>	<u>70,412</u>	<u>61,268</u>	<u>61,436</u>	<u>82,629</u>
Current liabilities					
Borrowings	5,159	9,970	10,208	8,514	-
Other current liabilities	15,191	28,747	28,260	22,546	20,910
	<u>20,350</u>	<u>38,717</u>	<u>38,468</u>	<u>31,060</u>	<u>20,910</u>
	<u>82,723</u>	<u>109,129</u>	<u>99,736</u>	<u>92,496</u>	<u>103,539</u>
Total equity and liabilities	<u>104,394</u>	<u>137,503</u>	<u>156,433</u>	<u>158,305</u>	<u>167,550</u>

SD Holdings Limited					
Consolidated Cash Flow Statement					
for the year ended 31 March					
	2014	2015	2016	2017	2018
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
Net cash from operating activities	7,268	10,119	15,989	18,404	19,370
Net cash from investing activities	(9,432)	(21,371)	(10,272)	(14,449)	(4,512)
Net cash from financing activities	1,829	9,765	(6,082)	(787)	(3,096)
Net movement in cash and cash equivalents	(335)	(1,487)	(365)	3,168	11,762
Cash and cash equivalents at beginning of year	643	308	(1,179)	(1,544)	1,624
Cash and cash equivalents at end of year	308	(1,179)	(1,544)	1,624	13,386

Key Accounting Ratios	FY2014	FY2015	FY2016	FY2017	FY2018
Gross profit margin <i>(Gross profit/revenue)</i>	38%	39%	47%	47%	47%
Operating profit margin <i>(EBITDA/revenue)</i>	33%	34%	41%	42%	43%
Interest cover (times) <i>(EBITDA/net finance cost)</i>	3.72	2.95	4.82	7.08	6.53
Net profit margin <i>(Profit after tax/revenue)</i>	14%	19%	13%	16%	16%
Earnings per share (€) ¹ <i>(Profit after tax/number of shares)</i>	6.15	12.80	10.74	1.77	1.92
Return on equity <i>(Profit after tax/shareholders' equity)</i>	15%	24%	10%	11%	12%
Return on capital employed <i>(EBITDA/total assets less current liabilities)</i>	9%	12%	15%	15%	14%
Return on assets <i>(Profit after tax/total assets)</i>	3%	5%	4%	4%	5%

¹ In FY2014 to FY2016, the Guarantor had in issue 520,000 shares. As of FY2017, the issued share capital increased to 4,000,000 shares.

Source: Charts Investment Management Service Limited

Revenue of the Group for **FY2015** amounted to €34.9 million, an increase of €11.9 million when compared to FY2014. The major part of this increase (€9.4 million) related to the inclusion of revenue of the San Antonio Hotel following the acquisition by the Guarantor of the remaining 50% shareholding in December 2013 (thereby becoming a wholly owned subsidiary of the Group). The remaining y-o-y increase in revenue of €2.5 million was generated primarily from the Seabank Hotel as to €1.6 million, whilst the balance of €0.9 million was generated from the operations of Hard Rock Café Malta and Tunny Net Complex.

In FY2015, the Group registered an EBITDA of €11.9 million, a y-o-y increase of €4.3 million (FY2014: €7.6 million). Of this increase, an amount of €3.0 million represented the first-year EBITDA generated by the San Antonio Hotel as a subsidiary of the Group. The other principal contributor to the increase in EBITDA was the Seabank Hotel, where the hotel's EBITDA increased by €1.0 million from €7.4 million in FY2014 to €8.4 million in FY2015.

Net finance costs increased from €2.0 million in FY2014 to €4.0 in FY2015, as a result of inclusion of interest payable relating to the San Antonio Hotel. With respect to 'share of results of associates', in FY2014, an amount of €0.4 million of the aggregate balance of €0.7 million represented the 50% share of profits of the San Antonio Hotel. In FY2015, the removal of the San Antonio Hotel as an associate was compensated for by an increase in share of profits from Malta Healthcare Caterers Limited, which increased from €52,000 in FY2014 to €0.4 million in FY2015.

Overall, the Group registered a profit for FY2015 of €6.7 million (FY2014: €3.2 million) after accounting for a tax credit balance of €3.7 million (FY2014: tax charge of €0.6 million). Total comprehensive income for FY2015, net of tax, amounted to €6.7 million as compared to €3.2 million a year earlier.

In **FY2016**, revenue of the db Group increased by €8.0 million (+23%) from €34.9 million in FY2015 to €42.9 million. Revenue generated by the Seabank Hotel increased by €1.9 million (+11%) to €20.0 million, whilst the San Antonio Hotel recorded a y-o-y increase of €5.3 million (+57%) from €9.4 million in FY2015 to €14.7 million. The growth registered at the San Antonio Hotel was due to an increase in occupancy levels and a significant increase in revenue per occupied room (RevPOR), and is reflective of a full-year's impact of the renovated property, the expansion to 513 rooms and the shift to an all-inclusive business model. Revenue generated by Hard Rock Café Malta and the Tunny Net Complex increased in aggregate by €0.7 million (+9%) from €7.5 million in FY2015 to €8.2 million.

EBITDA for the financial year under review increased by €5.9 million from €11.9 million in FY2015 to €17.8 million, substantially generated from the Seabank Hotel and the San Antonio Hotel which registered y-o-y increases of €1.9 million and €3.7 million respectively. As for Hard Rock Café Malta and the Tunny Net Complex, the respective EBITDA for FY2016 broadly matched the EBITDA registered in FY2015.

After accounting for depreciation of €6.1 million (FY2015: €5.5 million), net finance costs of €3.7 million (FY2015: €4.0 million) and share of results of associates of €0.4 million (FY2015: 0.6 million), the Group registered a profit before tax of €8.4 million, a y-o-y increase of €5.4 million when compared to FY2015 (profit before tax: €3.0 million). In FY2016, the property valuations (net of deferred tax) of the Seabank Hotel and the San Antonio Hotel were revised upwards by an aggregate amount of €22.6 million, and as a consequence, the comprehensive income for FY2016 amounted to €28.3 million (FY2015: €6.7 million).

Revenue for **FY2017** is projected to increase by €2.7 million (+6%) as compared to the prior year from €43.0 million to €45.7 million, primarily due to a projected increase in revenue generated from the San Antonio Hotel of €1.6 million. Management has assumed that the all-inclusive offering at the aforesaid hotel is still in the early stage of operational development and therefore a relatively high growth rate has been forecasted. Revenue from the Seabank Hotel is projected at €20.9 million, an increase of €0.9 million (+5%) over FY2016. The other group operations are expected to increase y-o-y revenue by 3%.

Operating profit for FY2017 is forecasted at €13.3 million, an increase of €1.5 million (+13%) when compared to €11.7 million registered in FY2016. Net finance costs is projected to decrease from €3.7 million in FY2016 to €2.7 million as a result of further repayments of bank borrowings made during the year and a reduction in the Group's effective interest rate. Share of results of associates has been projected to remain stable at €0.4 million. After accounting for taxation, the db Group expects to register an increase in profits of €1.5 million (+26%) in FY2017, from €5.6 million in FY2016 to €7.1 million.

As for **FY2018**, management has assumed an average revenue growth of 2.5% and therefore revenue is forecasted to increase from €45.7 million in FY2017 to €46.8 million. The resultant effect on operating profit is an increase of €1.3 million, from €13.3 million in FY2017 to €14.6 million, and profit for the year is projected at €7.7 million, a growth of €0.6 million (+8%) from a year earlier.

The estimates for the forward years as presented in this document assume that the carrying values of hotel properties will remain constant in FY2017 and FY2018, and therefore no adjustment has been made as to possible impairment or uplift of assets that may be booked and which may materially affect the consolidated income statement and balance sheet values.

Total assets of the Group as at 31 March 2016 amounted to €156.4 million (FY2015: €137.5 million), and principally comprised the Seabank Hotel (2016: €62.7 million, 2015: €54.8 million) and the San Antonio Hotel (2016: €70.0 million, 2015: €51.4 million). Other assets included investments in associates, deferred taxation and trade & other receivables. On 1 February 2017, the Group acquired a 99-year temporary emphyteutical grant from the Government of Malta on a site in St George's Bay, St Julians, as further described in section 12 of this report. The said acquisition is included as a non-current asset in the balance sheet under the heading 'Prepaid operating lease'.

Other than equity, the Group was mainly financed, in FY2014 and FY2015, through bank loans and shareholder loans. In October 2016, the Guarantor issued and allotted an additional 3,480,000 ordinary shares of €1 each, fully paid up through the capitalisation of shareholder loans. It is anticipated that, in FY2018, the majority of bank loans (which were primarily used for the development and renovation of the Seabank Hotel and San Antonio Hotel) will be refinanced from proceeds of the proposed Bond Issue.

Further analysis of borrowings is provided hereunder:

SD Holdings Limited					
Consolidated Borrowings					
as at 31 March					
	2014	2015	2016	2017	2018
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
Borrowings					
Bank overdrafts	1,202	2,929	2,052	-	-
Bank loans	55,440	65,204	59,122	61,132	6,592
	56,642	68,133	61,174	61,132	6,592
Bonds					
4.35% Unsecured Bonds 2027				-	64,081
	-	-	-	-	64,081
Other loans					
Amounts owed to ultimate shareholder	3,779	3,779	3,779	1,611	1,611
	3,779	3,779	3,779	1,611	1,611
Total borrowings and bonds	60,421	71,912	64,953	62,743	72,284

Key Accounting Ratios	FY2014	FY2015	FY2016	FY2017	FY2018
Net assets per share (€) <i>(Net asset value/number of shares)</i>	41.68	54.57	109.03	16.45	16.00
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	0.26	0.25	0.27	0.37	1.11
Gearing ratio <i>(Total net debt/net debt and shareholders' equity)</i>	73%	71%	53%	48%	48%

Source: Charts Investment Management Service Limited

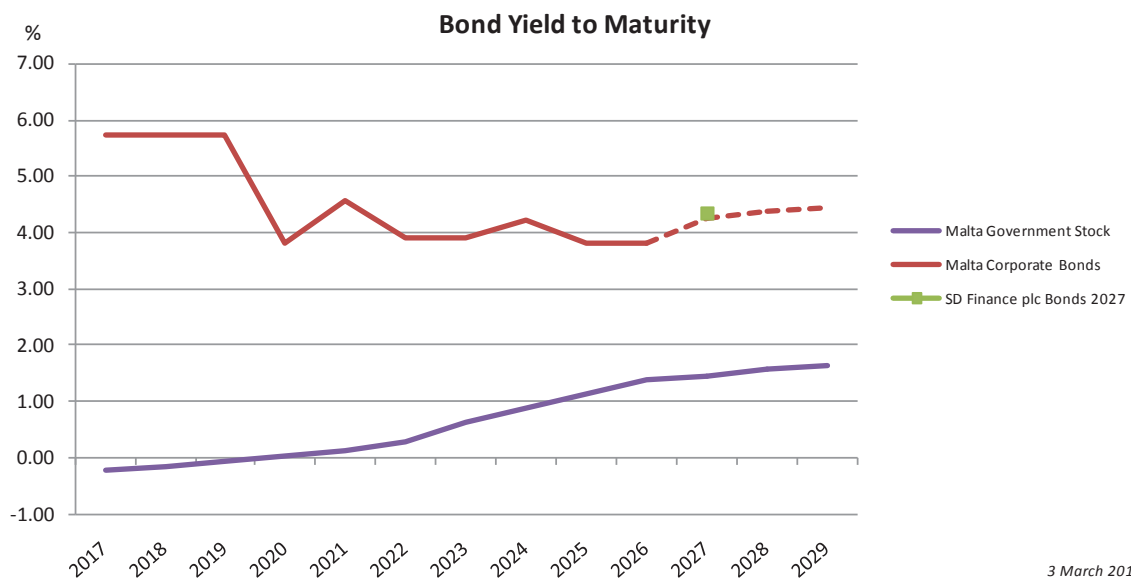
PART 4 – COMPARABLES

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

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	3.91	n/a	58,098	11,734	61.87
4.25% Gap Group plc Secured € 2023	40,000,000	3.98	n/a	61,002	7,541	81.51
6% AX Investments Plc € 2024	40,000,000	4.00	3.62	270,425	163,719	27.97
6% Island Hotels Group Holdings plc € 2024	35,000,000	4.62	0.58	145,140	54,053	53.19
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	4.25	3.49	67,669	25,823	57.66
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	4.22	0.05	81,842	31,150	55.46
5.1% PTL Holdings plc Unsecured € 2024	36,000,000	4.50	2.32	70,543	6,592	86.78
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.81	1.50	90,867	26,315	71.30
4.0% International Hotel Invest. plc Secured € 2026	55,000,000	3.63	1.45	1,159,643	608,288	36.49
4.0% MIDI plc Secured € 2026	50,000,000	3.46	2.64	187,462	71,248	37.55
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.50	7.93	185,070	43,401	57.85
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	4.35	4.82	156,433	56,697	53.20

3 March'17

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



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

PART 5 - EXPLANATORY DEFINITIONS AND REFERENCES

Income Statement

Revenue	Total revenue generated by the Group from its business activities during the financial year, including room reservations, food & beverage and other revenue streams.
Cost of sales	Direct costs include cost of food, beverages, consumables, labour expenses and all other direct expenses.
Gross profit	Gross profit is the difference between revenue and direct costs. It refers to the profit made by the Group before deducting operating costs, depreciation & amortisation, finance costs, impairment provisions, share of results from associate and affiliate companies and other operating costs.
Operating costs	Operating costs include all operating expenses other than direct costs and include general & administration expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Share of results of associates	The Guarantor owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the db Group, but the Guarantor's share of profit is shown in the profit and loss account under the heading 'share of results of associates'.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.

Key Performance Indicators

Occupancy level	Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Revenue per occupied room (RevPOR)	RevPOR is calculated by adding all income generated (room accommodation, food & beverage and other income) and dividing it by the number of occupied rooms. A hotel uses this indicator as a performance measure with other hotels in the same category or market to determine how well the hotel property is yielding.
Gross operating profit per available room (GOPAR)	GOPAR is the total revenue of the hotel less expenses incurred earning that revenue, divided by the available rooms. This indicator is another performance measure used in the hotel industry.
Revenue generating index (RGI)	A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) revenue per occupied room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.
Gross operating profit generating index (GOPGI)	A gross operating profit generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) gross operating profit per available room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.

Profitability Ratios

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

Efficiency Ratios

Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.

Equity Ratios

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

Cash flow from operating activities	Cash generated from the principal revenue-producing activities (room revenue, food & beverage, hotel services, etc) of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.

Balance Sheet

Non-current assets	Non-current assets are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. Such assets include intangible assets (including goodwill on acquisition), investments in associates (Malta Healthcare Caterers Ltd, Porto Azzurro Ltd, Sky Gourmet Ltd and Sky Gourmet Malta Inflight Services Ltd), property, plant & equipment (hotel properties), and deferred tax assets.
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory (food, beverages, consumables, etc), cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.

Financial Strength Ratios

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

References

- Central Bank of Malta – Outlook for the Maltese economy (Economic projections 2016 - 2019), December 2016
- National Statistics Office - Malta (www.nso.gov.mt)
- Malta Hotels and Restaurants Association (MHRA) Survey (2013, 2014 and 2015)

