



Prospectus being issued in respect of an issue of  
€15,000,000 4% Secured Bonds 2028  
of a nominal value of €100 per Secured Bond, issued and redeemable at par  
by

**EXALCO FINANCE P.L.C.**

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA  
WITH COMPANY REGISTRATION NUMBER C 87384

with the joint and several Guarantee of

**EXALCO PROPERTIES LIMITED**

A PRIVATE LIMITED LIABILITY COMPANY REGISTERED IN MALTA  
WITH COMPANY REGISTRATION NUMBER C 11273

ISIN: MT0001911206



**EXALCO**

Sponsor, Manager & Registrar



**RIZZO FARRUGIA**  
YOUR INVESTMENT CONSULTANTS

Legal Counsel

**CAMILLERI PREZIOSI**  
ADVOCATES





## SUMMARY NOTE

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

dated 31 July 2018

in respect of an issue of

€15,000,000 4% Secured Bonds 2028

of a nominal value of €100 per Secured Bond, issued and redeemable at par

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### EXALCO FINANCE P.L.C.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA

WITH COMPANY REGISTRATION NUMBER C 87384

with the joint and several Guarantee \* of

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

ISIN: MT0001911206

Sponsor, Manager & Registrar



Legal Counsel




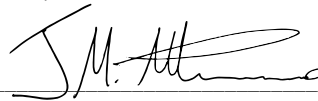
**THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENT IS IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY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

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

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

Approved by the directors of Exalco Finance p.l.c

  
Alexander Montanaro

  
Jean Marc Montanaro

*Signing in their capacity as directors of the company and on behalf each of Michael Montanaro, Kevin Valenzia, Lawrence Zammit and Mario P. Galea.*

## IMPORTANT INFORMATION

THIS SUMMARY NOTE CONSTITUTES PART OF A PROSPECTUS AND CONTAINS INFORMATION IN RELATION TO EXALCO FINANCE P.L.C. IN ITS CAPACITY AS ISSUER AND EXALCO PROPERTIES LIMITED AS GUARANTOR. THIS SUMMARY NOTE 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 “**PROSPECTUS 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 ADVISERS.

**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.**

IT IS THE RESPONSIBILITY OF ANY PERSON IN POSSESSION OF THIS DOCUMENT AND ANY PERSON 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 OF ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR 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 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 REGISTRY OF COMPANIES IN ACCORDANCE WITH THE ACT. 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 ADVISER.**

THIS SUMMARY NOTE 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 FROM THE PROSPECTUS AS A WHOLE.

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

ALL THE ADVISERS TO THE ISSUER AND THE GUARANTOR UNDER THE HEADING “*ADVISERS TO THE ISSUER AND THE GUARANTOR*” IN SECTION 3.2 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. NONE OF THE ADVISERS ACCEPT ANY RESPONSIBILITY TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE CONTENTS OF, AND ANY INFORMATION CONTAINED IN, THE PROSPECTUS, ITS COMPLETENESS OR ACCURACY OR ANY OTHER STATEMENT MADE IN CONNECTION THEREWITH.

THE CONTENTS OF THE ISSUER'S OR THE GUARANTOR'S WEBSITES OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S OR THE GUARANTOR'S WEBSITES 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 DIRECTORS OF THE ISSUER CONFIRM THAT WHERE INFORMATION INCLUDED IN THIS 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 ADVISERS.**

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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 Summary Note. 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 by Authorised Financial Intermediaries either for their own account or for the account of underlying customers;
  - 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 sixty (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 / B.19** The legal and commercial name of the Issuer is Exalco Finance p.l.c. The legal and commercial name of the Guarantor is Exalco Properties Limited.

**B.2 / B.19** The Issuer was registered in Malta in terms of the Act on 17 July 2018 as a public limited liability company. The Issuer is domiciled in Malta. The Guarantor was registered in Malta in terms of the Act on 11 January 1990 as a private limited liability company, previously under the name 'Exalco Group Limited'. The Guarantor is domiciled in Malta.

**B.4b / B.19** The Issuer is dependent on the business prospects of the Guarantor and, therefore, the trend information of the Guarantor (detailed below) is considered to have a material effect on the Issuer’s financial prospects.

**The following is a brief synopsis of the significant trends affecting the operations of the Guarantor:**

The Guarantor’s primary operating activity comprises the acquisition and development of high-quality business centres and the leasing of office and retail space to third parties. The Guarantor owns five large business centres in prime locations across Malta and also owns other smaller properties.

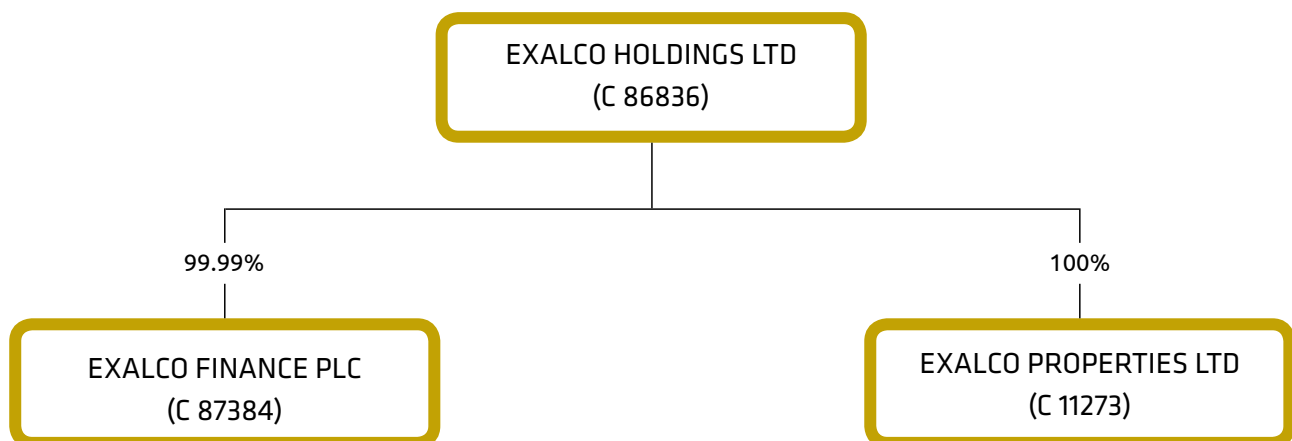
Historically, the Guarantor’s properties have nearly always operated close to full occupancy. Occupancy levels in 2017 averaged 100% across all properties, with only one unit of circa 64m<sup>2</sup> and five car spaces becoming available during the last quarter of the year. In 2018, occupancy levels are expected to remain consistent with 2017, since over 90% of expected rental revenue is contracted. The Guarantor’s rental income is highly dependent on the rental of office space. In fact, this is expected to comprise circa 85% of the company’s rental revenue in 2018. A significant proportion of tenants operate in the gaming and financial services sectors, with over 70% of total rental revenue expected to be generated in 2018 relating to these two sectors. Growth in the gaming and financial services sectors in Malta has been one of the principal drivers of the increase in demand for office space in recent years.

The heightened demand for office space has resulted in a significant pipeline of real estate projects, which include a substantial element of office accommodation. The take-up of this additional office space remains dependent on continued growth in foreign direct investment and employment particularly from the gaming and finance industry. The Guarantor is confident that its experience and track record place it in a suitable position to remain one of the leading providers of quality office space in Malta. The Guarantor intends to continue expanding its property portfolio and actively monitor the local market for new investment opportunities. In fact, since the completion of the Golden Mile development in 2017, management has been assessing the viability of a number of prospective projects.

In pursuit of this objective, a related party of the Issuer and the Guarantor, ALMO Properties Limited (C 69554), entered into a promise of sale agreement dated 22 June 2018 for the acquisition of a six-floor complex bordered on three streets namely by Triq il-Ferrovija, Triq Regionali and Triq Blata l-Kahla, Santa Venera (the “**Target Property**”), for the price of €6,204,839. The acquisition is subject to the successful conclusion of the final deed of sale. Pursuant to the terms of the promise of sale agreement, the related party is vested with a right of assignment in favour of, *inter alia*, the Guarantor. The Board of Directors of the Issuer understands that such right of assignment is due to be exercised with a view to the Guarantor appearing on the final deed of sale for the acquisition of the Target Property. In addition, the Guarantor will seek to identify additional properties for acquisition and subsequent development.

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 property market 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 Guarantor and its business, at least with respect to the current financial year. However, investors are strongly advised to carefully read the risk factors included within the Prospectus.

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



**B.9 / B.19** *Not Applicable:* No profit forecasts or estimates have been included in the Registration Document.

**B.10 / B.19** *Not Applicable:* As at the date hereof, the recently incorporated Issuer has no financial information to report. The audit reports on the audited financial statements for the years ended 31 December 2015 to 2017 of the Guarantor do not contain any material qualifications.

**B.12 / B.19** The Issuer was registered on 17 July 2018 as a special purpose vehicle to act as the financing arm of the Group and has, to the date of the Prospectus, not conducted any business. 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 financial statements.

The historical financial information of the Guarantor is set out in the audited financial statements for each of the financial years ended 31 December 2015 to 2017. Copies of the aforementioned financial statements are available from the Issuer's registered office and website at <http://www.exalcogroup.com/>.

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

The following are extracts from the audited financial statements of the Guarantor for the financial years ended 31 December 2015, 2016 and 2017.

<b>Exalco Properties Limited</b>			
<b>Income Statement for the year ended 31 December</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>€'000s</b>	<b>Audited</b>	<b>Audited restated</b>	<b>Audited</b>
Net revenue from property leasing activities	1,770	1,863	2,323
Net operating costs	(250)	(237)	(274)
<b>Normalised EBITDA<sup>1</sup></b>	<b>1,520</b>	<b>1,626</b>	<b>2,049</b>
Depreciation	(50)	(83)	(204)
<b>Normalised operating profit</b>	<b>1,470</b>	<b>1,543</b>	<b>1,845</b>
Net finance costs	(542)	(509)	(538)
<b>Normalised profit before tax</b>	<b>928</b>	<b>1,034</b>	<b>1,307</b>
Normalisation adjustments	(71)	(32)	(56)
<b>Reported profit before tax</b>	<b>857</b>	<b>1,002</b>	<b>1,251</b>
Taxation	(268)	(295)	(333)
<b>Reported profit after tax</b>	<b>589</b>	<b>707</b>	<b>918</b>

Source: Consolidated audited financial statements of Exalco Properties Limited for the years ended 31 December 2015 and 2016 (restated) and audited financial statements for the year ended 31 December 2017

<b>Exalco Properties Limited</b>			
<b>Statement of Financial Position as at 31 December</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>€'000s</b>	<b>Audited</b>	<b>Audited restated</b>	<b>Audited</b>
Non-current assets	34,881	34,940	54,172
Current assets	1,606	1,012	1,213
<b>Total Assets</b>	<b>36,487</b>	<b>35,952</b>	<b>55,385</b>
<b>Equity and liabilities</b>			
Equity	21,353	21,970	35,468
Non-current liabilities	11,965	10,426	15,812
Current liabilities	3,169	3,556	4,105
<b>Total equity and liabilities</b>	<b>36,487</b>	<b>35,952</b>	<b>55,385</b>

Source: Consolidated audited financial statements of Exalco Properties Limited for the years ended 31 December 2015 and 2016 (restated) and audited financial statements for the year ended 31 December 2017

<sup>1</sup>Earnings before Interest, Tax, Depreciation and Amortisation

**Exalco Properties Limited****Cash Flow Statement for the year ended 31 December**

€'000s

	2015 Audited	2016 Mgt. Info.	2017 Mgt. Info.
Net cash from operating activities	211	1,622	1,322
Net cash used in investing activities	(869)	(614)	(3,407)
Net cash from / (used in) financing activities	1,882	(1,216)	1,601
<b>Net movement in cash and cash equivalents</b>	<b>1,224</b>	<b>(208)</b>	<b>(484)</b>
Cash and cash equivalents at beginning of year	(319)	905	697
<b>Cash and cash equivalents at end of year</b>	<b>905</b>	<b>697</b>	<b>213</b>

Source: Consolidated audited financial statements of Exalco Properties Limited for the year ended 31 December 2015 and management information

The Guarantor's net revenue from property leasing activities stepped up by 31% from €1.8 million in 2015 to €2.3 million in 2017. The increase in revenue reflects the effect of rental rate increments as per lease agreements entered into with tenants, as well as the commencement of the lease of the Golden Mile Business Centre in September 2017.

The Guarantor's normalised EBITDA margin increased from 86% in 2015 to 88% in 2017, which means that the company has been consistently achieving improved margins in its operations, translating into additional profit. Profit for the year increased from €0.6 million in 2015 to €0.9 million in 2017.

Total assets as at 31 December 2017 amounted to circa €55.4 million and primarily include the Guarantor's investment property portfolio, which is carried at a total value of €53.7 million. The carrying amount of the properties is based on a valuation carried out by an independent qualified architect in 2018 in accordance with the requirements of Chapter 7 of the Listing Rules, which is included in Annex I of the Registration Document. The valuation resulted in the recognition of a revaluation gain of €18 million, a significant portion of which was recognised on the Golden Mile Business Centre (+€12.4 million).

Total liabilities as at 31 December 2017 amounted to circa €19.9 million, with the principal liabilities relating to borrowings and deferred tax liabilities. Borrowings, which amounted to €11.7 million as at 31 December 2017, include bank loans of €11 million and a bank overdraft balance of €0.7 million. The level of debt as at this date results in a financial gearing ratio (net of cash and cash equivalents) of 24.4%. The borrowings are secured by a special and general hypothec over the Guarantor's principal properties and a pledge over the insurance policies of the Guarantor.

Deferred tax liabilities, which amounted to €4.7 million as at 31 December 2017, include provision for the future tax liabilities that would arise upon an eventual sale of the properties owned by the Guarantor.

Between 2015 and 2017, the Guarantor generated total cash from operating and financing activities of €3.1 million and €2.3 million respectively, which were utilised primarily to finance the development of the Golden Mile Business Centre.

The 2016 financial statements of Exalco Properties were restated to include accumulated depreciation of €0.5 million on the buildings of the properties held by the Guarantor, which was not being accounted for in prior years, and €0.4 million relating to revaluation gains, previously credited to retained earnings instead of the revaluation reserve.

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

**B.14 / B.19** The Issuer was registered as a subsidiary of Exalco Holdings, with the latter holding the entire issued share capital of the Issuer, save for one share which is held by Mr Alexander Montanaro. The Issuer itself does not itself carry on any trading activities apart from the raising of capital and advancing thereof to the Group, specifically the Guarantor, as and when the demands of its business so requires. Accordingly, the Issuer is economically dependent on the Group.

**B.15 / B.19** As at the date of the Prospectus, the Issuer, which was set up in 2018 as a special purpose vehicle to act as the financing arm of the Group, 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. In terms of its Memorandum and Articles of Association, the principal objects of the Issuer include, but are not limited to: the carrying on the business of a finance company; the borrowing and raising of money in such manner as the Issuer may deem fit, including the issuing of bonds, debentures, commercial paper or other instruments creating or acknowledging indebtedness and to offer the same to the public; and the securing of the repayment of any money borrowed or raised and any interest payable thereon.



In terms of its memorandum and articles of association, the principal objects of the Guarantor include, but are not limited to, the following: to carry on the business of a holding company; to carry on business in Malta as property developers and building contractors; to acquire and dispose of, by any title valid at law, movable or immovable property, whether for commercial or other purposes and to hold the property so acquired; to construct, reconstruct, build, improve, renovate, alter, develop, decorate, enlarge, pull down, demolish and remove or replace, furnish and maintain buildings, operations and other works of every kind and description; to invest, lease, hire, grant by way of emphyteutical concession or in any other manner employ, improve, manage or develop any of its assets as may from time to time be determined; and to guarantee the payment of monies or the performance of any contract or obligation in which the company may be interested in, even by the hypothecation of the company's property, present or future.

**B.16 / B.19** The entire issued share capital of the Issuer is subscribed for, allotted and taken up as fully paid up shares by Exalco Holdings, save for one share held by Mr Alexander Montanaro (ID Number 606952 M). All of the issued share capital of the Guarantor is held by Exalco Holdings. Exalco Holdings is owned in equal proportions by Mr Jean Marc Montanaro (ID Number 460781 M), Mr Michael Montanaro (ID 157485 M), Ms Lee Ann Montanaro (ID Number 433683 M) and Mr Steve Montanaro (ID Number 267394 M).

**B.17 / B.19** *Not Applicable*: Neither the Issuer nor the Guarantor has sought the credit rating of an independent rating agency, and there has been no assessment by any independent rating agency of the Bonds issued by the Issuer.

**B.18 / B.19** For the purposes of the Guarantee, the Guarantor irrevocably and unconditionally guarantees to the Security Trustee, for the benefit of the Bondholders, the payment of, and undertakes on first demand in writing made by the Security Trustee on the Guarantor to pay, the Indebtedness to the Security Trustee or any balance thereof at any time due or owing under the Bonds. The Guarantee is further supported by the Collateral over the Security Property, however recourse thereto would be triggered only in the event that the Guarantee proves insufficient to address a claim brought by the Security Trustee. 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 €15,000,000 in Secured Bonds having a nominal value of €100 per Bond, subject to a minimum application of €5,000 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: MT0001911206. The Bonds shall bear interest at the rate of 4% 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**            A Bondholder shall have such rights as are, pursuant to the Securities Note, attached to the Bonds, including:

- i.    the repayment of capital;
- ii.   the payment of interest;
- iii.  the benefit of the Collateral through the Security Trustee, as explained in Element E.3(3) below;
- iv.   the right to attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bond Issue; and
- v.    the enjoyment of all such other rights attached to the Bonds emanating from the Prospectus.

Following the issue of the Bonds and application of the proceeds, the Security Trustee, for the benefit of Bondholders, will enjoy a first-ranking special hypothec over the Security Property for the full amount of €15,000,000 and interest thereon. In addition to the above, the Security Trustee, for the benefit of Bondholders, will enjoy a pledge over the proceeds from any insurance policy required under clause 5(1)(h) of the Security Trust Deed. Also, the Secured Bonds shall be guaranteed, in respect of both the interest due and the principal amount under said Bonds, by the Guarantor in terms of the Guarantee.

**C.9**            The issue and allotment of the Bonds is conditional upon: (i) the Bonds being admitted to the Official List by no later than 4 September 2018; and (ii) the Collateral being constituted in favour of the Security Trustee, in accordance with the provisions of the Security Trust Deed. Subject to the Bond Issue becoming unconditional, the Bonds shall bear interest from and including 20 August 2018 at the rate of 4% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date, provided that if any such day falls on a day other than a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day. The nominal value of the Bonds will be repayable in full upon maturity on 20 August 2028 unless the Bonds are previously re-purchased and cancelled. The first interest payment will be effected on 20 August 2019. The gross yield calculated on the basis of the Interest, the Bond Issue Price (that is the price of €100 per Bond) and the Redemption Value of the Bonds (that is the nominal value of each Bond, being €100 per Bond) is 4% per annum.

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 31 July 2018. 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 Official List by no later than 4 September 2018 and trading is expected to commence thereafter.

## **SECTION D RISKS**

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

**Holding of a Bond involves certain risks. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in the Prospectus before deciding to acquire Bonds. 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 Issuer's and the Guarantor's future performance.**

**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 Issuer and its business**

##### ***Issuer's dependence on the Guarantor and its business***

**The Issuer is a finance company, with one of its purposes being that of financing or re-financing the funding requirements of the business of the Group, particularly that of the Guarantor. In this respect, the Issuer is mainly dependent on the business prospects of the Guarantor, and consequently, the operating results of the Guarantor 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 Guarantor shall have a direct effect on the ability of the Issuer to meet its obligations under the Bonds.**

**As a majority of its assets will consist of receivables due in respect of loans to the Guarantor, the Issuer is largely dependent on receipt of interest and capital repayments from the Guarantor, which are subject to certain risks. More specifically, the ability of the Guarantor to effect loan repayments will depend on its respective cash flows and earnings, which may be restricted or affected by changes in applicable laws and regulations, by the terms of agreements to which they are or may become party, 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 under the Bonds.**

#### **ii. Risks relating to the Guarantor and its business**

##### ***Dependence on the Maltese and international markets and exposure to general economic conditions***

**The business of the Guarantor is subject to rapidly evolving consumer demands, tastes, preferences and trends. Consequently, the success of the Guarantor's business operations is dependent upon the priority and preference of prospective tenants and its ability to swiftly anticipate, identify and capitalise upon these priorities and preferences. If the Guarantor is unable to do so, the Guarantor could experience a reduction in its revenue, which reduction could in turn have a material adverse effect on the Guarantor's, and in turn, the Issuer's, financial condition, operational results and prospects. Furthermore, the Guarantor and its operations are highly susceptible to the economic trends that may from time to time be felt in Malta and internationally over and above fluctuations in consumer demands. Any future expansion of the Guarantor's operations into other markets would further increase its susceptibility to adverse economic developments and trends affecting such other markets.**

#### ***Legal and regulatory compliance***

The Guarantor is subject to a variety of laws and regulations, including taxation, environmental and health and safety regulations. The Guarantor 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 in the interpretation thereof which cannot be predicted. No assurance can be given as to the impact of any possible judicial decision or change in law or regulation or administrative practice after the date of this Prospectus upon the business and operations of the Guarantor. In addition, the Guarantor's activities are subject to licensing and regulation by governmental authorities. Difficulties in obtaining development permits for future projects, or difficulties in continued fulfilment of existing permit or license conditions, could adversely affect the Guarantor's business and results of its operations, and there can be no assurance that the Guarantor will be able to acquire, maintain and renew all necessary licenses, certificates, approvals and permits for its present and future operations.

#### ***The Guarantor's financing strategy***

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

#### ***Key senior personnel and management have been and remain material to the Guarantor's growth***

The growth of the Guarantor and its business is partially attributable to the efforts and abilities of the members of its executive management team and other key personnel, specifically Mr Alexander Montanaro, Mr Jean Marc Montanaro and Mr Michael Montanaro. If one or more of the members of this team were unable or unwilling to continue in their present position, the Guarantor might not be able to replace them within the short term, which could have a material adverse effect on the Guarantor's business, financial condition and results of operations.

#### ***Liquidity risk***

Properties such as those in which the Guarantor has invested, and may in the future invest in, are relatively illiquid. Such illiquidity could have a material adverse effect on the Guarantor's ability to vary its portfolio of properties or to dispose of or liquidate the same, whether in full or in part, in a timely fashion and on commercially acceptable terms. In turn, this illiquidity could have a material adverse effect on the Guarantor's, and in turn, the Issuer's, financial condition, results of operations and prospects.

#### ***Operating expenses***

The majority of the Guarantor's costs are fixed and may not be easily reduced to react to changes in its revenue. In addition, the Guarantor'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 of the Guarantor include: increases in the rate of inflation; increases in payroll expenses; 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 financial performance and position of the Guarantor, and in turn of the Issuer, and the latter's ability to fulfil its obligations under the Bonds.

#### ***Dependence on tenants fulfilling their obligations***

The revenue generated from the Guarantor's property investment activities is dependent in the main part on tenants fulfilling their obligations under their respective lease agreements. There can be no assurance that the tenants will not fail to perform their obligations, which failure may have a material adverse effect on the financial condition of the Guarantor, and in turn of the Issuer, the results of operations and their prospects. In addition, the Guarantor is susceptible to the risk that tenants may terminate, or elect not to renew, their respective lease agreements, which could also have a material adverse effect on the Guarantor's, and in turn, the Issuer's business.

#### ***Single sector concentration risk***

A significant portion of the Guarantor's property leasing revenue stream is generated through the leasing of units to companies operating in the i-gaming industry. Consequently, the Guarantor's dynamics of revenue generation are dependent, to some degree, on the continued success of the i-gaming industry, thereby exposing the Guarantor to single sector concentration risk. A decline in such industry or in the number of operators establishing themselves in Malta would likely have a greater adverse effect on the financial condition of the Guarantor than if the Guarantor maintained a more diversified real estate portfolio or was less exposed to a particular sector.

In addition, the Guarantor's property portfolio is comprised in the main of commercial real estate. There is no guarantee that the Guarantor will be able to compete successfully against current as well as future competitors in the property segment in which it operates. Its inability to do so may have a negative impact on the Guarantor's operations, income streams and financial position.

### *Single tenant risk*

A significant portion of the revenue generated from the Guarantor's property portfolio is dependent on key tenants occupying a significant portion of a particular property, or in some instances the entire rentable area of a property. The financial failure of, or default in payment by, a key or a single tenant under its lease is likely to cause a significant or complete reduction in the Guarantor's rental revenue from that property and consequently a reduction in the value of the property. In addition, the Guarantor could experience difficulty or a significant delay in re-leasing such property. If this risk were to materialise, this could have a material adverse effect on the Guarantor's, and in turn the Issuer's business, the results of operations and their prospects.

### *Property valuations and net realisable value*

The valuation of property is intrinsically subjective and influenced by a variety of factors, and there can be no assurance that any such property valuations will reflect actual market values. In addition, property valuations are influenced by a variety of factors such as changes in regulatory requirements and applicable laws, political and social conditions, the financial markets, consumer spending power, and interest and inflation rate fluctuations. Consequently, the net realisable value of property of the Guarantor may decrease, which decrease could have a material adverse effect on the financial position of the Guarantor, the level of asset cover and its prospects.

### *Reliance on non-proprietary software systems and third-party I.T. providers*

The Guarantor is reliant, to an extent, upon technologies and operating systems (including IT systems) developed by third parties, for the efficient running of its business, and as such is 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 Guarantor's business, financial condition and/or operating performance.

### *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 Guarantor 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.

### *Complaints and litigation*

Since the Guarantor operates in an industry which involves the continuous provision of goods and services to customers and consumers and such operation necessarily requires continuous interaction with counterparties, employees, and regulatory authorities, the Guarantor is exposed to the risk of legal claims, with or without merit. Adverse publicity from such claims may materially affect sales revenue generated by the Guarantor regardless of whether such claims are upheld. All litigation is expensive, time consuming and may divert management's attention away from the operation of the business. In addition, the Guarantor cannot be certain that its insurance coverage will be sufficient to cover one or more substantial claims. Although in so far as the directors of the Issuer are aware, the Guarantor and the Issuer are not involved in any governmental, legal or arbitration proceedings, which may have, or have had during the 12 months preceding the date of this Prospectus, a significant effect on the Guarantor's and/or the Issuer's financial condition or operational performance, no assurance can be given that disputes which could have such effect would not arise in the future. Exposure to litigation or fines imposed by regulatory authorities may affect the Guarantor's and/or the Issuer's reputation even though the monetary consequences may not be significant.

### *The Guarantor's insurance policies*

Historically, the Guarantor has maintained insurance at levels determined by the Guarantor to be appropriate in light of the cost of cover and the risk profiles of the business in which the Guarantor operates. Recovery of losses from insurers may be difficult and time-consuming and the Guarantor may be unable to recover the full loss incurred. No assurance can be given that the Guarantor's current insurance coverage would be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that appropriate coverage would always be available at acceptable commercial rates.

## iii. Risks relating to property development

As at the date of this Prospectus, the Guarantor does not have any property under development. However, given its line of business, it is likely that during the lifetime of the Bonds the Guarantor will invest in one or more property development opportunities. Were this to be the case, the Guarantor would be susceptible to a variety of risk factors associated with property development and the property market as a whole, including, but not limited to, those risk factors described hereunder.

### *General property market conditions*

There are a number of factors that commonly affect the property market generally speaking, many of which are beyond the control of the Guarantor, and which could adversely affect the economic performance and value of the portfolio of property of the Guarantor and any properties under development. Such factors include: changes in general economic, social and political conditions; general industry trends; over-supply of properties of a similar nature or a reduction in demand for such property; possible structural and environmental problems; acts of nature that may damage the property or delay its development; increase in competition in the relevant market segment; introduction of, or changes to, laws, rules and regulations; interest rate and inflation fluctuations; and the availability of financing and alternative yields of investment. Such factors may be expected to cause fluctuations in the price of property and an increase in supply could negatively impact the value and income streams of the Guarantor's property portfolio.

Furthermore, the continued growth of the Guarantor's property development business is dependent, in part, on the ability of the Guarantor to identify high quality land and/or property in desirable locations and to acquire the same in sufficient quantity and on commercially advantageous terms.

#### ***Competition***

The property market in Malta is very competitive in nature. An increase in supply and/or a reduction in demand in the property segment in which the Guarantor operates, may result in units forming part of the Guarantor's property remaining vacant or being leased out at prices which are lower than what is being anticipated by the Guarantor, including the risk of cost overruns, the risk of insufficiency of resources to complete, higher interest costs, and the erosion of revenue generation. Such changes in market trends could have a material adverse impact on the financial condition and prospects of the Guarantor.

#### ***Construction and third-party risks***

Construction projects are generally subject to a number of specific risks inherent in the property development industry. If these risks were to materialise, they could have a material adverse impact on the Guarantor's revenue generation, cash flows and financial performance.

Furthermore, for the timely completion of its property development projects, the Guarantor would typically place certain reliance on counterparties who may fail to perform or may default on their obligations towards the Guarantor due to reasons which are beyond the Guarantor's control. The resulting development delays in completion could have an adverse impact on the Guarantor's businesses, its financial condition, results of operations and prospects.

#### ***Exposure to environmental and other regulatory liability***

The Guarantor may become liable for the costs of removal, investigation or remediation of any 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 Guarantor 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 future own.

In addition to environmental constraints, the Guarantor's property development operations are subject to extensive regulations 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 the Guarantor's financial condition, results of its operations and its prospects.

#### ***Risk of injury or fatality***

There are inherent risks to health and safety arising from the nature of property development, including the risk of serious injury or even fatality. 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 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 the Guarantor's reputation, and in turn, that of the Issuer.

#### ***Ability to secure planning and construction consents on a timely basis***

Securing planning consents by the competent planning and environment authorities in a timely manner is of key importance to the Guarantor's business. There can be no certainty that any given application will result in planning consent being granted, or that if granted, will not be on unduly onerous terms, which, if occurring across a large number of developments, may materially and adversely affect the Guarantor's business.

#### ***Delays in completion and cost overruns***

Each property development project which may in future be undertaken by the Guarantor is susceptible to the risk of non-completion within the scheduled completion date, which could but may not necessarily come about as a result of unanticipated significant cost overruns being incurred, and that of non-completion within the budgeted cost. If either or both of these risks were to materialise, this could have a significant impact on the financial condition of the Guarantor, and in turn, the Issuer.

#### **iv. Risk relating to the Guarantee and Security Property**

In view of the fact that the Bonds are being guaranteed by the Guarantor on a joint and several basis, the Security Trustee, for the benefit and in the name of the Bondholders, shall be required to request the Guarantor to pay both the interest due and the principal amount under said Bonds if the Issuer fails to meet any amount, when due in terms of the Prospectus. The joint and several Guarantee requires the Security Trustee to take action against the Guarantor before taking action against the Issuer. The strength of this undertaking on the part of the Guarantor and therefore, the level of recoverability by the Security Trustee from the Guarantor of any amounts due under any of the Bonds, is dependent upon, and directly linked to, the financial position and solvency of the Guarantor.

The Guarantee is further supported by the Collateral that is to be granted over the Security Property, however recourse thereto would be triggered only in the event that the Guarantee proves insufficient to address a claim brought by the Security Trustee as aforesaid. In terms of the Security Trust Deed, the Security Trustee reserves the right to demand that additional or alternative immovable (and unencumbered) property owned by the Guarantor be given as security in addition to and/or in place of the Security Property, should at any given time the value of the Security Property be reported to be lower than the nominal value of outstanding Bonds in issue plus interest yet to accrue until the Redemption Date. In such case, the Issuer shall identify which unencumbered property/ies in the Guarantor's portfolio would replace or be added to the existing Security Property for the purpose of securing the Bond Issue and procure that the Guarantor takes the steps necessary in this respect.

Whilst the Security Trust Deed grants the Security Trustee a right of preference and priority for repayment over the Security Property, there can be no guarantee that the value of the Security Property (or other properties forming part of the Guarantor's portfolio that may from time to time replace or be added to the Security Property, as currently constituted, as explained in the Securities Note) over the term of the Bonds will be sufficient to cover the full amount of interest and principal outstanding under the Bonds. If such circumstances were to arise or subsist at the time that the Collateral is to be enforced by the Security Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Bonds.

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

An investment in the Bonds involves certain risks, including those set out below 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 advisers, the following risk factors (not listed in order of priority) and other investment considerations, together with all the other information contained in the Prospectus:

- i. **No prior market.** Due to the absence of any prior public market or trading record 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.
- ii. **Orderly and liquid market.** There can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Accordingly, there can be no assurance that an investor will be able to sell or otherwise trade in the Bonds at or above the Bond Issue Price or at all.
- iii. **Subsequent changes in interest rates.** Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.
- iv. **Market risk.** 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.
- v. **Currency risk.** Any investor whose currency of reference is not the Euro shall bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference.
- vi. **Changes in circumstances.** No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.
- vii. **Collateral and the Guarantee.** In connection with the risk identified in section D.2(iv) above, it is pertinent to note that notwithstanding that the Bonds constitute the general, direct and unconditional obligations of the Issuer and in relation to the Guarantor the general, direct, unconditional and secured obligations, there can be no guarantee that privileges accorded by law in specific situations will not arise during the course of the business of each of the Issuer and the Guarantor which may rank with priority or preference to the Collateral.
- viii. **Conditions precedent.** The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List by no later than 4 September 2018 and on the Collateral being constituted in favour of the Security Trustee, and in the event that either of the aforesaid conditions is not satisfied, the Security Trustee shall return Bond Issue proceeds to Bondholders.
- ix. **Changes to Terms and Conditions.** In the event that the Issuer wishes to amend any of the Terms and Conditions of this 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.
- x. **Changes in law.** The terms and conditions of this Bond Issue are based on the requirements of the Listing Rules of the Listing Authority, the Act and the Regulation. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law, European regulation or administrative practice after the date of this Prospectus.
- xi. **Property valuations.** The valuations referred to in the Prospectus are prepared by an independent qualified architect in accordance with Chapter 7 of the Listing Rules. In providing a market value of the respective properties, the independent architect has made certain assumptions which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends as reality may not match the assumptions.
- xii. **Additional indebtedness and security.** Both the Issuer and the Guarantor may incur further borrowings or indebtedness and may create or permit to subsist security interests upon the whole or any part of their respective present or future undertakings, assets or revenues (including uncalled capital).

- xiii. **Independent credit rating.** The Issuer has not sought, nor does it intend to seek, the credit rating of an independent agency and there has been no assessment by any independent rating agency of the Bonds.
- xiv. **Discontinuation of listing.** Even after the Bonds are admitted to trading on the MSE, the Issuer is required to remain in compliance with certain requirements in order to remain a listed company in good standing. Moreover, the Listing Authority has the authority to suspend trading or listing of the Bonds if, inter alia, it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The Listing Authority may discontinue the listing of the Bonds on the MSE. Any such trading suspensions or listing revocations/discontinuations described above could have a material adverse effect on the liquidity and value of the Bonds.

## SECTION E OFFER

**E.2b** The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €14,700,000, 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 €11,200,000 will be loaned by the Issuer to the Guarantor for the purpose of it re-financing the outstanding banking facilities held with HSBC Bank Malta p.l.c. which were originally utilised by the Guarantor to acquire and/or develop various properties and for capital expenditure purposes; and
- ii. the remaining balance of the net Bond Issue proceeds equivalent to circa €3,500,000 shall be applied towards financing the Guarantor's general financing requirements including but not limited to the (re-)financing of future costs of acquisition and development of other immovable properties (in full or in part) in pursuance of the Guarantor's business development strategy.

For the purposes of (i) and (ii) above, a loan agreement dated 20 July 2018 has been entered into by and between the Issuer (as lender) and the Guarantor (as borrower). Such loan agreement is conditional upon the Bond Issue being approved by the Listing Authority issue and allotment of the Bonds, which in turn is conditional upon: the Bonds being admitted to the Official List; and the Collateral being constituted in favour of the Security Trustee in accordance with the provisions of the Security Trust Deed.

The net bond proceeds shall be transferred to the Security Trustee on or around 10 August 2018 and shall be released by the Security Trustee in the following manner:

- A maximum amount of circa €11,200,000 to be allocated to the bank refinancing referred to in (i) above shall be released by the Security Trustee on condition that: (a) it receives appropriate assurance that publication and registration of the necessary notarial deeds for the cancellation of the existing charges over the Security Property, and the simultaneous publication and registration of the Deed of Hypothec pursuant to which all security over the Security Property for the benefit of Bondholders is to be duly perfected and registered, will be effected once the outstanding bank facilities referred to in (i) above are refinanced through the application of Bond Issue proceeds; (b) the pledge on insurance proceeds referred to in clause 5(1)(h) of the Security Trust Deed is duly and properly executed; and (c) confirmation that the Bonds will be admitted to the Official List by no later than 4 September 2018 is communicated to the Security Trustee.
- Following registration of the notarial deeds and the Deed of Hypothec described above and the presentation to the Security Trustee of the appropriate notes of hypothec, and upon the Bonds being admitted to the Official List, the Security Trustee shall release the remaining balance of the net Bond Issue proceeds, equivalent to circa €3,500,000, to be applied for the purposes specified in (ii) above. In the event that either of the aforesaid conditions is not satisfied, the Security Trustee shall, through the Registrar and/or Authorised Financial Intermediaries (as applicable), return the proceeds of the Bond Issue to the Bondholders.

**E.3** The Bonds are open for subscription by Authorised Financial Intermediaries, either for their own account or for the account of their underlying customers. The Issuer has reserved a maximum amount of €15,000,000 in value of Bonds for subscription by Rizzo, Farrugia & Co. (Stockbrokers) Ltd. and Bank of Valletta p.l.c. as Authorised Financial Intermediaries pursuant to placement agreements, which are conditional upon the Bonds being admitted to the Official List.

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:

### *I. 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 €5,000 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 €5,000 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 the making of any payments), as the absolute owner of such Bond. Title to the Secured Bonds may be transferred as provided in the Securities Note.

## II. Interest

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

## III. Status of the Bonds and Security

The Bonds shall constitute the general, direct and unconditional obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantor. The Bonds shall at all times rank *pari passu*, without any priority or preference among themselves but, in respect of the Guarantor, they shall rank with priority or preference over all unsecured indebtedness, if any. The payment of the principal under the Bonds and interest thereon is guaranteed by the Guarantor in terms of the Guarantee, and shall be secured by a first-ranking special hypothec over the Security Property which the Guarantor has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders. In addition to the above, the Security Trustee, for the benefit of Bondholders, will have the benefit of a pledge over the proceeds from any insurance policy required under clause 5(1)(h) of the Security Trust Deed.

## IV. Payments

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

## V. Redemption

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

## VI. Events of Default

Pursuant to the Security Trust Deed, the Security Trustee may in its absolute and uncontrolled discretion, and shall upon the request in writing of not less than seventy five per cent (75%) in value of the Bondholders, declare the Bonds to have become immediately due and repayable at their principal amount together with accrued interest, upon the happening of any of the following events: (a) the Issuer fails to effect the payment of interest or the principal amount when due and such failure continues for a period of sixty (60) days after written notice thereof by the Security Trustee to the Issuer; (b) the Issuer fails duly to perform or shall otherwise be in breach of any other material obligation contained in the Prospectus and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by a Bondholder; (c) a Court order or other judicial process is levied or enforced upon or sued out against any part of the property of the Issuer and is not paid out, withdrawn or discharged within one month; (d) the Issuer or the Guarantor stop or suspend payments (whether of principal or interest) with respect to all or any class of its debts or ceases or threatens to cease to carry on its business or a substantial part of its business; (e) the Issuer or the Guarantor is unable to pay its debts within the meaning of article 214(5) of the Act; (f) a judicial or provisional administrator is appointed upon the whole or any part of the property of the Issuer or the Guarantor; (g) an order is made or an effective resolution is passed for winding up of the Issuer or the Guarantor; (h) the Issuer or the Guarantor substantially changes the object or nature of its business as currently carried on; (i) the Issuer or the Guarantor commits a breach of any of the covenants or provisions contained in the Security Trust Deed and the said breach still subsists for thirty (30) days after having been notified by the Security Trustee; (j) the security constituted by any hypothec, pledge or charge upon the whole or any part of the undertaking or assets of the Issuer or the Guarantor shall become enforceable and steps are taken to enforce the same and the taking of such steps shall be certified in writing by the Security Trustee to be in its opinion prejudicial to the Bondholders; (k) any representation or warranty made or deemed to be made or repeated by or in respect of the Issuer or the Guarantor is or proves to have been incorrect in any material respect in the sole opinion of the Security Trustee; (l) any default occurs relating to any financial indebtedness of the Issuer or the Guarantor in excess of €1,000,000; (m) any consent, permit, authorisation, licence or approval of, or registration with, or declaration to governmental, statutory or public bodies, or authorities or courts, required by the Guarantor in connection with the operation of the Security Property, or required by the Issuer for the performance of its obligations hereunder or under the Security Trust Deed, is substantially modified in the sole opinion of the Security Trustee, or is not granted, or is revoked, or terminated, or expires and is not renewed, or otherwise ceases to be in full force and effect; (n) it becomes unlawful at any time for the Issuer or the Guarantor to perform all or any of its obligations hereunder or under the Security Trust Deed; (o) the Issuer or the Guarantor repudiates, or does or causes or permits to be done any act or thing evidencing an intention to repudiate the Bonds and/or the Security Trust Deed; or (p) all or a material part, of the undertakings, assets, rights, or revenues of or shares or other ownership interests in the Issuer or the Guarantor are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government.

## VII. 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.

*VIII. Register of Bondholders*

Certificates will not be delivered to Bondholders in respect of the Bonds in virtue of the fact that the entitlement to Secured 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 Secured 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.

*IX. 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, provided that no issue may be made that would rank senior to the Bonds in respect of the Security Interest.

*X. Meetings of Bondholders*

The Terms and Conditions of the Bonds (as defined in the Securities Note) may be amended or waived with the approval of the Bondholders at a meeting called for that purpose by the Issuer through the Security Trustee.

*XI. Governing Law and Jurisdiction*

The Bonds shall be governed by and shall be 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 subscription for Bonds by Rizzo, Farrugia & Co. (Stockbrokers) Ltd. and Bank of Valletta p.l.c., and any fees payable in connection with the Bond Issue to Rizzo, Farrugia & Co. (Stockbrokers) Ltd. as Sponsor, Manager and Registrar, so far as the Issuer is aware, no person involved in the Bond Issue has an interest material to the Issue.

**E.7** *Not applicable.* No expenses shall be charged to the Bondholders by the issuer.

**EXPECTED TIME TABLE OF THE BOND ISSUE**

1.	Placement Date	10 August 2018
2.	Commencement of interest on the Bonds	20 August 2018
3.	Expected date of constitution of Collateral	31 August 2018
4.	Expected date of admission of the securities to listing	4 September 2018
5.	Expected date of commencement of trading in the securities	5 September 2018

In the event that the constitution of Collateral is completed in advance of 31 August 2018, the events set out in steps 4 and 5 above shall also be brought forward accordingly, although the number of Business Days between the respective events shall remain unaltered.





## REGISTRATION DOCUMENT

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.

dated 31 July 2018

by

### EXALCO FINANCE P.L.C.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA  
WITH COMPANY REGISTRATION NUMBER C 87384

with the joint and several Guarantee of

### EXALCO PROPERTIES LIMITED

A PRIVATE LIMITED LIABILITY COMPANY REGISTERED IN MALTA  
WITH COMPANY REGISTRATION NUMBER C 11273

*\*Prospective investors are to refer to the Guarantee contained in Annex II of the Securities Note and section 1 of the 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.*

Sponsor, Manager & Registrar



**RIZZO FARRUGIA**  
YOUR INVESTMENT CONSULTANTS

Legal Counsel

**CAMILLERI PREZIOSI**  
ADVOCATES

**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 SECURITIES THAT MAY BE ISSUED BY THE COMPANY.**

**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 SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISER.**

Approved by the directors of Exalco Finance p.l.c

Alexander Montanaro

Jean Marc Montanaro

*Signing in their capacity as directors of the company and on behalf each of Michael Montanaro, Kevin Valenzia, Lawrence Zammit and Mario P. Galea.*

## IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION ON EXALCO FINANCE P.L.C. (THE “ISSUER”) AND EXALCO PROPERTIES LIMITED (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, ITS DIRECTORS OR ADVISERS.

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

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES: 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 PERSON IN POSSESSION OF THIS DOCUMENT AND ANY PERSON 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 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 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 REGISTRY 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 ADVISERS TO THE ISSUER AND THE GUARANTOR UNDER THE HEADING “*ADVISERS 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 THE GURANTOR’S WEBSITES OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER’S OR THE GUARANTOR’S WEBSITES 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 ADVISERS.**

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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:

<b>Act</b>	the Companies Act (Cap. 386 of the laws of Malta);
<b>Bond Issue</b>	the issue of the Bonds;
<b>Bondholder/s</b>	a holder/s of the Bonds;
<b>Bonds or Secured Bonds</b>	the €15,000,000 secured bonds of a nominal value of €100 payable in full upon subscription, redeemable at their nominal value on the redemption date and bearing interest at the rate of 4% per annum, each as detailed in the Securities Note;
<b>Collateral</b>	the following security granted by the Guarantor in favour of the Security Trustee for the benefit of Bondholders: <ul style="list-style-type: none"><li>i. a first ranking special hypothec over the Security Property; and</li><li>ii. a pledge over the proceeds from any insurance policy required under clause 5(1)(h) of the Security Trust Deed;</li></ul>
<b>Directors or Board</b>	the directors of the Issuer, as the case may be, whose names are set out in section 3.1.1 under the heading " <i>Directors of the Issuer</i> ";
<b>Euro or €</b>	the lawful currency of the Republic of Malta;
<b>Exalco Group or Group</b>	the group of companies of which Exalco Holdings is the parent company, which includes the Issuer and the Guarantor;
<b>Exalco Holdings</b>	Exalco Holdings Limited, a private limited liability company registered in Malta with company number C 86836 having its registered office at Cornerstone Business Centre, Level 4, 16 <sup>th</sup> September Square, Mosta, MST 1180, Malta;
<b>Guarantee</b>	the joint and several suretyship of the Guarantor undertaking to guarantee the due and punctual performance of the Issuer's payment obligations under the Bond Issue, subject to the terms and conditions contained in the Security Trust Deed and as the same is held on trust for the benefit of the Bondholders by the Security Trustee. A copy of the Guarantee including a description of the nature, scope and terms of the Guarantee is appended to the Securities Note as Annex II thereof;
<b>Guarantor</b>	Exalco Properties Limited, a private limited liability company registered in Malta with company number C 11273 having its registered office at Cornerstone Business Centre, Level 4, 16 <sup>th</sup> September Square, Mosta, MST 1180, Malta;
<b>Issuer or Company</b>	Exalco Finance p.l.c., a public limited liability company registered in Malta with company number C 87384 having its registered office at Cornerstone Business Centre, Level 4, 16 <sup>th</sup> September Square, Mosta, MST 1180, Malta;
<b>Listing Authority</b>	the Board of Governors of the MFSA, appointed as Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta), which Listing Authority is established in terms of the Financial Markets Act (Cap. 345 of the laws of Malta);
<b>Listing Rules</b>	the listing rules of the Listing Authority;
<b>Malta Stock Exchange or MSE</b>	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;



<b>Memorandum and Articles of Association</b>	the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus. The terms <b>“Memorandum”</b> , <b>“Articles”</b> and <b>“Articles of Association”</b> shall be construed accordingly;
<b>MFSA</b>	the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
<b>Planning Authority</b>	means the Planning Authority established in terms of the Development Planning Act (Cap. 552 of the laws of Malta);
<b>Prospectus</b>	collectively, the Registration Document, the Securities Note and the Summary Note;
<b>Registration Document</b>	this document in its entirety;
<b>Regulation</b>	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;
<b>Securities Note</b>	the securities note issued by the Issuer dated 31 July 2018, forming part of the Prospectus;
<b>Security Property</b>	the following immovable property owned by the Guarantor: <ul style="list-style-type: none"> <li>i. ‘Marina Business Centre’, Triq l-Abate Rigord, Ta’ Xbiex, Malta; and</li> <li>ii. ‘Mayfair Business Centre’, Triq Santu Wistin, Paceville, St Julian’s, Malta;</li> </ul>
<b>Security Trustee or Trustee</b>	Alter Domus Trustee Services (Malta) Limited, a private limited liability company registered and existing under the laws of Malta with company registration number C 63887 and having its registered office at Vision Exchange Building, Triq Territorials, Mriehel, Birkirkara BKR3000, Malta, duly authorised to act as a trustee or co-trustee in terms of Article 43(3) of the Trusts and Trustees Act (Cap. 331 of the laws of Malta);
<b>Security Trust Deed</b>	means the security trust deed entered into between the Security Trustee, the Issuer and the Guarantor on 27 July 2018;
<b>Summary Note</b>	the summary note issued by the Issuer dated 31 July 2018, forming part of the Prospectus; and
<b>Transparency Directive</b>	Directive 2004/109/EC of the European Parliament and of the Council on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, as amended.

## [2] RISK FACTORS

PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS, AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS, BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE ISSUER. 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 THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND NEITHER THE ISSUER, NOR THE GUARANTOR, IS IN A POSITION TO EXPRESS ANY VIEWS 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 THE 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 AS AT THE DATE OF THIS PROSPECTUS, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE ISSUER AND/OR THE GUARANTOR FACE. 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 THE 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 CONTAINED HEREIN OR SUPPLIED IN CONNECTION WITH THE BONDS ISSUED BY THE ISSUER: (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 ANY 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. PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.

### 2.1 FORWARD-LOOKING STATEMENTS

The Prospectus and the documents incorporated herein by reference or annexed thereto contain forward-looking statements that include, among others, statements concerning the Issuer's and the Guarantor'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 and the Guarantor's directors include those risks identified under the heading "*Risk Factors*" and elsewhere in the Prospectus.

If any of the risks described were to materialise, they could have a serious effect on the Issuer's and/or the Guarantor's financial results, prospects and the ability of the Issuer to fulfil its obligations under the Bonds and/or of the Guarantor to honour its obligations under the Guarantee. Accordingly, the Issuer and the Guarantor caution prospective investors 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 that such statements do not bind the Issuer and the Guarantor with respect to future results. Furthermore, no assurance is given that the future results or expectations will be achieved.

All forward-looking statements contained in this document are made only as at the date hereof. The Issuer, the Guarantor and their respective 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 ISSUER AND ITS BUSINESS**

### **2.2.1 ISSUER'S DEPENDENCE ON THE GUARANTOR AND ITS BUSINESS**

The Issuer is a finance company, with one of its purposes being that of financing or re-financing the funding requirements of the business of the Group, particularly that of the Guarantor. In this respect, the Issuer is mainly dependent on the business prospects of the Guarantor, and consequently, the operating results of the Guarantor 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 Guarantor 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 receivables due in respect of loans to the Guarantor, 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 Guarantor. The interest and capital repayments to be effected by the Guarantor in favour of the Issuer are subject to certain risks. More specifically, the ability of the Guarantor to effect loan repayments will depend on its respective cash flows and earnings, which may be restricted or affected by changes in applicable laws and regulations, by the terms of agreements to which they are or may become party (including the indenture governing 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.

## **2.3 RISKS RELATING TO THE GUARANTOR AND ITS BUSINESS**

### **2.3.1 DEPENDENCE ON THE MALTESE AND INTERNATIONAL MARKETS AND EXPOSURE TO GENERAL ECONOMIC CONDITIONS**

The business of the Guarantor is subject to rapidly evolving consumer demands, tastes, preferences and trends. Consequently, the success of the Guarantor's business operations is dependent upon the priority and preference of prospective tenants, whether local or foreign, and its ability to swiftly anticipate, identify and capitalise upon these priorities and preferences. If the Guarantor is unable to do so, the Guarantor could experience a reduction in its revenue, which reduction could in turn have a material adverse effect on the Guarantor's, and in turn, the Issuer's, financial condition, operational results and prospects.

Furthermore, the Guarantor and its operations are highly susceptible to the economic trends that may from time to time be felt in Malta and internationally over and above fluctuations in consumer demands. These include, but are not limited to, 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 Guarantor's operations into other markets would further increase its susceptibility to adverse economic developments and trends affecting such other markets.

### **2.3.2 LEGAL AND REGULATORY COMPLIANCE**

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

In addition, the Guarantor's activities are subject to licensing and regulation by governmental authorities, particularly the Planning Authority and Health & Safety Authority. Difficulties in obtaining development permits for future projects, or difficulties in continued fulfilment of existing permit or license conditions, could adversely affect the Guarantor's business and results of its operations, and there can be no assurance that the Guarantor will be able to acquire, maintain and renew all necessary licences, certificates, approvals and permits for its present and future operations.

### **2.3.3 THE GUARANTOR'S FINANCING STRATEGY**

The Guarantor may not be able to secure sufficient financing for its future operations. No assurance can be given that sufficient financing will be available on commercially reasonable terms or within timeframes required by the Guarantor. 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 Guarantor's growth and materially and adversely affect its business, financial condition, results of operations and prospects.

In addition, the Guarantor 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 Guarantor 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).

### **2.3.4 KEY SENIOR PERSONNEL AND MANAGEMENT HAVE BEEN AND REMAIN MATERIAL TO THE GUARANTOR'S GROWTH**

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

### **2.3.5 LIQUIDITY RISK**

Properties such as those in which the Guarantor has invested, and may in the future invest in, are relatively illiquid, and planning regulations may further reduce the number and types of potential purchasers should the Guarantor decide to sell certain properties. Such illiquidity could have a material adverse effect on the Guarantor's ability to vary its portfolio of properties or to dispose of or liquidate the same, whether in full or in part, in a timely fashion and on commercially acceptable terms. In turn, this illiquidity could have a material adverse effect on the Guarantor's, and in turn, the Issuer's, financial condition, results of operations and prospects.

### **2.3.6 OPERATING EXPENSES**

The majority of the Guarantor's costs are fixed and may not be easily reduced to react to changes in its revenue. In addition, the Guarantor'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 of the Guarantor include: increases in the rate of inflation; increases in payroll expenses; 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 financial performance and position of the Guarantor, and in turn of the Issuer, and the latter's ability to fulfil its obligations under the Bonds.

### 2.3.7 DEPENDENCE ON TENANTS FULFILLING THEIR OBLIGATIONS

The revenue generated from the Guarantor's property investment activities is dependent in the main part on tenants fulfilling their obligations under their respective lease agreements. There can be no assurance that the tenants will not fail to perform their obligations, whether due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond the Guarantor's control, which failure may have a material adverse effect on the financial condition of the Guarantor, and in turn of the Issuer, the results of operations and their prospects.

In addition, the Guarantor is susceptible to the risk that tenants may terminate, or elect not to renew, their respective lease agreements. Failure to maintain a good relationship with existing tenants, or to renew lease agreements, or enter into new lease agreements, on similar or more favourable terms, could have a material adverse effect on the Guarantor's, and in turn, the Issuer's, business, results of operations and prospects.

### 2.3.8 SINGLE SECTOR CONCENTRATION RISK

A significant portion of the Guarantor's property leasing revenue stream is generated through the leasing of units to companies operating in the i-gaming industry. Consequently, the Guarantor's dynamics of revenue generation are dependent, to some degree, on the continued success of the i-gaming industry, thereby exposing the Guarantor to single sector concentration risk. The risk inherent in concentrating substantial investments in a single industry is that a decline in such industry, whether triggered by economic conditions in general, changes in consumer trends and preferences and/or other factors over which the Guarantor and the tenants have no control, would likely have a greater adverse effect on the financial condition of the Guarantor than if the Guarantor maintained a more diversified real estate portfolio or was less exposed to a particular sector. A significant downturn in this particular sector and/or reduction in the influx of additional market players could lead to a reduced need for the Guarantor's product, which in turn could have a material adverse effect on its results of operations and prospects should the Guarantor be unable to source suitable replacement tenants on similar terms.

In addition, the Guarantor's property portfolio is comprised in the main of commercial real estate. An increase in supply and/or a reduction in demand for rentable office space may negatively affect the Guarantor's ability to attract new corporate tenants and/or retain existing ones. There is no guarantee that the Guarantor will be able to compete successfully against current as well as future competitors in the property segment in which it operates. Its inability to do so may have a negative impact on the Guarantor's operations, income streams and financial position.

### 2.3.9 SINGLE TENANT RISK

A significant portion of the revenue generated from the Guarantor's property portfolio is dependent on key tenants occupying a significant portion of a particular property, or in some instances the entire rentable area of a property. The financial failure of, or default in payment by, a key or a single tenant under its lease is likely to cause a significant or complete reduction in the Guarantor's rental revenue from that property and consequent a reduction in the value of the property. In addition, the Guarantor could experience difficulty or a significant delay in re-leasing such property. If this risk were to materialise, this could have a material adverse effect on the Guarantor's, and in turn the Issuer's business, the results of operations and their prospects.

### 2.3.10 PROPERTY VALUATIONS AND NET REALISABLE VALUE

The valuation of property is intrinsically subjective and based on a number of assumptions at a given point in time, and there can be no assurance that any such property valuations and property-related assets will reflect actual market values. In addition, property valuations are influenced by a variety of factors such as changes in regulatory requirements and applicable laws, political and social conditions, the financial markets, consumer spending power, and interest and inflation rate fluctuations. Consequently, the net realisable value of property of the Guarantor may decrease, which decrease could have a material adverse effect on the financial position of the Guarantor, the level of asset cover and its prospects.

### 2.3.11 RELIANCE ON NON-PROPRIETARY SOFTWARE SYSTEMS AND THIRD-PARTY I.T. PROVIDERS

The Guarantor is reliant, to an extent, upon technologies and operating systems (including IT systems) developed by third parties, for the efficient running of its business, and as such is exposed to the risk of failures in such systems. There can be no assurance that the maintenance and service level agreements and disaster recovery plans intended to ensure continuity and stability of these systems will prove effective in ensuring that the service of 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 Guarantor's business, financial condition and/or operating performance.

### 2.3.12 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 Guarantor 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.

### 2.3.13 COMPLAINTS AND LITIGATION

Since the Guarantor operates in an industry which involves the continuous provision of goods and services to customers and consumers and such operation necessarily requires continuous interaction with counterparties, employees, and regulatory authorities, the Guarantor is exposed to the risk of legal claims, with or without merit. Adverse publicity from such claims may materially affect sales revenue generated by the Guarantor regardless of whether such claims are upheld. All litigation is expensive, time consuming and may divert management's attention away from the operation of the business. In addition, the Guarantor cannot be certain that its insurance coverage will be sufficient to cover one or more substantial claims.

Although as stated in section 11 under the heading "*Litigation*", in so far as the directors of the Issuer are aware, the Guarantor and the Issuer are 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 the Guarantor's and/or the Issuer's financial condition or operational performance, no assurance can be given that disputes which could have such effect would not arise in the future. Exposure to litigation or fines imposed by regulatory authorities may affect the Guarantor's and/or the Issuer's reputation even though the monetary consequences may not be significant.

### 2.3.14 THE GUARANTOR'S INSURANCE POLICIES

Historically, the Guarantor has maintained insurance at levels determined by the Guarantor to be appropriate in light of the cost of cover and the risk profiles of the business in which the Guarantor operates. With respect to losses for which the Guarantor is covered by its insurance policies, it may be difficult and may take time to recover such losses from insurers. In addition, the Guarantor may not be able to recover the full amount from the insurer. No assurance can be given that the Guarantor'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.

## 2.4 RISKS RELATING TO PROPERTY DEVELOPMENT

As at the date of this Prospectus, the Guarantor does not have any property under development. However, given its line of business, it is likely that during the lifetime of the Bonds the Guarantor will invest in one or more property development opportunities. Were this to be the case, the Guarantor would be susceptible to a variety of risk factors associated with property development and the property market as a whole, including, but not limited to, those risk factors described in this section 2.4.

### 2.4.1 GENERAL PROPERTY MARKET CONDITIONS

There are a number of factors that commonly affect the property market generally speaking, many of which are beyond the control of the Guarantor, and which could adversely affect the economic performance and value of the portfolio of property of the Guarantor and any properties under development. Such factors include:

- i. changes in general economic, social and political conditions;
- ii. general industry trends, including the cyclical nature of the property market;
- iii. over-supply of properties of a similar nature or a reduction in demand for such property, which may lead to a corresponding decrease in the value of such property and in rental income;
- iv. possible structural and environmental problems;
- v. acts of nature, such as earthquakes and floods, that may damage the property or delay its development;
- vi. increase in competition in the market segment in which the Issuer is undertaking property market development;
- vii. introduction of, or changes to, laws, rules and regulations, including in relation to financing, environmental usage, zoning ordinances, tax, fiscal policies, insurance and trade restrictions;
- viii. interest rate and inflation fluctuations; and
- ix. the availability of financing and alternative yields of investment.

Such factors may be expected to cause fluctuations in the price of property and an increase in supply could negatively impact the value and income streams of the Guarantor's property portfolio. Although property market activity has experienced an upturn in recent years, the health of the property market may change from time to time and the occurrence of any of the aforementioned factors could have a material adverse effect on the Guarantor's property development and leasing business, its financial condition and its prospects.

Furthermore, the continued growth of the Guarantor's property development business is dependent, in part, on the ability of the Guarantor to identify high quality land and/or property in desirable locations and to acquire the same in sufficient quantity and on commercially advantageous terms.

#### **2.4.2 COMPETITION**

The property market in Malta is very competitive in nature. An increase in supply and/or a reduction in demand in the property segment in which the Guarantor operates, may result in units forming part of the Guarantor's property remaining vacant or being leased out at prices which are lower than what is being anticipated by the Guarantor once current leases expire. Such changes in market trends could have a material adverse impact on the financial condition and prospects of the Guarantor.

#### **2.4.3 CONSTRUCTION AND THIRD-PARTY RISKS**

Construction projects are generally subject to a number of specific risks inherent in the property development industry, including the risk of cost overruns, the risk of insufficiency of resources to complete, higher interest costs, and the erosion of revenue generation. If these risks were to materialise, they could have a material adverse impact on the Guarantor's revenue generation, cash flows and financial performance.

Furthermore, for the timely completion of its property development projects, the Guarantor would typically place certain reliance on counterparties such as architects, contractors and subcontractors engaged in the planning, demolition, excavation, construction and finishing of such property developments. Such parties (which may include both third-parties as well as related parties) may fail to perform or may default on their obligations towards the Guarantor due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond the Guarantor's control, such as severe weather conditions. The resulting development delays in completion could have an adverse impact on the Guarantor's businesses, its financial condition, results of operations and prospects. 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 any property development operations the Guarantor may be undertaking, and as a result on its financial condition and its prospects.

#### **2.4.4 EXPOSURE TO ENVIRONMENTAL AND OTHER REGULATORY LIABILITY**

Current laws and regulations, which may be amended from time to time, impose a 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 or substances from a property and property 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, the Guarantor 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 Guarantor 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 future own.

In addition to environmental constraints, the Guarantor's property development operations are 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 the Guarantor's financial condition, results of its operations and its prospects.

#### **2.4.5 RISK OF INJURY OR FATALITY**

There are inherent risks to health and safety arising from the nature of property development, including the risk of serious injury or even fatality. The Guarantor is accordingly required to adopt, maintain and constantly review and update a rigorous health and safety programme. The health and safety track record is thus critical to the success and reputation of its 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 the Guarantor's reputation, and in turn, that of the Issuer.

There can be no assurance that the Guarantor's health and safety policies and practices will prove effective in ensuring the health and safety on its property development sites, which non-effectiveness may expose the Issuer to liability for damages, as well as to the risk of adverse publicity. These risks may in turn materially adversely impact the Guarantor's financial condition, results of its operations and its prospects.

#### **2.4.6 ABILITY TO SECURE PLANNING AND CONSTRUCTION CONSENTS ON A TIMELY BASIS**

Securing planning consents by the competent planning and environment authorities in a timely manner is of key importance to the Guarantor's business. There can be no certainty that any given application will result in planning consent being granted, or that if granted, will not be on unduly onerous terms, which, if occurring across a large number of developments, may materially and adversely affect the Guarantor's business. Additionally, time delays to the expected timescale for the granting of planning consent may result in a reduction in the number of units that are available for rent within a proposed time frame. Furthermore, local and national planning policies are subject to change, which could consequently impact the Guarantor's development strategy.

#### **2.4.7 DELAYS IN COMPLETION AND COST OVERRUNS**

Each property development project which may in future be undertaken by the Guarantor is susceptible to the risk of non-completion within the scheduled completion date and within the budgeted cost. If either or both of these risks were to materialise, this could have a significant impact on the financial condition of the Guarantor, and in turn, the Issuer. In particular, the risks of delays and cost overruns could cause actual revenues and costs to differ from those projected and which are affected, amongst others, by factors attributable to counterparties, general market conditions, and competition, which are beyond the Guarantor's control. Significant delays in the time scheduled for completion of one or more of the property development projects may also delay the generation of rental income forecasted by the Guarantor from the development affected by such delay, which could have a negative impact on the Guarantor's financial condition and cash flows. Similarly, if a property development project were to incur significant cost overruns that were not anticipated, the Guarantor may have difficulties in sourcing the funding required for meeting such cost overruns and therefore may risk not completing such property development, which could have a material adverse impact on the financial condition, operations and prospects of the Guarantor, and in turn, the Issuer.



## 2.5 RISK RELATING TO THE GUARANTEE AND SECURITY PROPERTY

The Bonds, as and when issued and allotted, shall constitute the general, direct, and unconditional obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantor. The Bonds shall at all times rank *pari passu* without any priority or preference among themselves but, in respect of the Guarantor, they shall rank with priority or preference over all unsecured indebtedness, if any. In view of the fact that the Secured Bonds are being guaranteed by the Guarantor on a joint and several basis, the Security Trustee, for the benefit and in the name of the Bondholders, shall be entitled to request the Guarantor to pay both the interest due and the principal amount under said Bonds if the Issuer fails to meet any amount, when due in terms of the Prospectus.

The joint and several Guarantee requires the Security Trustee to take action against the Guarantor before taking action against the Issuer. The strength of this undertaking on the part of the Guarantor, and therefore the level of recoverability by the Security Trustee from the Guarantor of any amounts due under any of the Bonds, is dependent upon, and directly linked to, the financial position and solvency of the Guarantor.

The Guarantee is further supported by the Collateral that is to be granted over the Security Property, however recourse thereto would be triggered only in the event that the Guarantee proves insufficient to address a claim brought by the Security Trustee as aforesaid. In terms of the Security Trust Deed, the Security Trustee reserves the right to demand that additional or alternative immovable (and unencumbered) property owned by the Guarantor be given as security in addition to and/or in place of the Security Property, should at any given time the value of the Security Property be reported to be lower than the nominal value of outstanding Bonds in issue plus interest yet to accrue until the Redemption Date. In such case, the Issuer shall identify which unencumbered property/ies in the Guarantor's portfolio would replace or be added to the existing Security Property for the purpose of securing the Bond Issue, and procure that the Guarantor takes the steps necessary in this respect.

Whilst the Security Trust Deed grants the Security Trustee a right of preference and priority for repayment over the Security Property, there can be no guarantee that the value of the Security Property (or other properties forming part of the Guarantor's portfolio that may from time to time replace or be added to the Security Property, as currently constituted, as explained in section 4.5 of the Securities Note) over the term of the Bonds will be sufficient to cover the full amount of interest and principal outstanding under the Bonds. This may be caused by a number of factors not least of which general economic factors that could have an adverse impact on the value of the Security Property. If such circumstances were to arise or subsist at the time that the Collateral is to be enforced by the Security Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Bonds.

Notwithstanding that the Bonds constitute the general, direct and unconditional obligations of the Issuer and in relation to the Guarantor the general, direct, unconditional and secured obligations, there can be no guarantee that privileges accorded by law in specific situations will not arise during the course of the business of each of the Issuer and the Guarantor which may rank with priority or preference to the Collateral.

**[ 3 ]**  
**IDENTITY OF DIRECTORS, ADVISERS AND AUDITORS  
OF THE ISSUER AND GUARANTOR**

**3.1 DIRECTORS**

**3.1.1 DIRECTORS OF THE ISSUER**

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

<b>Name</b>	<b>Address</b>	<b>Designation</b>
<b>Mr Alexander Montanaro</b> 606952 (M)	'Ir-Randa', Triq A. De Saavedra, Naxxar, NXR 2230, Malta	<b>Executive Director and Chairman</b>
<b>Mr Jean Marc Montanaro</b> 460781 (M)	No. 3, Alley 3, Triq it-Tliet Knejjes, Balzan, BZN 1321, Malta	<b>Executive Director</b>
<b>Mr Michael Montanaro</b> 157485 (M)	'Shamrock', Triq il-Gizimin, Swieqi, SWQ 3543, Malta	<b>Executive Director</b>
<b>Mr Lawrence Zammit</b> 12456 (M)	34/5 Kaskade Court, Triq il-Buzjett, Naxxar, NXR 2533, Malta	<b>Independent Non-Executive Director</b>
<b>Mr Mario P. Galea</b> 522554 (M)	35, Triq il-Mielah, High Ridge, St. Andrews, Swieqi, SWQ 1313, Malta	<b>Independent Non-Executive Director</b>
<b>Mr Kevin Valenzia</b> 422156 (M)	19, T6B Favray Court, Tigne Point, Sliema, TP 01, Malta	<b>Independent Non-Executive Director</b>

Dr Malcolm Falzon, holder of identity card number 129280 (M) of Camilleri Preziosi, Level 3, Valletta Buildings, South Street, Valletta, Malta, is the company secretary of the Issuer.

**THE DIRECTORS OF THE ISSUER LISTED ABOVE ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS. 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 PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. THE DIRECTORS ACCEPT RESPONSIBILITY ACCORDINGLY.**

The persons listed under the sub-heading “Advisers to the Issuer and the Guarantor” have advised and assisted the Directors in the drafting and compilation of the Prospectus.

### 3.1.2 DIRECTORS OF THE GUARANTOR

Name	Address	Designation
<b>Mr Alexander Montanaro</b> 606952 (M)	'Ir-Randa', Triq A. De Saavedra, Naxxar, NXR 2230, Malta	<b>Executive Director and Chairman</b>
<b>Mr Jean Marc Montanaro</b> 460781 (M)	No. 3, Alley 3, Triq it-Tliet Knejjes, Balzan, BZN 1321, Malta	<b>Executive Director</b>
<b>Mr Michael Montanaro</b> 157485 (M)	'Shamrock', Triq il-Gizimin, Swieqi, SWQ 3543, Malta	<b>Executive Director</b>

Mr Alexander Montanaro is the company secretary of the Guarantor.

### 3.2 ADVISERS TO THE ISSUER AND THE GUARANTOR

The persons listed hereunder have advised and assisted the Directors in the drafting and compilation of the Prospectus:

#### Legal Counsel

Name: Camilleri Preziosi  
Address: Level 3, Valletta Buildings,  
Triq in-Nofsinhar,  
Valletta, VLT 1103, Malta

#### Sponsor, Manager and Registrar

Name: Rizzo, Farrugia & Co. (Stockbrokers) Ltd.  
Address: Airways House, Fourth Floor,  
Triq il-Kbira,  
Sliema, SLM 1551, Malta

### 3.3 AUDITORS OF THE ISSUER AND GUARANTOR

Name: PricewaterhouseCoopers  
Address: 78, Triq il-Mithna,  
Qormi, QRM 3101, Malta

PricewaterhouseCoopers is a firm of certified public accountants holding a practicing certificate to act as auditors in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta).

The annual financial statements of the Guarantor for the years ended 31 December 2015 and 2016 have been audited by Mr Jeremy Gambin, a certified public accountant of 3, Triq il-Hawt, Swieqi, SWQ 3430, Malta, and those for the year ended 31 December 2017 have been audited by PricewaterhouseCoopers.

The Issuer was set up on 17 July 2018 and, since incorporation up until the date of this Registration Document, no financial statements have been prepared.

### 3.4 SECURITY TRUSTEE

The following corporate services provider has agreed to act as security trustee in respect of the Bond Issue in accordance with the terms of the Security Trust Deed between it, the Issuer and the Guarantor, dated 27 July 2018:

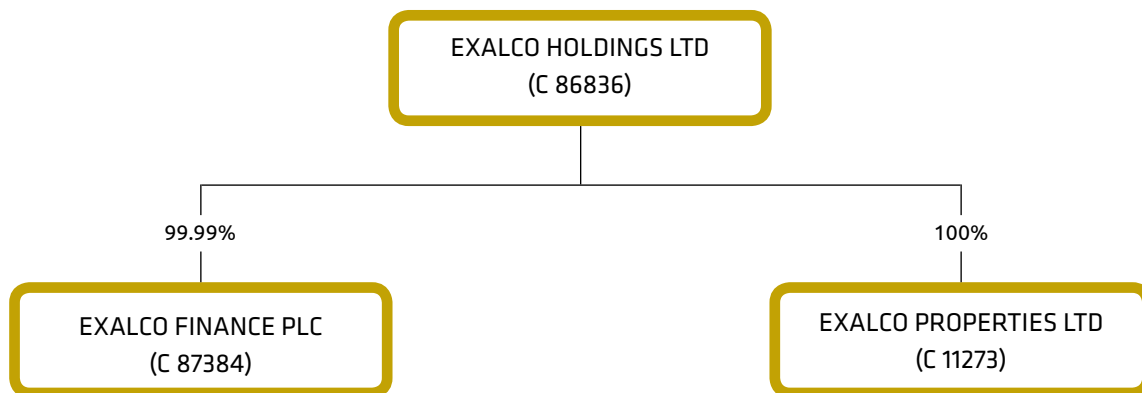
Name: Alter Domus Trustee Services (Malta) Limited  
Address: Vision Exchange Building,  
Triq Territorials, Mriehel,  
Birkirkara, BKR 3000, Malta

Alter Domus Trustee Services (Malta) Limited (C 63887) is duly authorised to act as a trustee or co-trustee in terms of article 43(3) of the Trusts and Trustees Act (Cap. 331 of the laws of Malta).

## [4] INFORMATION ABOUT THE ISSUER AND THE GUARANTOR

### 4.1 ORGANISATIONAL STRUCTURE OF THE EXALCO GROUP

The following chart outlines the shareholding structures relative to the Exalco Group:



As indicated above, the Issuer is a subsidiary of Exalco Holdings, which holds all shares in the Issuer, save for one share which is held by Mr Alexander Montanaro. All of the issued share capital of the Guarantor is held by Exalco Holdings.

The issued share capital of Exalco Holdings is, in turn, subscribed for, allotted and taken up equally amongst Mr Jean Marc Montanaro, Mr Michael Montanaro, Ms Lee Ann Montanaro (ID Number 433683 M) and Mr Steve Montanaro (ID Number 267394 M), all of whom are direct descendants of Mr Alexander Montanaro, founder of Exalco Group. Usufruct over the issued share capital of Exalco Holdings is currently vested in Mr Alexander Montanaro and Ms Marianne Montanaro, in terms of a deed of bare ownership dated 16 July 2018 pursuant to which the usufructuaries are entitled, *inter alia*, to all dividend and voting rights in Exalco Holdings.

## 4.2 HISTORICAL DEVELOPMENT OF THE ISSUER

### 4.2.1 INTRODUCTION

<b>Full Legal and Commercial Name of the Issuer</b>	Exalco Finance p.l.c.
<b>Registered Address</b>	Cornerstone Business Centre, Level 4, 16 <sup>th</sup> September Square, Mosta, MST 1180, Malta
<b>Place of Registration and Domicile</b>	Malta
<b>Registration Number</b>	C 87384
<b>Date of Registration</b>	17 July 2018
<b>Legal Form</b>	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.
<b>Telephone Numbers</b>	+356 21424430/1/2
<b>Email</b>	exalco@exalcogroup.com
<b>Website</b>	www.exalcogroup.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 the business of a finance company; the borrowing and raising of money in such manner as the Issuer may deem fit, including the issuing of bonds, debentures, commercial paper or other instruments creating or acknowledging indebtedness and to offer the same to the public; and the securing of the repayment of any money borrowed or raised and any interest payable thereon.

In pursuance of the said principal object, in addition to the Bond Issue, the Issuer will enter into loan agreements with the Guarantor from time to time, including as set out in section 4.1 of the Securities Note, entitled “*Reasons for the Bond Issue and Use of Proceeds*”.

### 4.2.3 PRINCIPAL ACTIVITIES AND MARKETS OF THE ISSUER

The Issuer was registered as Exalco Finance p.l.c. on 17 July 2018, 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 the Guarantor as and when the demands of its business so requires. Accordingly, the Issuer is economically dependent on the Guarantor and the fulfilment by the latter of its obligations under the loan agreements referred to in the preceding paragraph of this Registration Document.

## 4.3 HISTORICAL DEVELOPMENT OF THE GUARANTOR

### 4.3.1 INTRODUCTION

<b>Full Legal and Commercial Name of the Issuer</b>	Exalco Properties Limited
<b>Registered Address</b>	Cornerstone Business Centre, Level 4, 16 <sup>th</sup> September Square, Mosta, MST 1180, Malta
<b>Place of Registration and Domicile</b>	Malta
<b>Registration Number</b>	C 11273
<b>Date of Registration</b>	11 January 1990
<b>Legal Form</b>	The Guarantor was formed as a private limited liability company previously under the name 'Exalco Group Limited' (since renamed 'Exalco Properties Limited'). The Guarantor is lawfully existing and registered as a private limited liability company in terms of the Act.
<b>Telephone Numbers</b>	+356 21424430/1/2
<b>Email</b>	exalco@exalcogroup.com
<b>Website</b>	www.exalcogroup.com

### 4.3.2 PRINCIPAL OBJECTS OF THE GUARANTOR

The principal objects of the Guarantor are set out in article 3 of its memorandum of association and include, but are not limited to, the following:

- i. to carry on the business of a holding company;
- ii. to carry on business in Malta as property developers and building contractors;
- iii. to acquire and dispose of, by any title valid at law, movable or immovable property, whether for commercial or other purposes and to hold the property so acquired;
- iv. to construct, reconstruct, build, improve, renovate, alter, develop, decorate, enlarge, pull down, demolish and remove or replace, furnish and maintain buildings, operations and other works of every kind and description; and
- v. to invest, lease, hire, grant by way of emphyteutical concession or in any other manner employ, improve, manage or develop any of its assets as may from time to time be determined.

### 4.3.3 PRINCIPAL ACTIVITIES AND MARKETS OF THE GUARANTOR

The Guarantor's principal activity revolves around the acquisition of real estate for long-term investment purposes. Once acquired, the Guarantor is engaged in the development or re-development of those properties and their conversion into commercial properties, and thereafter the Guarantor provides property management services. All real estate is retained by the Guarantor to generate rental revenues, both from short letting as well as from long-term office and retail lets.

## 4.4 OVERVIEW OF THE BUSINESS OF THE ISSUER AND GUARANTOR

### 4.4.1 INTRODUCTION

Exalco Finance p.l.c., the Issuer, does not have any trading record, and was established as the financing arm of the Group, on 17 July 2018.

The Guarantor finds its origins in 1987, a time when its core business was international trade in non-ferrous metals through Exalco (Metals and Steel) Limited (C 10397), a company supplying its customers with aluminium billets and other base metal products such as copper, zinc and steel commodities. In 2005 this company was amalgamated into the Guarantor, and in 2014, the metals and steel division of the Guarantor was transferred to a newly established company, Exalco Metals Limited (C 67788). The latter company and business line are not relevant for the purposes of the Bond Issue.

In 1989, Exalco (Property Leasing) Limited (C 10903) - another limited liability company which was absorbed by the Guarantor in 2005 - was set up with the object of acquiring and developing real estate with a view to generating revenues from long and short-term leases of office and retail space. Indeed, from its establishment, a number of small-scale properties were acquired and developed by Exalco (Property Leasing) Limited, including 'Borton House' located in Mosta, which initially housed the Guarantor's offices, 'Tilbury House' in Balzan, 'Everton House' in Attard, and 'Aston House' in Naxxar, all of which were leased out to local office tenants. The latter three properties no longer form part of the Guarantor's property portfolio.

Eventually, however, the Chairman of the Guarantor identified the open plan office space product as that which would create significant opportunities for growth at a time when Malta embarked on a drive to attract large foreign players in various sectors, such as financial services, and local incumbents looked to grow their operations as EU membership approached.

With the acquisition and development of its first commercial business centre in 1997 - the Parklane Business Centre, in Guardamangia - the Guarantor positioned itself as the pioneer in the development of purpose-built open-plan office premises available for leasing to corporate tenants, both local and those setting up base in Malta. This milestone was followed by the acquisition and development of other business centres situated in prime locations across Malta, namely the Mayfair Business Centre in St. Julian's, the Cornerstone Business Centre in Mosta, and the Marina Business Centre in Ta' Xbiex. In 2017, the Guarantor completed the development of its most recent addition to its portfolio of business centres, the Golden Mile, which is situated in St. George's Bay, St. Julian's.

In addition to lease agreements entered into with the tenants occupying units within the aforementioned business centres, the Guarantor is party to management agreements for the provision of property management and maintenance services by the Guarantor to the respective lessees, the terms and conditions of which form an integral part of the respective lease agreements. The purpose of such agreements is that of governing the day-to-day operation of the business centres, including, *inter alia*:

- property management of the buildings;
- the general upkeep, cleanliness and maintenance of common areas of the premises;
- the general upkeep and cleanliness of external apertures of the properties;
- the servicing and maintenance of standby generators, passenger and disabled platform lifts, and air-conditioning systems;
- the servicing of fire and smoke alarm systems;
- water and electricity charges relative to the common areas of the premises; and
- building insurance costs relative to the premises.

#### **4.4.2 PRINCIPAL ASSETS OF THE GUARANTOR**

The principal assets of the Guarantor are the five business centres it owns and manages, namely the Parklane Business Centre, the Mayfair Business Centre, the Cornerstone Business Centre, the Marina Business Centre and the most recent addition to its business centre portfolio, the Golden Mile, all of which are leased out to corporate tenants by the Guarantor. Other real estate assets owned by the Guarantor include terraced premises presently leased out as office space (Borton House), a lock-up garage in Balzan which is presently on lease, and a maisonette in Ibragg. As at the date of this Prospectus, the latter two properties are the subject of promise of sale agreements which are expected to be concluded following the Bond Issue.

#### 4.4.2.1 BUSINESS CENTRES

##### I. The Golden Mile Business Centre

The most recent development by the Guarantor, the Golden Mile, is located in St. Julian's, overlooking St. George's Bay, bounded on the East by St. George's Road, on the North West by the seafront Dragonara Road and on the South West by a pedestrian lane. The business centre, which was constructed in 2017, consists of an eight-storey building covering an area of circa 2,880m<sup>2</sup> of rentable space. Finished to the highest of quality standards, this iconic building houses the latest state of the art facilities and highly finished amenities for flexible open plan office premises and also includes car parking facilities. It covers an area of over 3,770m<sup>2</sup> of space spread across the seven levels. Internally the building comprises a large office area complemented by in-house eateries, chill-out areas and terraces for leisure and entertainment.

The entire building is being leased out to a single tenant – an international gaming group, which is using the premises as its headquarters. The lease agreement is for a period of five years, running from 1 August 2017. The lessee may terminate the lease after the end of the fifth year by giving 12 months' notice prior to the end of the fifth year. Should the lessee not invoke its right to terminate the lease, it shall automatically be renewed for a further period of three years. Thereafter, the lessee is granted a right of first refusal in relation to a new lease of the property on terms which are no more onerous than those offered to and accepted by third parties. Rent payable in terms of the applicable lease agreement is subject to an annual increase of 3%, as from 1 August 2018.

The lessee is responsible for all ordinary repairs and maintenance to be carried out on any internal part of the premises, whereas any extraordinary repairs to the structure are to be borne by the lessor unless occasioned by the negligence or misuse of the premises by the lessee.

The lessee is precluded from sub-letting, assigning or otherwise disposing of the premises, whether in whole or in part, but it shall be entitled to allow the use of or to sublet such parts of the premises as it deems necessary to any company being owned and controlled by the lessee or by the related group companies acting as sureties for the lessee's obligations in terms of the lease.

In respect of this particular business centre, the Guarantor has agreed to grant naming rights to the lessee, such that the business centre is currently doing business as "@GIG Beach".

As part of its Corporate Social Responsibility policy, the Guarantor has relinquished a part of the land in question to widen a public alleyway that lies adjacent to the building and links St. Georges Bay to Paceville, which it embellished to high standards at its own cost.

##### II. The Marina Business Centre

The Marina Business Centre is set in Ta' Xbiex, overlooking the 720-berth Msida Yacht Marina, with spectacular views of the harbour from the upper floors. The property lies on a corner site between two streets and is bounded on the North by Triq l-Imradd, on the North West by Triq Abate Rigord and on the other two sides by third party property.

The business centre stands on a plot of land measuring approximately 800m<sup>2</sup> and consists of a six-storey building with an underlying semi-basement floor and two full basement floors, offering over 3,000m<sup>2</sup> of fully finished and serviced office spaces, a catering establishment and a private car park.

At present, the occupancy level of the building stands at 98%. The tenant mix is split mainly amongst companies in the IT and gaming industries, with which nine lease agreements have been concluded with seven tenants for definite periods ranging from nine months to eight years. Six of the leases may be automatically renewed for further periods of one or two years until termination of the respective lease agreement by either of the parties thereto, whilst two of the lease agreements are due to expire in 2019 and another in 2018.

##### III. The Cornerstone Business Centre

The Cornerstone Business Centre consists of a five-storey commercial building which includes a receded floor and two underlying basement floors. The building is located in the heart of Mosta's commercial centre. It lies on a rectangular corner site situated between two streets, bounded on the South East by 16<sup>th</sup> September Square, on the South West by Triq il-Kostituzzjoni, and on the other two sides by third party property. The business centre stands on a plot of land measuring approximately 610m<sup>2</sup>.



The property comprises a mix of fully finished and serviced office spaces and retail outlets, with over 1,800m<sup>2</sup> of office space leased out to companies within the corporate services and gaming industries in the main, and an additional 372m<sup>2</sup> of retail space across the five floors. The Issuer's own offices are located at the penthouse level of the Cornerstone Business Centre.

Presently 100% of the building's rentable area is leased to seven corporate tenants and two retail tenants. In turn, one of the retail tenants occupying the premises operates a 'shop-in-shop concept' and therefore sub-leases parts of the retail space to a further three sub-lessees. The term of the lease agreements currently in place ranges from one to 15 years, with those relating to use of office space being subject to an automatic renewal for further periods of one year until termination of the respective lease agreement by either of the parties thereto, and those relating to retail use due to expire between 2020 and 2025.

#### **IV. The Mayfair Business Centre**

Originally constructed in 1996, the Mayfair Business Centre is situated in the heart of St. Julian's main tourist and entertainment centre, a short distance away from the Golden Mile. The property consists of a seven-storey commercial building including a recessed floor and semi-basement floor together with an underlying basement floor and lies on a triangular corner site between two streets, bounded on the South East by Triq Santu Wistin, on the West by a branch of Triq Santu Wistin and on the North and North West by the Eden Cinemas complex.

The building stands on a plot of land measuring circa 575m<sup>2</sup>. The business centre offers circa 2,500m<sup>2</sup> of fully finished and serviced office spaces, a private car park, a catering establishment on the ground floor and an in-house canteen.

At present, the occupancy level of the building stands at 100%, split amongst 14 tenants, the main one of which being an international language school occupying approximately 1,620m<sup>2</sup> of floor area. Other tenants which are presently leasing office space in the business centre include a leading company in the automotive industry, a European multinational car rental company, an international sales and trading company operating within the energy industry and one of the largest European chemical producing companies.

The lease agreements have been concluded for definite periods, ranging from one to three years, automatically renewable for further periods of one to three years until termination of the respective lease agreement by either of the parties thereto.

#### **V. The Parklane Business Centre**

The Parklane Business Centre, which was constructed in 1992, is situated in the central commercial centre of Guardamangia. The property consists of a four-storey commercial building with an underlying semi-basement floor and lies on a trapezoidal corner site between two streets, bounded on the North East by Triq Pietru Xuereb, on the South by Triq Joe Sciberras and on the North West by third party property. The building stands on a plot of land measuring approximately 290m<sup>2</sup> and offers 945m<sup>2</sup> of lettable space across the four floors with fully finished and serviced office spaces and a private car park. The business centre was completed to high specifications and caters for businesses wishing to operate from smaller offices ranging from 120 to 150m<sup>2</sup>.

At present, five tenants consisting of corporate services providers, companies operating in the gaming industry and an electronic retail outlet, occupy units within the Parklane Business Centre. The building is presently 100% occupied. All lease agreements have been concluded for definite periods of two to three years, subject to an automatic renewal for further periods of one to three years until termination of the respective lease agreement by either of the parties, save for one particular lease which was contracted for the duration of 12 years and is due for expiration in 2028.

#### **4.4.2.2 OTHER REAL ESTATE ASSETS**

In addition to the above business centres, as previously indicated the Guarantor owns a number of smaller properties, the most significant of which is Borton House, a three-story terraced premises located in a residential area in Mosta. The property is bounded on the North by Triq Sir Arthur Borton and on the other sides by third party property, and stands on

a plot of land measuring approximately 125m<sup>2</sup>. The building has, since completion, been leased out as a private planning office covering an area of circa 200m<sup>2</sup>, together with its underlying garage at ground floor level taking up an area of around 80m<sup>2</sup>.

#### 4.4.2.3 FUTURE PROPERTY DEVELOPMENTS

In furtherance of its business model geared towards steady cash flow generation through the leasing of commercial property, the Guarantor intends to further grow the 'Exalco' brand and enhance the reputation it has garnered in the local market since emerging as one of the first suppliers of high quality office and retail space amongst local and foreign businesses.

In pursuit of this objective, a related party of the Issuer and the Guarantor, ALMO Properties Limited (C 69554), entered into a promise of sale agreement dated 22 June 2018 for the acquisition of a six-floor complex bordered on three streets namely by Triq il-Ferrovija, Triq Regjonali and Triq Blata l-Kahla, Santa Venera (the "**Target Property**"), for the price of €6,204,839. The acquisition is subject to the successful conclusion of the final deed of sale. Pursuant to the terms of the promise of sale agreement, the related party is vested with a right of assignment in favour of, *inter alia*, the Guarantor. The Board of Directors of the Issuer understands that such right of assignment is due to be exercised with a view to the Guarantor appearing on the final deed of sale for the acquisition of the Target Property.

In addition to the above, the Guarantor will seek to identify additional properties for acquisition and subsequent development.

#### 4.5 PRINCIPAL INVESTMENTS OF THE ISSUER AND GUARANTOR

Save as set out in section 4.4.2.3 above, the Guarantor has not entered into or made firm commitments towards any principal investments subsequent to 31 December 2017, being the date of the latest audited financial statements of the Guarantor, other than ordinary capital expenditure required for the upkeep of the properties listed in section 4.4.2 above.

### [ 5 ]

## TREND INFORMATION AND FINANCIAL PERFORMANCE

### 5.1 TREND INFORMATION

The Issuer was registered and incorporated on 17 July 2018 as a special purpose vehicle to act as the financing arm of the Group. As indicated in section 3.3 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. It is, however, in a position to confirm that there have been no material adverse changes in the prospects of the Issuer since the date of its incorporation.

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

The Issuer is dependent on the business prospects of the Guarantor and, therefore, the trend information of the Guarantor (detailed below) is considered to have a material effect on the Issuer's financial prospects.

#### **The following is a brief synopsis of the significant trends affecting the operations of Exalco Properties Limited:**

The Guarantor's primary operating activity comprises the acquisition and development of high-quality business centres and the leasing of office and retail space to third parties. The Guarantor owns five large business centres in prime locations across Malta and also owns other smaller properties as set out in section 4.4.2.

Historically, the Guarantor's properties have nearly always operated close to full occupancy. Occupancy levels in 2017 averaged 100% across all properties, with only one unit of circa 64m<sup>2</sup> and five car spaces becoming available during the last quarter of the year. In 2018, occupancy levels are expected to remain consistent with 2017, since over 90% of expected rental revenue is contracted.

The Guarantor's rental income is highly dependent on the rental of office space. In fact, this is expected to comprise circa 85% of the company's rental revenue in 2018. Moreover, a significant proportion of tenants operate in the gaming and financial services sectors, with over 70% of total rental revenue expected to be generated in 2018 relating to these two sectors.

Growth in the gaming and financial services sectors in Malta has been one of the principal drivers of the increase in demand for office space in recent years. The growth in these segments reflects, *inter alia*, the effect of numerous Government incentives and an attractive tax system that continue to draw international operators to set up their operations in Malta. Additionally, Malta boasts a highly skilled and productive multi-lingual workforce, a strategic geographical position, a stable political climate, and sound infrastructure which also contribute towards establishing Malta as an attractive location for these segments.

The heightened demand for office space has resulted in a significant pipeline of real estate projects, which include a substantial element of office accommodation. The take-up of this additional office space remains dependent on continued growth in foreign direct investment and employment particularly from the gaming and finance industry. The Guarantor is confident that its experience and track record place it in a suitable position to remain one of the leading providers of quality office space in Malta. The Guarantor intends to continue expanding its property portfolio and actively monitors the local market for new investment opportunities. In fact, since the completion of the Golden Mile development in 2017, management has been assessing the viability of a number of prospective projects, as outlined in section 4.4.2.3 above.

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 property market 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 Guarantor and its business, at least with respect to the current financial year. However, investors are strongly advised to carefully read the risk factors included within the Prospectus.

## 5.2 SELECTED FINANCIAL INFORMATION

As a public limited liability company, the Issuer's financial statements shall be prepared in accordance with international financial reporting standards ("IFRS"). The Guarantor's financial statements are prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, Legal Notice 289 of 2015 ("GAPSME"), as permitted by the requirements of the Act and the Listing Rules.

Both the Issuer and the Guarantor are subsidiaries of Exalco Holdings. The directors of Exalco Holdings have undertaken that, for the purposes of this Bond Issue, i) to prepare consolidated financial statements in accordance with IFRS; and ii) to publish such accounts annually within the four-month period following year-end in line with the Transparency Directive as adopted in Malta.

### 5.2.1 THE ISSUER

The Issuer was registered and incorporated on 17 July 2018 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.

## 5.2.2 THE GUARANTOR

Financial information for the three financial years ended 31 December 2015, 2016 and 2017 is included in the financial statements of the Guarantor. Copies of the aforementioned financial statements are available for review on the Issuer's website: [www.exalcogroup.com](http://www.exalcogroup.com)

The financial statements for the years ended 31 December 2015 and 2016 represent the consolidated results of Exalco Properties Limited and ECTS Limited, a subsidiary of Exalco Properties having registration number C 22547 (hereinafter "**ECTS Limited**"). On 31 December 2017, the shares held by the Guarantor in ECTS Limited were transferred to the shareholders of the Guarantor, therefore the financial statements for the year ended 31 December 2017 represent solely the results of Exalco Properties.

The key highlights taken from the audited financial statements of the Guarantor for the years ended 31 December 2015, 2016, and 2017 are set out over the next three pages:

<b>Exalco Properties Limited</b>			
<b>Income Statement for the year ended 31 December</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>€'000s</b>	<b>Audited</b>	<b>Audited restated</b>	<b>Audited</b>
Net revenue from property leasing activities	1,770	1,863	2,323
Net operating costs	(250)	(237)	(274)
<b>Normalised EBITDA<sup>1</sup></b>	<b>1,520</b>	<b>1,626</b>	<b>2,049</b>
Depreciation	(50)	(83)	(204)
<b>Normalised operating profit</b>	<b>1,470</b>	<b>1,543</b>	<b>1,845</b>
Net finance costs	(542)	(509)	(538)
<b>Normalised profit before tax</b>	<b>928</b>	<b>1,034</b>	<b>1,307</b>
Extraordinary expenses	(182)	(131)	(102)
Net income attributable to the legacy metals business	36	24	-
Net income attributable to other discounted operations	42	42	46
Profit before tax of ECTS Limited	33	33	-
<b>Reported profit before tax</b>	<b>857</b>	<b>1,002</b>	<b>1,251</b>
Taxation	(268)	(295)	(333)
<b>Reported profit after tax</b>	<b>589</b>	<b>707</b>	<b>918</b>

Source: Consolidated audited financial statements of Exalco Properties Limited for the years ended 31 December 2015 and 2016 (restated) and audited financial statements of Exalco Properties Limited for the year ended 31 December 2017.

<sup>1</sup>Earnings before Interest, Tax, Depreciation and Amortisation

**Restatements in the audited income statement for the year ended 31 December €'000s**

	<b>2015 Audited</b>	<b>2016 Audited restated</b>	<b>2017 Audited</b>
Depreciation charge as reported	(50)	(39)	(204)
Depreciation charge as restated	(50)	(83)	(204)
<b>Restatement</b>	<b>-</b>	<b>(44)</b>	<b>-</b>
Taxation as reported	(268)	88	(333)
Taxation as restated	(268)	(295)	(333)
<b>Restatement</b>	<b>-</b>	<b>(383)</b>	<b>-</b>
<b>Profit after tax as reported in the audited income statement</b>	<b>589</b>	<b>1,134</b>	<b>918</b>
Adjustment for the restatement of depreciation	-	(44)	-
Adjustment for the restatement of taxation	-	(383)	-
<b>Reported profit after tax</b>	<b>589</b>	<b>707</b>	<b>918</b>

*Source: Consolidated audited financial statements of Exalco Properties Limited for the years ended 31 December 2015 and 2016 (restated) and audited financial statements of Exalco Properties Limited for the year ended 31 December 2017.*

**Exalco Properties Limited****Statement of Financial Position as at 31 December**

€'000s

	2015 Audited	2016 Audited restated	2017 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	135	128	456
Investment property: Exalco Properties	32,768	32,834	53,716
Investment property: ECTS	1,978	1,978	-
	<b>34,881</b>	<b>34,940</b>	<b>54,172</b>
<b>Current assets</b>			
Trade and other receivables	701	315	1,000
Cash and cash equivalents	905	697	213
	<b>1,606</b>	<b>1,012</b>	<b>1,213</b>
<b>Total Assets</b>	<b>36,487</b>	<b>35,952</b>	<b>55,385</b>
<b>Equity and reserves</b>			
Called up issued share capital	2,400	2,840	2,840
Revaluation reserve	14,968	15,352	30,270
Other reserves	2,290	2,290	-
Retained earnings	1,695	1,488	2,358
	<b>21,353</b>	<b>21,970</b>	<b>35,468</b>
<b>Non-current liabilities</b>			
Borrowings	9,803	8,710	10,026
Shareholders' loan	204	168	583
Trade and other payables	40	14	-
Security deposits	-	-	552
Deferred taxation	1,918	1,534	4,651
	<b>11,965</b>	<b>10,426</b>	<b>15,812</b>
<b>Current liabilities</b>			
Borrowings	1,579	1,491	1,661
Trade and other payables	1,150	1,395	2,032
Security deposits	341	420	114
Current taxation	99	250	298
	<b>3,169</b>	<b>3,556</b>	<b>4,105</b>
<b>Total equity and liabilities</b>	<b>36,487</b>	<b>35,952</b>	<b>55,385</b>

Source: Consolidated audited financial statements of Exalco Properties Limited for the years ended 31 December 2015 and 2016 (restated) and audited financial statements for the year ended 31 December 2017

**Restatements in the audited balance sheet\*  
for the year ended 31 December**  
€'000s

	2015 Audited	2016 Audited restated	2017 Audited
Investment property as reported	34,746	35,329	53,716
Investment property as restated	34,746	34,812	53,716
<b>Restatement</b>	-	<b>(517)</b>	-
<b>Total assets as reported in the audited balance sheet*</b>	<b>36,487</b>	<b>36,469</b>	<b>55,385</b>
Adjustment for the restatement of accumulated depreciation on buildings	-	(517)	-
<b>Reported total assets</b>	<b>36,487</b>	<b>35,952</b>	<b>55,385</b>
Revaluation reserve as reported	14,968	14,969	30,270
Revaluation reserve as restated	14,968	15,352	30,270
<b>Restatement</b>	-	<b>383</b>	-
Retained earnings as reported	1,695	2,388	2,358
Retained earnings as restated	1,695	1,488	2,358
<b>Restatement</b>	-	<b>(900)</b>	-
<b>Total equity and liabilities as reported in the audited balance sheet*</b>	<b>36,487</b>	<b>36,469</b>	<b>55,385</b>
Adjustment for the restatement of accumulated depreciation on buildings	-	(517)	-
<b>Reported total equity and liabilities</b>	<b>36,487</b>	<b>35,952</b>	<b>55,385</b>

Source: Consolidated audited financial statements of Exalco Properties Limited for the years ended 31 December 2015 and 2016 (restated) and audited financial statements of Exalco Properties Limited for the year ended 31 December 2017

**Exalco Properties Limited**

**Cash Flow Statement for the year ended 31 December**  
€'000s

	2015 Audited	2016 Mgt info.	2017 Mgt info.
Net cash from operating activities	211	1,622	1,322
Net cash used in investing activities	(869)	(614)	(3,407)
Net cash from / (used in) financing activities	1,882	(1,216)	1,601
<b>Net movement in cash and cash equivalents</b>	<b>1,224</b>	<b>(208)</b>	<b>(484)</b>
Cash and cash equivalents at beginning of year	(319)	905	697
<b>Cash and cash equivalents at end of year</b>	<b>905</b>	<b>697</b>	<b>213</b>
Cash and cash equivalents at end of year	905	697	213
Bank overdraft balance	(1,074)	(618)	(734)
<b>Net cash and cash equivalents at end of year</b>	<b>(169)</b>	<b>79</b>	<b>(521)</b>

Source: Consolidated audited financial statements of Exalco Properties Limited for the year ended 31 December 2015 and management information

\*The term 'balance sheet' refers to the Statement of Financial Position of the Guarantor.

The Guarantor's net revenue from property leasing activities stepped up by 31% from €1.8 million in 2015 to €2.3 million in 2017. The increase in revenue reflects the effect of rental rate increments as per lease agreements entered into with tenants, as well as the commencement of the lease of the Golden Mile Business Centre in September 2017.

The Guarantor's normalised EBITDA margin increased from 86% in 2015 to 88% in 2017, which means that the company has been consistently achieving improved margins in its operations, which translated into additional profit. Normalised operating profit increased from €1.5 million in 2015 to €1.8 million in 2017, representing an overall increase of 26%.

Profit for the year increased from €0.6 million in 2015 to €0.9 million in 2017. Apart from the increase in operating profit, other principal movements relate to extraordinary expenses of €0.2 million incurred in 2015 and €0.1 million incurred in 2016 and 2017. The extraordinary costs incurred in 2015 and 2016 mainly related to one-off expenses incurred on non-routine maintenance works done within the business centres, whilst the extraordinary costs in 2017 related to the repair works of the public alleyway adjacent to the Golden Mile Business Centre.

Other normalisation adjustments reflect the discontinued operations of the Guarantor that have been transferred to related companies and include the net income attributable to the legacy metals business, which was transferred to Exalco Metals Limited in 2016 (C 67788), net income expected to be generated by a related company in 2018 and profits attributable to ECTS Limited, which was transferred to the shareholders of the Guarantor, as explained above.

Total assets as at 31 December 2017 amounted to circa €55.4 million and primarily include the Guarantor's investment property portfolio which is carried at a total value of €53.7 million, reflecting the fair value of the Guarantor's property portfolio, as outlined in further detail in section 4.4 above. The carrying amount of the properties is based on a valuation carried out by an independent qualified architect in 2018 in accordance with the requirements of Chapter 7 of the Listing Rules, which is included in Annex I of this Registration Document. The valuations resulted in the recognition of a revaluation gain of €18 million (before deferred tax effect) in the financial statements for the year ended 31 December 2017. A significant portion of the revaluation surplus (€12.4 million) was recognised on the Golden Mile Business Centre, given that this property was carried at historical cost until it was completed in 2017. Other material surpluses were recognised on the Mayfair Business Centre (+€2.5 million) and the Marina Business Centre (+€1.3 million).

Total liabilities as at 31 December 2017 amounted to circa €19.9 million, with the principal liabilities relating to borrowings and deferred tax liabilities. Borrowings, which amounted to €11.7 million as at 31 December 2017, include bank loans of €11 million and a bank overdraft balance of €0.7 million. The level of debt as at this date results in a financial gearing ratio (net of cash and cash equivalents) of 24.4%. The borrowings are secured by a special and general hypothec over the Guarantor's principal properties and a pledge over the insurance policies of the Guarantor.

Deferred tax liabilities, which amounted to €4.7 million as at 31 December 2017, include provision for the future tax liabilities that would arise upon an eventual sale of the properties owned by the Guarantor.

Between 2015 and 2017, the Guarantor generated total cash from operating and financing activities of €3.1 million and €2.3 million respectively, which were utilised primarily to finance the development of the Golden Mile Business Centre. Net cash inflows from operating activities largely represented cash generated from property leasing activities net of finance costs, whilst net cash inflows from financing activities mainly represented loan drawdowns for the financing of the Golden Mile project. Cash outflows from investing activities mainly comprised the investment in the Golden Mile Business Centre, which was completed in 2017.

The 2016 financial statements of Exalco Properties were restated to include accumulated depreciation of €0.5 million on the buildings of the properties held by the Guarantor, which was not being accounted for in prior years, and €0.4 million relating to revaluation gains, previously credited to retained earnings instead of the revaluation reserve.



## [6] ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

### 6.1 THE BOARD OF DIRECTORS OF THE ISSUER

In accordance with the Memorandum and Articles of Association, the Board of the Issuer is to consist of a minimum of three (3) and a maximum of six (6) Directors. Presently, there are six (6) directors. The Board is expected to meet 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.

The executive Directors of the Issuer are Mr Alexander Montanaro, Mr Jean-Marc Montanaro and Mr Michael Montanaro.

#### 6.1.2 NON-EXECUTIVE DIRECTORS

The main functions of the non-executive Directors are to monitor the operations of the executive Directors and their performance, as well as to review any proposals tabled by the executive Directors. In their capacity as members of the Audit Committee (refer to section 8 below), the non-executive Directors also have a crucial role in monitoring the activities and financial performance of the Guarantor, upon which the Issuer is dependent for the purpose of fulfilling its repayment obligations in terms of the Bond Issue.

The non-executive Directors are Mr Lawrence Zammit, Mr Mario P. Galea and Mr Kevin Valenzia.

#### 6.1.3 CURRICULUM VITAE OF THE DIRECTORS OF THE ISSUER

##### **Mr Alexander Montanaro**

Founder of Exalco Properties Limited (originally Exalco Group Limited) since 1986, Mr Alexander Montanaro has served as managing director of the Guarantor since its inception, responsible for successfully implementing the company's policies, developing its strategic plans and overseeing its operations. He served as financial manager of Moenninghoff Metals (Malta) Ltd between 1978 and 1979, as financial manager, administration/finance manager and eventually general manager of Rotos Pumps Co. Ltd between 1979 and 1984, and as administration/finance manager of Muscat Group of Companies between 1984 and 1986. Mr Montanaro has also occupied a number of directorship positions in various companies within the real estate, metals and corporate services industries. He has also obtained authorisation to act as trustee by the MFSA. Mr Montanaro is the chairman of the board of directors of both the Issuer and the Guarantor.

##### **Mr Jean-Marc Montanaro**

Mr Jean-Marc Montanaro holds a Bachelor's degree in Business Administration (Honours) from Cardiff University, United Kingdom and holds the ACCA and FCCA qualifications. He has three years of professional experience which he gained working with Deloitte. Mr Montanaro has occupied the roles of director and financial controller of the Guarantor, Exalco Metals Limited and ECTS Limited since 2006, responsible for all aspects of corporate accounting and financial reporting activities of the three entities, the carrying out of feasibility studies for any potential property project, the project management of major developments including the Golden Mile and the Parklane business centres, and the project management of major refurbishment works in the Cornerstone and Mayfair business centres. Mr Montanaro is an executive Director of the Issuer and a director of the Guarantor.

**Mr Michael Montanaro**

Mr Michael Montanaro holds a Bachelor's degree in Business Studies with a major in Finance (Honours) from Napier University, Edinburgh. Mr Montanaro has served the Guarantor as property manager since 2010 and is entrusted mainly with the responsibility for the day-to-day management of the tenants of the business centres including maintenance and cleaning works, the negotiating of lease agreements with the same, and the marketing of available office space within the business centres. He also carries out project management on any refurbishment and finishing works undertaken by the Guarantor and formulates business development policies for the same. Mr Montanaro is an executive Director of the Issuer and a director of the Guarantor.

**Mr Lawrence Zammit**

Mr Lawrence Zammit is a founding partner and a director of MISCO, and was instrumental in developing its market research division. Mr Zammit also holds a number of directorships in both private and public companies, and acts as a consultant to a number of business organisations, with a special focus on strategic issues related to leadership, business development, management and marketing. Mr Zammit is currently chairman of the board of directors of Atlas Insurance PCC Limited (C 5601) and Grand Harbour Marina p.l.c. (C 26891), as well as being a director of PG p.l.c. (C 78333), Loqus Holdings p.l.c. (C 27140), Mariner Finance p.l.c. (C 31514) and Corporate Identities Limited (C 52111). Furthermore, he is a former chairman of the Employment and Training Corporation, Malta International Airport p.l.c. (C 12663), Air Malta p.l.c. (C 2685) and Malta Enterprise Limited (C 29092).

**Mr Mario P. Galea**

A certified public accountant and auditor holding a warrant to practice both as an accountant and an auditor, Mr Mario P. Galea currently practises as a business adviser providing oversight and advisory services to businesses and corporations, and serves on the board of directors of various companies in the financial and commercial sectors, namely Chester Investment (Malta) Limited (C 84014), Globalcapital Life Insurance Limited (C 29086), Palm City Limited (C 34113), Palm Waterfront Limited (C 57155), Reed Global Limited (C 45367) and Reed Insurance Limited (C 38345). Mr Galea also sits on the board of directors of a number of listed companies, that is Mediterranean Investments Holding p.l.c. (C 37513), in respect of which he also acts as chairman of its audit committee, Corinthia Finance p.l.c. (C 25104) and Santumas Shareholdings p.l.c (C 35). Mr Galea was founder, managing partner and chairman of Ernst & Young in Malta for more than ten years and saw the successful introduction and growth of the local firm into a recognised and respected presence in the market. Amongst a number of other appointments, he served as president of the Malta Institute of Accountants, chairman of the Malta Resources Authority, and sat on various professional committees in Malta and abroad, such as the Council of the Federation des Experts-Comptables Européens (FEE) in Brussels. He continues to form part of the Ethics and Regulatory committees of the Malta Institute of Accountants and the Accountancy Board, the accountancy professional regulator in Malta. Mr Galea has also lectured in auditing, assurance and professional and business ethics, led several training courses and spoke at various business and professional conferences in Malta and abroad.

**Mr Kevin Valenzia**

Mr Kevin Valenzia recently stepped down as managing partner of PricewaterhouseCoopers in Malta, after having served for eight years in that role, and retired from PricewaterhouseCoopers after having reached the firm's mandatory retirement age. He had been a partner at PricewaterhouseCoopers since 1987, and has been instrumental in helping to develop Malta's financial services industry. Amongst a number of other appointments, he is a past President of the Institute of Financial Services Practitioners, past Chairman of the Financial Services Consultative Council, and one of the first Governors of Finance Malta. He has also been consulted regularly by successive governments for advice on the continued development of Malta's financial services sector and continues to sit on the Financial Services Working Group, chaired by the Minister for Finance. Mr Valenzia is a member of the board of directors of Hudson Malta p.l.c. (C 83425), The Malta Business Network (Malta) Limited (C 61040) and Bado Holdings Limited (C 19154).

**6.1.4 DIRECTORS' SERVICE CONTRACTS**

The respective functions of each of the Issuer's Directors are regulated by service contracts. A copy of each of these service contracts is available for inspection by any person entitled to receive notice of general meetings of the Issuer at the registered office of the Issuer in accordance with the requirements of the Listing Rules.

### **6.1.5 AGGREGATE EMOLUMENTS OF DIRECTORS**

In terms of the Memorandum and Articles of Association, 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 any travelling, accommodation and other expenses properly incurred by them in attending and returning from Board or committee 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 Memorandum and 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 Memorandum and Articles of Association, the Board 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 equity and debt 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 is to consist of a minimum of three (3) and a maximum of six (6) directors. Presently there are three 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 THE DIRECTORS OF THE GUARANTOR**

The CVs of the directors of the Guarantor may be found in section 6.1.3 above.

### **6.3.2 DIRECTORS' SERVICE CONTRACTS**

None of the directors of the Guarantor have a service contract with the Guarantor.

### **6.3.3 AGGREGATE EMOLUMENTS OF THE DIRECTORS OF THE GUARANTOR**

In terms of the Guarantor's articles of association, no remuneration shall be payable to the directors, including directors holding an executive office, unless and to the extent approved by the Guarantor in general meeting. The directors shall, however, be entitled to a reimbursement of all travelling, accommodation and other expenses properly incurred by them in attending and returning from meetings of the board of directors or general meetings of the Guarantor or in connection with the business of 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 directors are empowered to transact all business which is not, by the Articles, expressly reserved for the shareholders in general meeting.

### 6.4 EMPLOYEES OF THE GUARANTOR

As at the date of the Prospectus, the Guarantor has seven employees.

## [7] MANAGEMENT STRUCTURE

### 7.1 GENERAL

The Issuer is a finance company which does not require an elaborate management structure. Mr Alexander Montanaro has been appointed to be the Chairman of the Board of the Issuer. The Directors believe that the present organisational structures are adequate for the current activities of the Issuer. 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 OF THE GUARANTOR

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

<b>Name</b>	<b>Designation</b>
<b>Mr Alexander Montanaro</b>	Managing Director and Chairman
<b>Mr Jean-Marc Montanaro</b>	Financial Controller
<b>Mr Michael Montanaro</b>	Property Manager

The Managing Director and Chairman is responsible for the development of the Guarantor's business development strategies, the implementation of its policies and the effective oversight of its day-to-day operations.

The Financial Controller's role is to manage and control all operations of the Finance Department of the Guarantor, pursuant to and within the parameters of the Guarantor's objectives and performance targets. He is also responsible for the project management of major developments and refurbishment works carried out on the Guarantor's properties.

The Property Manager is responsible for the planning, direction and control of the daily operations of the Guarantor's business centres including but not limited to the management and maintenance of the leases, the negotiating of lease agreements with the tenants, and the marketing of vacant rentable space.

### **7.3 CONFLICT OF INTEREST**

As at the date of this Prospectus, each of the three executive Directors of the Issuer sits on the board of directors of the Guarantor, and as such are susceptible to conflicts between the potentially diverging interests of the two companies, particularly in connection with advances to be made by the Issuer to the Guarantor in undertaking new projects. Furthermore, Mr Jean-Marc Montanaro and Mr Michael Montanaro are two of the ultimate beneficial owners of both the Issuer and the Guarantor.

No private interests or duties unrelated to the Issuer or the Guarantor, as the case may be, have been disclosed by the management teams of the two companies which may or are likely to place any of them in conflict with any interests in, or duties towards, each other. In addition, in view of the lender-borrower relationship which is to arise between the Issuer and the Guarantor, there may be situations that could give rise to conflicts between the potentially diverging interests of the two entities. In these situations, the Directors shall act in accordance with the majority decision of those Directors who would not have a conflict in the situation and in line with any advice of outside legal counsel as may be necessary.

The Audit Committee of the Issuer has the task of ensuring that any such potential conflicts of interest relating to the Directors are handled in the best interests of the Issuer. In terms of the Act, any director 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 company whose board it sits on, 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 offices of the Issuer and/or the directors of the Guarantor 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 and the internal and external auditors. The external auditors are invited to attend the Audit Committee meetings. The Audit Committee reports directly to the Board.

The terms of reference of the Audit Committee include support to the Board in its responsibilities in dealing with issues of risk, control and governance, and associated assurance of the Issuer. 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 Audit 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 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.

As indicated in section 6.1.2 above, the Audit Committee of the Issuer has a crucial role in monitoring the activities and conduct of business of the Guarantor, insofar as these may affect the ability of the Issuer to fulfil its obligations in terms of the Bonds. Such role is specified in the Audit Committee's Terms of Reference and also forms the subject of a contractual undertaking by the Issuer in favour of the Guarantor in terms of the loan agreement relative to the bond proceeds, pursuant to which the Guarantor has vested the Audit Committee of the Issuer with certain monitoring functions in light of the Issuer's dependence on the Guarantor.

Furthermore, the Audit Committee has the role of assessing any potential conflicts of interest between the duties of the Directors and their respective private interests or duties unrelated to the Issuer.

The Audit Committee is made up entirely of non-executive Directors, all of whom are independent of the Issuer. Audit Committee members are appointed for a period of three years, unless terminated earlier by the Board. The Audit Committee is composed of Mr Lawrence Zammit (independent non-executive Director), Mr Mario P. Galea (independent non-executive Director) and Mr Kevin Valenzia (independent non-executive Director). The Chairman of the Audit Committee, appointed by the Board, is entrusted with reporting to the Board on the workings and findings of the Audit Committee. Mr Mario P. Galea occupies the post of Chairman of the Audit Committee, which role is subject to rotation between the members on an annual basis. Mr Mario P. Galea and Mr Kevin Valenzia are 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 Issuer 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, 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 Issuer 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 Issuer'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

The Guarantor is not a public company having securities listed on a regulated market, and accordingly, whilst it fully endorses the provisions of the Code set out in the Listing Rules and implemented by the Issuer, it is not itself bound by such provisions, including, *inter alia*, the requirement to set up an audit committee. Notwithstanding the aforesaid, the Guarantor recognises the function of the Audit Committee of the Issuer in so far as its role in monitoring the activities and conduct of business of the Guarantor is concerned.

## [10] HISTORICAL FINANCIAL INFORMATION

As indicated in section 3.3 of this Registration Document, there is no historical financial information pertaining to the Issuer covering the period between its date of incorporation and the date of the Prospectus.

The historical financial information pertaining to the Guarantor for the financial years ended 31 December 2015 and 31 December 2016 as audited by Mr Jeremy Gambin, and those ended 31 December 2017 as audited by PricewaterhouseCoopers, are available for review on the Issuer's website and are available for inspection as detailed in section 16 of this Registration Document.

## [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.

## [12] ADDITIONAL INFORMATION

### 12.1 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:

Name and address of shareholder	Number of Ordinary Shares held
<b>Exalco Holdings Limited</b> (C 86836) Cornerstone Business Centre, Level 4, 16 <sup>th</sup> September Square, Mosta, MST 1180, Malta	249,999 ordinary shares of €1.00 each
<b>Mr Alexander Montanaro</b> 606952 (M) Ir-Randa, Triq A. De Saavedra, Naxxar, NXR 2230, Malta	1 ordinary share of €1.00

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 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 each other and/or their respective shareholders 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.

### 12.2 SHAREHOLDING OF THE GUARANTOR

The authorised and issued share capital of the Guarantor is €2,840,000 divided into 2,840,000 ordinary shares having a nominal value of €1 each, fully paid-up and subscribed for, allotted and taken up as follows:



Name and address of shareholder	Number of Ordinary Shares held
<b>Exalco Holdings Limited</b> (C 86836) Cornerstone Business Centre, Level 4, 16 <sup>th</sup> September Square, Mosta, MST 1180, Malta	2,840,000 ordinary shares of €1.00 each

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 vote at general meetings of the Guarantor. All ordinary shares rank *pari passu* in all respects.

The shares of the Guarantor 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 Guarantor 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 Guarantor 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.

## 12.3 MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE ISSUER

### 12.3.1 OBJECTS

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

### 12.3.2 APPOINTMENT OF DIRECTORS

At present, in terms of the Memorandum and Articles of Association, the Board shall consist of not less than three (3) and not more than six (6) directors. Directors shall be appointed by the shareholders of the Issuer in terms of the Memorandum and Articles of Association.

### 12.3.3 POWERS OF DIRECTORS

The Directors are vested with the management of the Issuer, 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 Issuer and in this respect, have the authority to enter into contracts, sue and be sued in representation of the Issuer. 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.

Directors may not vote on any proposal, issue, arrangement or contract in which they have a personal material interest. The maximum limit of aggregate emoluments of the Directors is, in terms of the Memorandum and Articles of Association, to be established by the shareholders in general meeting.

In terms of the Memorandum and Articles of Association, the Board of Directors 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 equity and debt securities on such terms, in such manner and for such consideration as they think fit. The shareholders in general meeting have the overriding authority to change, amend, restrict and/or otherwise modify such limit and the Directors' borrowing powers.

There are no provisions in the Issuer's Memorandum and Articles of Association regulating the retirement or non-retirement of Directors over an age limit.

## **12.4 MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE GUARANTOR**

### **12.4.1 OBJECTS**

The memorandum and articles of association of the Guarantor are registered with the Registry of Companies. The principal objects of the Guarantor are set out in Article 3 of its memorandum and articles of association and include, but are not limited to the following:

- i. to acquire and dispose of, by any title valid at law, movable or immovable property, whether for commercial or other purposes and to hold the property so acquired;
- ii. to construct, reconstruct, build, improve, renovate, alter, develop, decorate, enlarge, pull down, demolish and remove or replace, furnish and maintain buildings, operations and other works of every kind and description;
- iii. to invest, lease, hire, grant by way of emphyteutical concession or in any other manner employ, improve, manage or develop any of its assets as may from time to time be determined; and
- iv. to guarantee the payment of monies or the performance of any contract or obligation in which the company may be interested in even by the hypothecation of the company's property, present or future.

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 the Registry of Companies.

### **12.4.2 APPOINTMENT OF DIRECTORS**

At present, in terms of the memorandum and articles of association, the board of directors of the Guarantor shall consist of not less than three (3) and not more than six (6) directors. Directors shall be appointed by means of an ordinary resolution of the shareholders of the Guarantor in general meeting.

### **12.4.3 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 or the law, reserved for the shareholders in general meeting.

In terms of the Guarantor's memorandum and articles of association, the board of directors may exercise all the powers of the Guarantor to borrow money or raise money or secure the payment of money and in conjunction with and independently therefrom to charge or hypothecate the property of the Guarantor or any party thereof for any debt, liability or obligation of the Guarantor.

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

## **[13]**

### **MATERIAL CONTRACTS**

None of Exalco Holdings, the Issuer or the Guarantor have entered into any material contracts which are not in the ordinary course of their business which could result in the Issuer (or the Guarantor, as applicable) being under an obligation or entitlement that is material to its ability to meet its obligations to security holders in respect of the securities being issued pursuant to, and described in, the Securities Note.

## **[14]**

### **PROPERTY VALUATION REPORT**

The Issuer commissioned Architect Stephen Mangion to issue a property valuation report in relation to the principal assets of the Guarantor as set out in section 4.4.2 of this Registration Document. The following are the details of the said valuer:

Name: Arch. Stephen Mangion  
Address: MMP Studio,  
Apartment M, Dolphin Court,  
Embassy Way,  
Ta' Xbiex, XBX 1073  
Malta

The property valuation report is dated 15 June 2018 and is appended as Annex I to this Registration Document.

## **[15]**

### **INTEREST OF EXPERTS AND ADVISERS**

Save for the property valuation report contained in Annex I to this Registration Document, and the financial analysis summary set out as Annex III to the Securities Note, the Prospectus does not contain any statement or report attributed to any person as an expert.

The property valuation report and financial analysis summary have been included in the form and context in which they appear with the authorisation of Arch. Stephen Mangion and Rizzo, Farrugia & Co (Stockbrokers) Ltd., which have given and have not withdrawn their consent to the inclusion of such reports herein. Arch. Stephen Mangion and Rizzo, Farrugia & Co (Stockbrokers) Ltd. do not have any material interest in the Issuer. The Issuer confirms that the property valuation report and financial analysis summary have been accurately reproduced in the Prospectus and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

**[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. The memorandum and articles of association of the Issuer and the Guarantor;
- b. Audited financial statements of the Guarantor for the financial years ended 31 December 2015, 2016 and 2017;
- c. The letter of confirmation drawn up by PricewaterhouseCoopers dated 23 July 2018;
- d. Property valuation report prepared at the Issuer's request;
- e. The financial analysis summary prepared by Rizzo, Farrugia & Co (Stockbrokers) Ltd. dated 31 July 2018;
- f. The Guarantee; and
- g. The Security Trust Deed.

The documents marked (a), (b) and (e) are also available for inspection in electronic form on the Issuer's website:  
[www.exalcogroup.com](http://www.exalcogroup.com)

# ANNEX I

## PROPERTY VALUATION REPORT

### MMP STUDIOS

37, Dolphin Court,  
Blk C, Apt M, Embassy Way,  
Ta' Xbiex XBX 1073, Malta

Phone: [+356 2133 6704](tel:+35621336704)

Email: [info@mmp.com.mt](mailto:info@mmp.com.mt)

#### Partners:

David Bonello Eur Ing, A&CE  
Jonathan Mizzi BA (Hons) Arch, Dip Arch, MArch, ARB RIBA  
Victoria Farrugia Galea BE&A (Hons), A&CE

#### Consultants:

Stephen Mangion B Arch, A&CE  
Patrick Camilleri BE&A (Hons), A&CE

#### Our Ref: 17026Zva001

The Board of Directors,  
Exalco Finance p.l.c.  
Level 4, Cornerstone Business Centre,  
16<sup>th</sup> September Square,  
Mosta, MST 1180  
Malta

15 June 2018

Dear Sirs,

#### Re: Exalco Properties Limited property portfolio

I have been instructed to prepare a valuation of the following immovable properties:

Property 1.	Marina Business Centre - Abate Rigord Street, Ta' Xbiex.
Property 2.	Parklane Business Centre - Mountbatten Street, Gwardamangia, Hamrun.
Property 3.	Mayfair Business Centre - St Augustine Street, Paceville, St Julian's.
Property 4.	Cornerstone Business Centre - Constitution Street, Mosta.
Property 5.	Golden Mile Business Centre - Dragonara Road, St George's Bay, St Julian's.
Property 6.	Borton House - Sir Arthur Borton Street, Mosta.
Property 7.	Maisonette no. 9 and garage no. 24 - Hillside Place, Triq il-Kwartin, Ibragg.
Property 8.	Garage no. 14, Buontempo Estate - Triq Wied Hal-Balzan, Balzan.

I have prepared this valuation as an external and independent valuer in terms of the Kamra tal-Periti Valuation Standards (2012) and the TEGoVA European Valuation Standards (2009). These standards are considered to be suitable replacements for the Royal Institute of Chartered Surveyors (RICS) standards referred to in Chapter 7 of the Listing Rules published by the Malta Financial Services Authority (the "**Listing Rules**"). I can confirm that no conflicts of interest exist in the preparation of this valuation since I will not benefit in any way other than from the valuation fee. As a warranted architect in terms of section 7(3) of the Architecture and Civil Engineering Professionals (PERITI) Act 1996, I have been involved in numerous valuations for public and private companies and for individual clients and have acted as a property valuer for three major banks since 2003.

The basis of the valuation is to arrive at the best price at which the sale of an interest in the properties would have been completed unconditionally for a cash consideration on the date of the valuation, assuming:

- A willing seller;
- That prior to the date of the valuation, there had been a reasonable period (having regard to the nature of the properties and the state of the market) for the proper marketing of the interest, for the agreement on price and on the terms and conditions for the completion of the sale;
- That the state of the market, level of values and other circumstances are consistent over the period of the valuation;
- That no account is taken of any additional bid by a purchaser with a special interest; and
- That both parties had acted knowledgeably, prudently and without compulsion.

**Purpose of the valuation:**

The purpose of the valuation is for its inclusion with the Prospectus to be published in connection with the proposed public bond issue by Exalco Finance p.l.c. (hereinafter referred to as the “**Issuer**”) in accordance with Chapter 7 of the Listing Rules published by the Malta Financial Services Authority.

**Site visit/ documents:**

The properties were visited on the 27<sup>th</sup> November 2017 during which I was accompanied by one of the directors, Mr. Michael Montanaro, and the required data was collected from the owners (Exalco Properties Limited) or otherwise collated. To the best of my knowledge and belief there have been no material changes in circumstances between the date of the site visit and the date of this valuation report which would affect the valuation of the properties being valued herein.

The documents used in the preparation of the valuation generally included the following:

- Site plans.
- Floor plans.
- Planning permits.
- Excerpt from the relative Local Plans.
- Schedule of leases.
- Standard Lease agreements.
- Abbreviated accounts of the company for the years 2015, 2016 and 2017.

The deeds of acquisition of the various properties were not consulted but confirmation of rightful ownership for all the properties was provided by Notary John L. Gambin LL. D.

During the site visit, photos of the properties were taken.

The properties are being described and valued in turn hereunder.

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**Property 1: Marina Business Centre - Abate Rigord Street, Ta' Xbiex**

---

**Description of property, tenure, etc.:**

The property consists of a six-storey building with an underlying semi-basement floor and two full basement floors. The property lies on a corner site between two streets and it is bounded on the North by Triq L-Imradd, on the North West by Triq Abate Rigord and on the other two sides by built, third party property. A part of the building at ground floor level is owned by the House Shop Ltd and this is the only part of the whole building which belongs to third parties. The building is of recent construction having been built in 2010/2011. It stands on a plot of land measuring approximately 800m<sup>2</sup>. The building has six floors above ground including a penthouse floor and one semi-basement floor.

The shell consists of a reinforced concrete frame structure with flat slab construction on all floors and with a height of 11 courses on the main accommodation floors. A staircase and two passenger lifts extend through all the office floors while the two lifts carry down to all the basement floors. The elevated ground floor is accessible from Triq Abate Rigord by means of a flight of stairs and a wheelchair platform lift. The semi-basement floor is some 70cm below ground and accessible from Triq Abate Rigord. A 1:8 ramp then connects the semi-basement to the remaining basement floors. The basements are used essentially for parking but a part of the semi-basement which is almost wholly above street level, was converted into a catering establishment. A small part of the basement is allocated to an Enemalta sub-station and another to a stand-by generator.

The accommodation in the building is available in the following rentable area amounts:

- Level 0 (Ground floor) has a total rentable area of 270m<sup>2</sup>;
- Level +1 has a total rentable area of 769m<sup>2</sup>;
- Level +2 has a total rentable area of 769m<sup>2</sup>;
- Level +3 has a total rentable area of 675m<sup>2</sup>;
- Level +4 has a total rentable area of 689m<sup>2</sup>; and
- Level +5 (Penthouse) has a total rentable area of 360m<sup>2</sup>.

Most of the car spaces in the parking floors are leased out to the present lessees of office space and only five car spaces are available for leasing. The catering unit in the semi-basement floor was leased until recently to a catering establishment for five years (extendable) but the lease was terminated on the 31<sup>st</sup> October 2017 and is currently vacant. It had been leased out originally in shell form and the lessee had finished it and refurbished it at its own expense.

Many of the leases date back to the acquisition of the property by the current owners but there has been some movement mainly when tenants outgrew their offices and either moved out or shifted to and/or needed to add more office space.

The existing rental agreements have been concluded for definite periods, ranging from nine months to eight years. Six of the leases may be automatically renewed for further periods of one or two years until termination of the respective lease agreement by either of the parties thereto, and the remaining are due to expire between 2018 and 2019. In terms of the lease agreements, an amount equivalent to three months' rent is to be paid by every tenant by way of caution money for the purposes of securing its obligations under its respective lease agreement, which amount will be refunded upon termination of the lease less any amounts due for arrears in rent or sums deducted by way of damages or penalties.

With respect to the repairing obligations under the lease, all lease agreements contain the same terms such that the tenant shall be responsible for all ordinary repairs required to any internal part of the premises and extraordinary repairs to the structure, unless occasioned by the negligence or misuse of the premises by the lessee, shall be at the sole charge and expenses of the lessor. The tenants are generally precluded from sub-letting, assigning or otherwise disposing of the premises, whether in whole or in part, unless otherwise specifically agreed with the lessor.

The condition of the building inspected appears to be good and there were no overt signs of any deficiencies. The structure appears to be in good condition although it should be made clear that this is based only on a visual examination which was carried out merely for the purposes of this valuation and which does not constitute a structural condition report. Moreover, no parts of the building that were covered or otherwise inaccessible were inspected. It is being assumed that the building is essentially free of any major structural defects.

The finishes in the offices are all of a very high standard although they vary somewhat from office to office as each tenant has tended to personalise their decor. Generally, the finishes consist of:

- Floors are paved in large format ceramic tiles and skirting and in some cases, fitted carpeting;
- Walls are plastered and painted;
- Ceilings have a lay-in grid false ceiling with built-in lighting and services;
- Partitioning between different sections are in glass and aluminium or in timber;
- External doors and windows are in heavy duty aluminium with double glazing with louvre blinds in places;
- There is air conditioning throughout and there is a good provision of lighting and power points as well as data networking; and
- Adequate toilet accommodation with a good finish.

The common areas are also well finished with granite treads and risers on the stairs, cladding of the lift façades and two passenger lifts of good quality. The property is in very good condition and there do not appear to be any overt structural or other faults in the building.

Refurbishing works were carried out recently and were completed in November 2017. These consisted in the replacement of stone sun screens on the main façade of the building by Alucobond cladding. There have also been some improvements in some of the offices which were carried out by the lessees.

The offices on the upper floors have very good views of Msida Creek over the roofs of the buildings which lie to the South fronting on the seafront. This view is likely to remain, at least, for a period of time since the building behind which separates the property from the sea has multiple tenants and owners and it is unlikely to be sold for redevelopment easily.

The property was purchased in August 2011 at a price of €4,750,000. However, in addition to this, the purchasers paid a sum of €2,500,000 toward the acquisition of the leases that were then in place within the building. This sale comprised the whole block with the exception of the section occupied by the House Shop Ltd and eight car parking spaces in the garage. The property is freehold.

The property is encumbered by the security specified in Annex A to this document.

#### **Permits:**

The site falls within the North Harbours Local Plan (NHLP) for Ta' Xbiex and it is zoned for residential development. There is a height limitation of five floors plus semi-basement. In terms of DC 2015, this is equivalent to a total height of 25m which could permit up to 7 floors of 3.4m each. Given the existing height of the building (that is, between 21.3m and 24.8m above street level), no further development is possible at this stage.

There is an extensive planning history on the site which includes the following: PA07301/98, PA03068/00, PA02382/02, PA00145/09, PA03064/09, PA02559/12, PA02823/13, PA03480/14 and PA02057/16. Of these, the most relevant are PA03068/00 which covers mixed use development including garages, residential units, showrooms, cafeteria, commercial uses, clinics and offices which was granted in May 2001 and PA00145/09 which covered the same uses but included changes in the layout and the addition of four additional units which was granted in September 2010. The development appears to conform to both the approved plans and to the sanitary laws and there do not appear to have been any material contraventions of statutory requirements.

#### **Valuation:**

The property is being valued as an operating investment property - the market value for existing use. Since a very high proportion of the value arises over the early years, it is normal to apply a detailed calculation of rents and costs for up to 20 years and then to adopt the terminal value at the end of that period. This terminal value would be obtained by capitalising the free cash flow thereafter discounted to net present value. The existing use value is its market value based on the continuation of its existing use on a vacant possession basis and the assumption that the asset could be sold on the open market for its existing use.

The market value for existing use is being assessed first. The income is generated by the renting of the office areas. The building lies in a good location on a busy traffic route in Ta' Xbiex. The occupancy rates over the last two years were 100%. There appears to be a constant demand for more accommodation. It was noted that the building has a 98% occupancy level at the present moment.

The current total rental revenue from the office accommodation and, where it is included, the car parking, amounts to €936,611 excluding net property management income - this constitutes the Net Annual Rent as defined in the Listing Rules. The rates range between € 196/m<sup>2</sup> p.a. and €335/m<sup>2</sup> p.a. The rates at penthouse level and on the upper floors are generally higher than those on the lower floors.

The annual increments range between 2% and 3% p.a. Three leases were deemed to have been lower than market rental rates and these were increased to more realistic levels upon termination of the respective lease periods.

The determination of the discount rate to be applied to the rental is based on the current risk-free rate and inflation, on a general risk associated with property developments in general and finally on a specific risk premium related directly to the property being valued. The risk-free rate is based on long term (20 year) Government of Malta bonds with a current yield of 2.04%. To this is added a yield to reflect the general risks of investing in property, such as liquidity, depreciation, changes in the law etc. A rate of 2% is being taken to cover this. The final additional yield would cover risks specific to the



property in question, which would include location and tenant risk, age and level of finish, land value and churn. There appears to be a very high demand for office space, with occupancy levels running fairly consistently at 100% and with the uninterrupted replacement of lessees at termination of each lease. A risk premium of 4.0% is being applied bringing the discount rate for the income to 8.04% (2.04 + 2.0 + 4.0). This is being rounded off to 8.0%.

In view of the fact that the net income figures are changing due to annual increases, a Discounted Cash Flow approach was used to determine the market value for existing use with a discount rate of 8%. The terminal value was then established by capitalising the free cash flow in year 20 at a rate of 6.7% (discount rate of 8.0% less inflation of 1.3%). This was then discounted at 8.0% to establish the present value.

**The value was assessed at €17,666,192, which is being rounded off to €17,600,000.**

**An allowance is being made for the capital expenditure required to keep the property in a good state of repair so as to continue to command the income calculated. This was determined by assessing the actual capex over the next 20-year period and beyond and discounting this at the above discount rate. In this case, the capex will be incurred in years 6-10 of the twenty-year period and the discounted cost will be €474,000. This is being deducted from the value giving a net valuation figure of €17,126,000.**

**Thus, the present value of the property comprising the office accommodation, cafeteria and parking in the Marina Business Centre, in its existing state and taking into account the current use is being assessed at €17,126,000.**

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## **Property 2: Parklane Business Centre - Mountbatten Street, Gwardamangia, Hamrun**

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### **Description of property, tenure, etc.:**

The property consists of a four-storey commercial building with an underlying semi-basement floor. The property lies on a trapezoidal corner site between two streets and it is bounded on the North East Triq Pietru Xuereb, on the South by Triq Joe Sciberras and on the North West by built, third party property. The address is quoted as Mountbatten Street, although this street lies slightly to the East of the roundabout which fronts the property. The building was constructed around 1992. It stands on a plot of land measuring approximately 290m<sup>2</sup>. The building has four floors above ground including a penthouse floor and one semi-basement floor.

The shell consists of a reinforced concrete frame structure on all floors and with a height of 3m on the office floors. The height in the elevated ground floor showroom is greater and there is a mezzanine floor over part of the showroom. The latter is accessible directly from the street up a short flight of stairs. The entrance to the block is in the centre between the two streets. From this, a short flight of steps leads up to a landing from which the lift and the staircase rise to the floors above. The semi-basement floor is accessible from Triq Joe Sciberras by means of a ramp. It is used essentially for parking with six parking spaces and a stand-by generator which provides full back up for the electricity supply.

The accommodation in the building is available in the following rentable area amounts:

- Level 0 (Elevated ground floor) is a showroom. It has a total rentable area of 250m<sup>2</sup>;
- Level +1 has a total rentable area of 285m<sup>2</sup>;
- Level +2 has a total rentable area of 285m<sup>2</sup>; and
- Level +3 (Penthouse) has a total rentable area of 125m<sup>2</sup>.

The total rentable area is therefore 945m<sup>2</sup>. Most of the car spaces in the parking floors are leased out to the lessees of the showroom and office space constituting the above, and only one car space is available for leasing.

The contracts of lease of office space have been concluded for definite periods of two to three years, subject to an automatic renewal for further periods of one to three years until termination of the respective lease agreement by either

of the parties. One particular lease agreement was, on the other hand, contracted for the duration of twelve years and is due for expiration in 2028. In terms of the lease agreements, an amount equivalent to three months' rent is to be paid by every tenant as a means of a security deposit for the purposes of securing its obligations under its respective lease agreement, which amount will be refunded upon termination of the lease less any amounts due for arrears in rent or sums deducted by way of damages or penalties.

With respect to the repairing obligations under the leases, the lease agreements contain the same terms such that the tenants shall be responsible for all ordinary repairs required to any internal part of the premises, save for one tenant whose liability for costs of ordinary repairs is capped at a maximum amount of €250 for the first two years of the lease, i.e. until the 15th August 2018. Any extraordinary repairs to the structure, unless occasioned by the negligence or misuse of the premises by the lessee, will be borne by the lessor. The tenants are generally precluded from sub-letting, assigning or otherwise disposing of the premises whether, in whole or in part, unless otherwise specifically agreed with the lessor. Every lease agreement has been made subject to a six-month termination notice period, which may be availed of by both parties to the lease.

The condition of the building inspected appears to be good and there were no overt signs of any deficiencies. The structure appears to be in good condition although it should be made clear that this is based only on a visual examination which was carried out merely for the purposes of this valuation and which does not constitute a structural condition report. Moreover, no parts of the building that were covered or otherwise inaccessible were inspected. It is being assumed that the building is essentially free of any major structural defects.

The finishes in the offices are all of a medium high standard although they vary somewhat from office to office as some lessees have personalised the decor in their offices. Generally, the finishes consist of:

- Floors are paved in large format ceramic tiles and skirting and in some cases, laminate flooring;
- Walls are plastered and painted;
- Ceilings have a lay-in grid false ceiling with built-in lighting and services;
- External doors and windows are in aluminium with double glazing;
- There is air conditioning throughout and there is a good provision of lighting and power points as well as data networking;
- Adequate toilet accommodation with a good finish; and
- The showroom at elevated ground floor was fitted out by the lessee and it includes a home cinema.

The common areas are well finished with marble treads and risers on the stairs and one newly-installed passenger lift of good quality. The owners intend to carry out improvements on the façades but these works had not been done yet at the time this valuation was prepared although the main entrance had recently been refurbished.

The offices on the upper floors have no views other than of the surrounding streetscape. The property was purchased in shell form in 1996 at a price of Lm160,000 (€372,700). The property is freehold.

The property is encumbered by the security specified in Annex A to this document.

#### **Permits:**

The site falls within the Central Malta Local Plan (CMLP) for Hamrun and it is zoned for residential development. There is a height limitation of three floors plus semi-basement. In terms of DC 2015, this is equivalent to a total height of 17.5m which could permit up to 5 floors of 3.3m each including one recessed floor. Given the existing height of the building of 15.4m to top of the penthouse floor, it is not possible to add any further floors at this stage.

There is an extensive planning history on the site which includes the following: PA03641/92, PA00091/94, PA04934/96, PA00557/97, PA04086/99, PA04105/00, PA06266/00, PA04514/02, PA06352/03, PA00261/08 and PA00147/09. Of these, the most relevant are PA03641/92 which covers the original building and PA00091 which covers the building of an additional floor over the original building and PA04105/00 and PA00147/09 which cover the construction of the penthouse

floor. The development appears to conform to both the approved plans and to the sanitary laws and there do not appear to be any material contraventions of statutory requirements.

**Valuation:**

The property is being valued as an operating investment property - the market value for existing use. Since a very high proportion of the value arises over the early years, it is normal to apply a detailed calculation of rents and costs for up to 20 years and then to adopt the terminal value at the end of that period. This terminal value would be obtained by capitalising the free cash flow thereafter discounted to net present value. The existing use value is its market value based on the continuation of its existing use on a vacant possession basis and the assumption that the asset could be sold on the open market for its existing use.

The market value for existing use is being assessed first. The income is generated by the renting of the office areas and the showroom. The building lies in a fairly good location on a busy traffic route in Hamrun/Gwardamangia. At the moment, the accommodation is fully leased out. The occupancy rate over the last two years was 100%. There appears to be a constant demand for more accommodation and when a lease comes to terminate, new tenants are found during the notice period so that the accommodation is constantly leased.

The current total rental revenue from the office accommodation and, where it is included, the car parking, amounts to €127,485 excluding net property management income - this constitutes the Net Annual Rent as defined in the Listing Rules. The rates range between €117/m<sup>2</sup> p.a. and €170/m<sup>2</sup> p.a. The rate at penthouse level is higher than those on the lower floors. The annual increments range between 2% and 3% p.a. One of the leases was deemed to have a lower than market rental rate and this was increased to a more realistic level upon termination of the respective lease period.

The determination of the discount rate to be applied to the rental is based on the current risk-free rate and inflation, on a general risk associated with property developments in general and finally on a specific risk premium related directly to the property being valued. The risk-free rate is based on long term (20 year) Government of Malta bonds with a current yield of 2.04%. To this is added a yield to reflect the general risks of investing in property, such as liquidity, depreciation, changes in the law etc. A rate of 2% is being taken to cover this. The final additional yield would cover risks specific to the property in question which would include location and tenant risk, age and level of finish, land value and churn. There appears to be a good demand for office space, with occupancy levels running consistently at 100% and with uninterrupted replacement of lessees at termination of each lease. Nonetheless, its location is considered to be in a secondary commercial area. A risk premium of 4.5% is being applied in the light of these specific factors bringing the discount rate for the income to 8.54% (2.04 + 2.0 + 4.5). This is being rounded off to 8.5%.

In view of the fact that the net income figures are changing due to annual increases, a Discounted Cash Flow approach was used to determine the market value for existing use with a discount rate of 7%. The terminal value was then established by capitalising the free cash flow in year 20 at a rate of 6.7%. (Discount rate of 8.5% less inflation of 1.3%). This was then discounted at 8.5% to establish the present value.

**The value was assessed at €2,008,279 which is being rounded off to € 2,000,000.**

**An allowance is being made for the capital expenditure required to keep the property in a good state of repair so as to continue to command the income calculated. This was determined by assessing the actual capex over the next 20-year period and beyond and discounting this at the above discount rate. In this case, the capex will be incurred in years 1-5 and 16-20 of the twenty-year period and the discounted cost will be €231,000. This is being deducted from the value giving a net valuation figure of €1,769,000.**

**Thus, the present value of the property comprising the office accommodation, showroom and parking in the Parklane Business Centre, in its existing state and taking into account the current use is being assessed at €1,769,000.**

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## Property 3: Mayfair Business Centre - St Augustine Street, Paceville, St Julian's

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### Description of property, tenure, etc.:

The property consists of a seven-storey commercial building including a receded floor and semi-basement floor together with an underlying basement floor. The property lies on a triangular corner site between two streets and it is bounded on the South East by St Augustine Street, on the West by a branch of St Augustine Street and on the North and North West by the Eden Cinemas complex. The location is an established, exclusively commercial area with the presence of several hotels, catering and entertainment establishments, as well as office space. The building was constructed around 1995/6 and it originally consisted of four floors (levels 0, +1, +2 and +3) but was subsequently extended further on two separate occasions. It stands on a plot of land measuring approximately 575m<sup>2</sup>. The building has six floors above ground including a penthouse floor and one basement floor.

The shell consists of a reinforced concrete frame structure on all floors and with a height of 3.2m on the office floors. The entrance to the block is in the main St Augustine façade. This leads to a lobby from which a circular staircase in an open well and a lift rise through the different floor levels. There is a second entrance in the same façade which lies midway between the semi-basement and the elevated ground floor levels which accesses an international language school directly such that the school has its own separate entrance. The basement floor is accessible via a ramp down from the same street. The latter accommodates twelve parking spaces, storage and a generator room, while all the upper floors are currently used as office space. In the past, the elevated ground floor and semi-basement floors accommodated a catering establishment.

The accommodation in the building is available in the following rentable area amounts:

- Level 0 (Semi-basement), together with levels +1, +2 and +3 comprise a total rentable area of 1,620m<sup>2</sup>. There is an ATM machine at this level on the exterior of the building;
- Level +4 has a total rentable area of 343m<sup>2</sup>;
- Level +5 has a total rentable area of 338m<sup>2</sup>; and
- Level +6 (Penthouse) has a total rentable area of 155m<sup>2</sup>.

The total rentable area is 2,456m<sup>2</sup>. All nine car spaces in the parking floor are included in the leases. Only level +4 is subdivided into two units but all floors could be thus subdivided.

The current rental agreements have been concluded for definite periods of time, ranging from one to three years, all of which can be automatically renewed for further periods of one to three years until termination of the respective lease agreement by either of the parties thereto. In terms of the lease agreements, an amount equivalent to the rent payable for two to three months (as applicable) is to be paid by every tenant as a means of a security deposit for the purposes of securing its obligations under its respective lease agreement, which security deposit will be refunded upon termination of the lease less any amounts due for arrears in rent or sums deducted by way of damages or penalties.

With respect to the repairing obligations under the leases, all lease agreements contain the same terms such that the tenant shall be responsible for all ordinary repairs required to any internal part of the premises and extraordinary repairs to the structure, unless occasioned by the negligence or misuse of the premises by the lessee, will be borne by the lessor. The tenants are generally precluded from sub-letting, assigning or otherwise disposing of the premises whether, in whole or in part, unless otherwise specifically agreed with the lessor. The lease agreements are subject to twelve-month notice periods of termination.

The condition of the building inspected appears to be good and there were no overt signs of any deficiencies. The structure appears to be in good condition although it should be made clear that this is based only on a visual examination which was carried out merely for the purposes of this valuation and which does not constitute a structural condition report. Moreover, no parts of the building that were covered or otherwise inaccessible were inspected. It is being assumed that the building is essentially free of any major structural defects.

The finishes in the offices as well as the common areas are all of a high standard although they vary somewhat from office to office as some lessees have personalised the decor in their offices. Generally, the finishes consist of:

- Floors are paved in large format ceramic tiles and skirting and in some cases, laminate flooring;
- Walls are plastered and painted;
- Ceilings have a gypsum or lay-in grid false ceiling with built-in lighting and services;
- External doors and windows are in aluminium with double glazing;
- There is air conditioning throughout and there is a good provision of lighting and power points as well as data networking; and
- Adequate toilet accommodation with a good finish.

The common areas are well finished with marble treads and risers on the stairs and marble cladding to the lift. There is one passenger lift of good quality and a platform lift at the common entrance for persons with special needs as the entrance from street level is slightly above the stair and lift landing.

The building has no views other than of the surrounding streetscape. The site on which the property is built consisted originally of three residential properties, all of which were purchased in 1994 at a total price of Lm150,000 (€349,406). The property is freehold.

The property is encumbered by the security specified in Annex A to this document.

#### **Permits:**

The site falls within the North Harbour Local Plan (NHLP) for Paceville and it is zoned as part of the secondary town centre subject to Policy NHRE 01 which sets out the permitted uses in the area. It is also listed as a landmark building subject to Policy NHSE 08 which protects the building from any development which could have a detrimental effect on strategic views of the building. Although the height limitation is not specifically noted in Map PV2 of the NHLP, the height limitation of the adjoining buildings is six floors plus semi-basement. In terms of DC 2015, this is equivalent to a total height of 29m which could permit up to eight floors of 3.5m each including one recessed floor.

There is an extensive planning history on the site which includes the following: PA06757/91, PA02697/97, PA04707/97, PA06216/98, PA02695/99, PA03060/99, PA03671/99, PA05022/00, PA01823/01, PA05092/04, PA01812/05, PA03054/05, PA07305/05, PA03250/07, PA01708/12 and PA02301/15. Of these, the most relevant are PA04707/97 which covers the building of a commercial centre, PA05022/00 which covers the sanctioning of internal changes and changes in use and PA02301/15 which covers the other changes of use.

In addition to the planning permits, three enforcement notices had been issued, namely: EC/00850/97, EC/00122/05 and EC/00497/05 relating to minor issues - all of which appear to have been cleared. Other planning activity included two Planning Control applications, namely: PC0055/97 for the removal of the front garden from the planning scheme and PC00056/07 to amend the policy NHRE01.

The development appears to conform to both the approved plans and to the sanitary laws and there do not appear to be any material contraventions of statutory requirements.

#### **Valuation:**

The property is being valued as an operating investment property - the market value for existing use. Since a very high proportion of the value arises over the early years, it is normal to apply a detailed calculation of rents and costs for up to 20 years and then to adopt the terminal value at the end of that period. This terminal value would be obtained by capitalising the free cash flow thereafter discounted to net present value. The existing use value is its market value based on the continuation of its existing use on a vacant possession basis and the assumption that the asset could be sold on the open market for its existing use.

The market value for existing use is being assessed first. The income is generated by the renting of the office areas and the showroom. The building lies in a prominent location in a busy commercial area. At the moment, the accommodation is fully leased out. The major lessee is an international language school which, apart from leasing four of the seven floors, has occupied the premises for over ten years. The occupancy rates over the last two years was 100%. There appears to be a high demand for accommodation and whenever leases have terminated, new tenants were found for the premises during the notice period.

The current total annual rental revenue derived from office accommodation including the car parking amounts to €451,821 p.a. excluding net property management income - this constitutes the Net Annual Rent as defined in the Listing Rules.

The rates range between €152/m<sup>2</sup> p.a. and €264/m<sup>2</sup> p.a., while the rate at penthouse level is at €308/m<sup>2</sup> p.a. The annual increments which range between 2% and 3% p.a. are reasonable. Moreover, two other leases were deemed to have lower than market rental rates and these were increased to more realistic levels upon termination of the respective lease periods.

The determination of the discount rate to be applied to the rental is based on the current risk-free rate and inflation, on a general risk associated with property developments in general and finally on a specific risk premium related directly to the property being valued. The risk-free rate is based on long term (20 year) Government of Malta bonds with a current yield of 2.04%. To this is added a yield to reflect the general risks of investing in property, such as liquidity, depreciation, changes in the law etc. A rate of 2% is being taken to cover this. The final additional yield would cover risks specific to the property in question, which would include location and tenant risk, age and level of finish, land value and churn. There appears to be a good demand for office space, with occupancy levels running consistently at 100% and with uninterrupted replacement of lessees at termination of each lease. Its location is considered to be in a prime commercial area. A risk premium of 4% is being applied in the light of specific factors bringing the discount rate for the income to 8.04% (2.04 + 2.0 + 4.0). This is being rounded off to 8%.

In view of the fact that the net income figures are changing due to annual increases, a Discounted Cash Flow approach was used to determine the market value for existing use with a discount rate of 6.5%. The terminal value was then established by capitalising the free cash flow in year 20 at a rate of 6.7%. (discount rate of 8% less inflation of 1.3%). This was then discounted at 8% to establish the present value.

**The value was assessed at €8,756,505 which is being rounded off to € 8,800,000.**

**An allowance is being made for the capital expenditure required to keep the property in a good state of repair so as to continue to command the income calculated. This was determined by assessing the actual capex over the next 20-year period and beyond and discounting this at the above discount rate. In this case, the capex will be incurred in years 1-5 and 16-20 of the twenty year period and the discounted cost will be €455,000. This is being deducted from the value giving a net valuation figure of €8,345,000.**

**Thus, the present value of the property comprising the office accommodation, language school and parking in the Mayfair Business Centre, in its existing state and taking into account the current use is being assessed at €8,345,000.**

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## **Property 4: Cornerstone Business Centre - Constitution Street, Mosta**

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### **Description of property, tenure, etc.:**

The property consists of a five-storey commercial building which includes a receded (penthouse) floor and with two underlying basement floors. The property lies on a rectangular corner site between two streets. It is bounded on the South East by 16<sup>th</sup> September Square, on the South West by Constitution Street and on the other two sides by built, third party property. The area is largely commercial; however, in some cases, the upper floors of the surrounding buildings contain residential units. The building was constructed around 2003/2004. It stands on a plot of land measuring approximately 610m<sup>2</sup>.

The building has five floors above ground including a penthouse floor and two basement floors. The ground floor consists essentially of retail units which front on either Constitution Street or 16<sup>th</sup> September Square, the floors above are offices and the two basements are for car parking.

The shell consists of a reinforced concrete frame structure on all floors and with a height of 3.1m on the office floors. The entrance to the offices is in the square while the retail units are independently and separately accessible. There is one main staircase and one separate escape staircase and one passenger lift. The basement floors are accessible from the square by means of a ramp. The basement floor also accommodates a back-up generator which covers all electricity requirements in the building except for air conditioning.

The accommodation in the building is available in the following rentable area amounts:

- Level 0 (Ground floor) has a total rentable area of 372m<sup>2</sup>;
- Level +1 has a total rentable area of 500m<sup>2</sup>;
- Level +2 has a total rentable area of 540m<sup>2</sup>;
- Level +3 has a total rentable area of 540m<sup>2</sup>;
- Level +4 (Penthouse) has a total rentable area of 300m<sup>2</sup>, which is partly utilised as the offices of the owning company, Exalco Properties Limited.

There is a total rentable area of 372m<sup>2</sup> of retail space and 1,880m<sup>2</sup> of office space. Most of the car spaces in the parking floors are leased out to the lessees of the retail and office space constituting the above but eight car spaces are available for leasing.

The current rental agreements have been concluded for definite periods of time, which range from one to fifteen years with those, the use of which is restricted to office space, being subject to an automatic renewal for further periods of one year until termination of the respective lease agreement by either of the parties thereto, and those limited to retail use due to expire between 2020 and 2025, therefore having a remaining term of two to eight years. In terms of the lease agreements, an amount equivalent to three months' rent is to be paid by every tenant as a means of a security deposit for the purposes of securing its obligations under its respective lease agreement, which security deposit will be refunded upon termination of the lease less any amounts due for arrears in rent or sums deducted by way of damages or penalties.

With respect to the repairing obligations under the leases, all lease agreements contain the same terms such that the tenant shall be responsible for all ordinary repairs required to be made to any internal part of the premises and any extraordinary repairs to the structure, unless occasioned by the negligence or misuse of the premises by the lessee, will be borne by the lessor. The tenants are generally precluded from sub-letting, assigning or otherwise disposing of the premises whether, in whole or in part, unless otherwise specifically agreed with lessor.

The condition of the building inspected appears to be good and there were no overt signs of any deficiencies. The structure appears to be in good condition although it should be made clear that this is based only on a visual examination which was carried out merely for the purposes of this valuation and which does not constitute a structural condition report. Moreover, no parts of the building that were covered or otherwise inaccessible were inspected. It is being assumed that the building is essentially free of any major structural defects.

The finishes in the offices are all of a fairly high standard although they vary somewhat from office to office as some lessees have personalised the decor in their offices. Generally, the finishes consist of:

- Floors are paved in large format ceramic tiles and skirting and in some cases, laminate flooring;
- Walls are plastered and painted;
- Partitions are glazed;
- Ceilings have a gypsum or lay-in grid false ceiling with built-in lighting and services;
- External doors and windows are in aluminium with double glazing;
- There is air conditioning throughout and there is a good provision of lighting and power points as well as data networking;
- Adequate toilet accommodation with a good finish; and
- The large terraces running round the penthouse floor units are covered in Astroturf.

The common areas are well finished with marble treads and risers on the stairs and cladding of the lift front as well as one passenger lift of good quality.

The offices on the upper floors have no views other than of the surrounding streetscape but the penthouse offices do have country views. The property was purchased in 1998 at a price of Lm60,000 (€139,762) and the building construction cost was €1,763,000. The property is freehold.

The property is encumbered by the security specified in Annex A to this document.

#### **Permits:**

The site falls within the Central Malta Local Plan (CMLP) and it is zoned as part of the Primary Town Centre of Mosta. There is a height limitation of three floors plus semi-basement. In terms of DC 2015, this is equivalent to a total height of 17.5m which could permit up to five floors of 3.3m each including one recessed floor. Given the existing height of the building of 17.2m, no further development is possible at this stage.

There is an extensive planning history on the site which includes the following: PA00176/99, PA03329/01, PA06558/01, PA02418/04, PA03266/04, PA02955/05, PA02012/06, PA03937/08. Of these, the most relevant are PA00176/99 which covers the building of the basement garage, PA03329/01 and PA06558/01 which covers the building as a whole and PA02418/04 which cover the construction of the penthouse floor. The development appears to conform to both the approved plans and to the sanitary laws and there do not appear to be any material contraventions of statutory requirements.

#### **Valuation:**

The property is being valued as an operating investment property - the market value for existing use. Since a very high proportion of the value arises over the early years, it is normal to apply a detailed calculation of rents and costs for up to 20 years and then to adopt the terminal value at the end of that period. This terminal value would be obtained by capitalising the free cash flow thereafter discounted to net present value. The existing use value is its market value based on the continuation of its existing use on a vacant possession basis and the assumption that the asset could be sold on the open market for its existing use.

The market value for existing use is being assessed first. The income is generated by the renting of the office areas and the showroom. The building lies in a prime location of Mosta on a busy traffic and pedestrian route with high footfall in Mosta. At the moment, the accommodation is fully leased out. The occupancy rate over the last three years was 100%.

The current total rental revenue from the office accommodation and, where it is included, the car parking, amounts to €398,238 p.a. excluding net property management income – this constitutes the Net Annual Rent as defined in the Listing Rules.

The rates range between €231/m<sup>2</sup> p.a. and € 545/m<sup>2</sup> p.a. for the retail units and €87/m<sup>2</sup> p.a. and €129/m<sup>2</sup> p.a. for the offices with higher rates for the penthouse floor of between €232/m<sup>2</sup> p.a. and €243/m<sup>2</sup> p.a. The rate of €87/m<sup>2</sup> p.a. is considered unduly low but this relates to a lease which will terminate in November 2018 and its rental value thereafter is being assessed to be equivalent to the other office unit on the same floor. The annual increments range between 2% and 3% p.a. The above mentioned low rent as well as one of the retail leases were deemed to have lower than market rental rates and these were increased to more realistic levels upon termination of the respective lease periods.

The determination of the discount rate to be applied to the rental is based on the current risk-free rate and inflation, on a general risk associated with property developments in general and finally on a specific risk premium related directly to the property being valued. The risk-free rate is based on long term (20 year) Government of Malta bonds with a current yield of 2.04%. To this is added a yield to reflect the general risks of investing in property, such as liquidity, depreciation, changes in the law etc. A rate of 2% is being taken to cover this. The final additional yield would cover risks specific to the property in question which would include location and tenant risk, age and level of finish, land value and churn. There appears to be



a good demand for office space, with occupancy levels running at close to 100% and with rapid replacement of lessees at termination of each lease. Its location in the commercial town centre and its layout and level of finish makes it desirable both for retail and office rentals. A risk premium of 4.5% is being applied in the light of specific factors bringing the discount rate for the income to 8.54% (2.04 + 2.0 + 4.5). This is being rounded off to 8.5%

In view of the fact that the net income figures are changing due to annual increases, a Discounted Cash Flow approach was used to determine the market value for existing use with a discount rate of 8.5%. The terminal value was then established by capitalising the free cash flow in year 20 at a rate of 7.2%. (discount rate of 8.5% less inflation of 1.3%). This was then discounted at 8.5% to establish the present value.

**The value was assessed at €7,145,085 which is being rounded off to €7,100,000.**

**An allowance is being made for the capital expenditure required to keep the property in a good state of repair so as to continue to command the income calculated. This was determined by assessing the actual capex over the next 20-year period and beyond and discounting this at the above discount rate. In this case, the capex will be incurred in years 6-10 of the twenty-year period and the discounted cost will be €318,000. This is being deducted from the value giving a net valuation figure of €6,782,000.**

**Thus, the present value of the property comprising the office accommodation, retail units and parking in the Cornerstone Business Centre, in its existing state and taking into account the current use is being assessed at €6,782,000.**

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## **Property 5: Golden Mile Business Centre - Dragonara Road, St George's Bay, St. Julian's**

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### **Description of property, tenure, etc.:**

The property consists of an eight-storey building and it lies between on a site between two streets and it is bounded on the East by St. George's Road, on the North West by the seafront Dragonara Road and on the South West by a pedestrian lane. As such, it is completely detached from the surrounding buildings and it overlooks St. George's Bay. The plot on which the building is built has an area of approximately 750m<sup>2</sup>. The building is new having been built and completed in 2017. The building has seven floors above ground together with one semi-basement floor.

The shell consists of a reinforced concrete frame structure on all floors and with a height of eleven courses on the main accommodation floors. The structure was designed to take two additional floors in future if and when the current height limitation in the area is increased. There are two vertical circulation cores each with a staircase and one/two passenger lifts - of which one is a passenger/goods lift - which extend through all the office floors and down to the semi-basement floor. The building has four pedestrian entrances of which the main one is from Dragonara Road, a second from the lane and two more from St. George's Road. It also has two vehicular entrances to the two parking levels - one from Dragonara Road and the second from the lane.

The building has the following accommodation and its occupation is as follows:

- Level -1 (The semi-basement) has a total floor area of 757m<sup>2</sup> and it provides for car parking. It is accessible via a ramp down from Dragonara Road;
- Level 0 (Elevated ground floor) has a rentable area of 246.6m<sup>2</sup> and it provides some additional car parking with an area of 133.4m<sup>2</sup> which is accessible from the lane (and currently being used as storage), as well as office space. An open atrium space includes a separate, free standing staircase which rises to the next level. It includes a fully-equipped kitchen which caters for the building. It also accommodates a sub-station and a generator which provides full back-up for all power requirements including air conditioning and could also provide for the two additional floors were they to be built;
- Level +1 has a rentable area of 396.1m<sup>2</sup> and it accommodates open plan office space, training room and leisure areas;

- Level +2 has one of the entrances from St. George's Road. It has a rentable area of 482.3m<sup>2</sup> and it accommodates open plan office space, kitchenette and leisure areas which include an atrium over level +1. Part of this floor is double height where the overlying mezzanine floor (level +3) is omitted. This also incorporates a two-storey high multiple-image TV screen;
- Level +3 (Mezzanine) has a rentable area of 496.6m<sup>2</sup> and it accommodates open plan office space and meeting rooms;
- Level +4 has a rentable area of 519.6m<sup>2</sup> and it accommodates open plan office space as well as a large terrace with an area of 139m<sup>2</sup> where the building line is recessed. Column stumps project above this terrace to provide for future expansion of the building;
- Level +5 has a rentable area of 405.8m<sup>2</sup> and it accommodates open plan office space, meeting rooms, a kitchenette and a leisure area in the form of a large gym as well as showers and toilets;
- Level +6 has a rentable area of 231.1m<sup>2</sup> and it accommodates a large canteen and a servery which receives food from the kitchen below by means of a food lift; and
- Roof level accommodates services - air conditioning units and water tanks - all of which are properly screened.

The overall rentable floor area in the office floors is 2,880m<sup>2</sup> with a further 890m<sup>2</sup> in the two parking levels. The building enjoys very good views of St George's Bay from all floors and there are open terraces on most floors with a very large terrace on level +4 as noted above. The accommodation at the rear also has views over St. George's Road from level +2 upwards and most floors include a 1.5m wide terrace facing the view.

The whole of the office accommodation and parking area in the building has been leased to a single tenant. The rent is subject to an annual increase of 3% p.a. as from 1<sup>st</sup> August 2018. The lease agreement is for a period of five years which started to run from 1<sup>st</sup> August 2017. The lessee may terminate the lease after the end of the fifth year by giving twelve months' notice prior to the end of the fifth year. If the lessee does not terminate the lease, it shall automatically be renewed for a further period of three years. After this, the lessee would have the right of first refusal in relation to a new lease of the property on terms which are no more onerous than those offered to and accepted by third parties. A second lease agreement was signed which extended the lease to include floor level 0, thereby increasing the rentable area to 3,770m<sup>2</sup>.

In terms of the lease agreement, the tenant is to pay an amount by way of caution money for the purposes of securing its obligations under the lease agreement, which caution money will be refunded upon termination of the lease less any amounts due for arrears in rent or sums deducted by way of damages or penalties.

With respect to the repairing obligations, the lessee shall be responsible for all ordinary repairs and maintenance required to be made to any internal part of the premises and any extraordinary repairs to the structure, unless occasioned by the negligence or misuse of the premises by the lessee, will be borne by the lessor. The lessee is precluded from sub-letting, assigning or otherwise disposing of the premises whether, in whole or in part, but it shall be entitled to allow the use of or to sublet such parts of the premises as it deems necessary to any company being owned and controlled by the lessee or its sureties.

The condition of the building inspected is excellent and there were no overt signs of any deficiencies. The structure appears to be in good condition although it should be made clear that this is based only on a visual examination which was carried out merely for the purposes of this valuation and which does not constitute a structural condition report. Moreover, no parts of the building that were covered or otherwise inaccessible were inspected. It is being assumed that the building is essentially free of any major structural defects.

The building was handed over to the lessees finished and this included raised flooring on all floors except for level 0 where this was provided by the lessees, full air conditioning, cable trays, all internal doors and toilets as well as the whole of the external; envelope of the building. The lessee then finished off the building in terms of wall finishes, the lighting installation, a fully equipped kitchen and fixtures and furniture. The offices are mainly open plan while meeting rooms and a few offices are enclosed. The finishes in the building are all of a very high standard and they consist of:

- Floors are paved in large format Gres tiles over raised flooring;
- Walls are plastered and painted with cladding in many areas;

- Ceilings are painted black with exposed services;
- Partitioning between different sections are in glass and aluminium or in form of movable shelving;
- There is air conditioning throughout and all lighting, power and data networking installations are in place; and
- Adequate toilet accommodation with a good finish.

The common areas are also highly finished with marble flooring, treads and risers on the stairs, cladding of the lift façades and three passenger lifts of good quality. The external envelope of the building is lined in Alucobond with glass curtain walling.

Although the building has been leased to a single tenant, it could be leased to multiple tenants in the future utilising the several entrances and the two vertical circulation cores of the building. The site on which the building is constructed was purchased in 2013 at a price of €2,189,611. The property is freehold.

The property is encumbered by the security specified in Annex A to this document.

### **Permits:**

The site falls within the North Harbours Local Plan (NHLP) for St. Julian's and it is zoned as part of the secondary town centre subject to policy NHRE01. This latter sets out the allowable uses for the site which include uses classes 1 to 9, 11 and 17. There is a height limitation of three floors plus one recessed floor. It is worth noting that the area immediately adjoining the site, which is also part of the secondary town centre, has a height limitation of five floors with semi-basement. In terms of DC 2015, this is equivalent to a total height of 15.4m which could permit up to 4 floors of 3.6m each. This notwithstanding, a valid permit exists for the building.

There is an extensive planning history on the site which includes the following:

- PC00056/07: A planning control application amending policy NHRE 01 and redefining the boundary of the secondary town centre.
- PC00022/12: A planning control application amending the building alignment and removing the front garden.
- PA03495/13: A planning permit covering the demolition of an existing structure, excavation and construction of car park, class 5 offices and widening of an existing public stairway.
- PA02819/16: A planning permit covering the amendment to PA03495/13.
- PA01520/17: A planning permit to sanction minor changes.

The development appears to conform to both the approved plans and to the sanitary laws and there do not appear to be any material contraventions of statutory requirements.

I was informed by the owners that the final compliance certificate is still being processed. It appears that the only issue holding it up is the clearance by Enemalta and the St Julian's Local Council that the landscaping and lighting of the public lane has been completed. The works in question have, in fact, been completed, so it would appear that the delay is merely a procedural one and it should be resolved shortly. Although the final compliance certificate has not been issued, partial certification is in place so that the owners were able to obtain the necessary water and electricity supplies to the building.

### **Valuation:**

The property is being valued as an operating investment property - the market value for existing use. Since a very high proportion of the value arises over the early years, it is normal to apply a detailed calculation of rents and costs for up to 20 years and then to adopt the terminal value at the end of that period. This terminal value would be obtained by capitalising the free cash flow thereafter discounted to net present value. The existing use value is its market value based on the continuation of its existing use on a vacant possession basis and the assumption that the asset could be sold on the open market for its existing use.

The market value for existing use is being assessed first. The income is generated by the renting of the office areas. The building lies in a very good, detached seafront location in Paceville/St Julian's. At the moment, all the office

accommodation is leased out to a single tenant while discussions are in progress to agree the terms for the leasing of the remainder - i.e. the parking areas on level -1 and part of level 0. There is no history of occupancy rates over past years since the building has just been finished and occupied for the first time. However, the lessee has rented property from the owning company before and since the company has been growing substantially, it has outgrown the accommodation it rented previously and has now taken over the entire building. With the considerable investment that the lessees have put into the building, it appears unlikely that they would terminate the lease but consideration is being given to this possibility in the assessment of the market value.

In light of the fact that the current total rent paid by the sole tenant is considered to constitute commercially sensitive information, this is not being disclosed in respect of this particular property, save to note that the rental rate currently being charged is reflective of rent paid for comparable office accommodation in the area and could be considered to be the market rental value. Annual increments of rental revenue will be at 3% p.a. In the event that the current lease were to be terminated in future, new tenants would need to be found for all the accommodation. In such a case, the market rental rate would apply.

The determination of the discount rate to be applied to the rental is based on the current risk-free rate and inflation, on a general risk associated with property developments in general and finally on a specific risk premium related directly to the property being valued. The risk-free rate is based on long term (20 year) Government of Malta bonds with a current yield of 2.04%. To this is added a yield to reflect the general risks of investing in property, such as liquidity, depreciation, changes in the law etc. A rate of 2% is being taken to cover this. The final additional yield would cover risks specific to the property in question which would include location and tenant risk, age and level of finish, land value and churn. On the one hand, the building is likely to become an iconic building and it occupies a prime position. On the other hand, it is leased to one single tenant. In the event that the current lease were to be terminated at the end of year five, it would either need to be leased in its entirety to a single tenant as at present or split up into a number of smaller units. A risk premium to cover these factors of 4% is being applied bringing the discount rate for the income to 8.04% (2.04 + 2.0 + 4.0). This is being rounded off to 8%.

In view of the fact that the net income figures are changing due to annual increases, a Discounted Cash Flow approach was used to determine the market value for existing use with a discount rate of 6.5%. The terminal value was then established by capitalising the free cash flow in year 20 at a rate of 6.7% (discount rate of 8% less inflation of 1.3%). This was then discounted at 8% to establish the present value.

**The value was assessed at €19,840,503 which is being rounded off to €19,800,000.**

**An allowance is being made for the capital expenditure required to keep the property in a good state of repair so as to continue to command the income calculated. This was determined by assessing the actual capex over the next 20-year period and beyond and discounting this at the above discount rate. In this case, the capex will be incurred in years 11-15 of the twenty year period and the discounted cost will be €367,000. This is being deducted from the value giving a net valuation figure of €19,433,000.**

**Thus, the present value of the property comprising the office accommodation and parking in the Golden Mile Business Centre, in its existing state and taking into account the current use is being assessed at €19,433,000.**

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## **Property 6: Borton House - Sir Arthur Borton Street, Mosta**

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### **Description of property, tenure, etc.:**

The property consists of a three-storey terraced building. The property is located on Sir Arthur Borton Street in Mosta. It is bounded on the North by the said street and on all the other sides by built, third party property. The area is partly commercial but the upper floors of the buildings around generally accommodate residential units. The building, which then consisted of a large garage at street level, together with its airspace, was purchased in 1991 at Lm6,800 (€15,800). I

would estimate its age to be around 35 years. It stands on a plot of land measuring approximately 125m<sup>2</sup>. Following this, two floors were built in the air space over the garage at a cost of €74,000.

Today, the ground floor includes a large garage and the entrance hall with stairs to the two floors above which accommodate offices. It also includes a second garage which underlies part of the property above and which belongs to third parties. The shell consists of masonry load bearing walls with concrete roof slabs.

The whole property, leased to a single tenant offering specialized cleaning services, is to be used exclusively as offices and a laboratory. The total rentable area is approximately 200m<sup>2</sup> of office space and 80m<sup>2</sup> of garage space. It cannot easily be subdivided into more than one unit.

The term of the lease is for a definite period of two years with effect from 1<sup>st</sup> August 2014, extendable automatically for further periods of one year each unless it is terminated by either of the parties thereto. In terms of the lease agreement, a security deposit is payable by tenant for the purpose of securing its obligations under the lease agreement, which amount will be refunded upon termination of the lease less any amounts due for arrears in rent or sums deducted by way of damages or penalties.

With respect to the maintenance obligations, the tenant shall be responsible for all ordinary repairs and maintenance required to be made to any internal part of the premises. Any extraordinary repairs to the structure, unless occasioned by the negligence or misuse of the premises by the lessee, will be borne by the lessor. The lessee is granted the right to sub-lease any part of the premises to third parties as may be approved by the lessor, which consent shall not be unreasonably withheld.

The condition of the building inspected appears to be fairly good although there were signs of some slight movement and dampness in the building. The structure however appears to be in good condition although it should be made clear that this is based only on a visual examination which was carried out merely for the purposes of this valuation and which does not constitute a structural condition report. Moreover, no parts of the building that were covered or otherwise inaccessible were inspected. It is being assumed that the building is essentially free of any major structural defects.

The finishes in the building are fairly basic and dated. Generally, the finishes consist of:

- Floors are paved in Marmettone or terrazzo tiles;
- Walls and ceilings are plastered and painted;
- External doors and windows are in aluminium; and
- Adequate toilet accommodation.

The exterior of the building is in need of refurbishing.

The property is freehold.

The property is encumbered by the security specified in Annex A to this document.

#### **Permits:**

The site falls within the Central Malta Local Plan (CMLP) and it is zoned as a residential area. There is a height limitation of three floors plus semi-basement. In terms of DC 2015, this is equivalent to a total height of 17.5m which could permit up to five floors of 3.3m each including one recessed floor. Given the existing height of the building of approximately 9m, further development of one to two floors would be permissible.

Although PA00035/92 appears to relate to the site, no details of this application could be traced. It is possible that the property predates the Planning Authority and the original permit could have been issued by the PA's predecessor, the PAPB. The development appears to conform to the sanitary laws and there do not appear to be any material contraventions of statutory requirements.

## Valuation:

Two different approaches are being used to determine the value of the property, namely: the capitalisation of the market rent and a redevelopment valuation. Considering the first of these, the current rent has been compared with those of similar properties in the same or equivalent areas. In light of the fact that the current total rent paid by the sole tenant is considered to constitute commercially sensitive information, this is not being disclosed in respect of this particular property, save to note that the rental rate currently could be considered to be the market rental value taking into account the fact that the property being valued lies well outside the commercial centre of Mosta and its configuration and general level of finish are not of a high level. There are currently increments of 5% every two years as from August 2018.

The discount rate to be applied to the rental is based on the current risk-free rate and inflation, on a general risk associated with property developments in general and finally on a specific risk premium related directly to the property being valued. The risk-free rate is based on long term (20 year) Government of Malta bonds with a current yield of 2.04%. To this is added a yield to reflect the general risks of investing in property, such as liquidity, depreciation, changes in the law etc. A rate of 2% is being taken to cover this. The final additional yield would cover risks specific to the property in question which would include location and tenant risk, age and level of finish, land value and churn. Considering the location, layout, condition, level of finish on the one hand and the security of the current lease on the other, a risk premium of 5.0% is being applied in the light of specific factors bringing the discount rate for the income to 9.04% (2.04 + 2.0 + 5.0). This is being rounded off to 9%.

The alternative approach involving redevelopment of the site is being considered next. The whole of the property with the exception of one of the two garages at street level belongs to the owners but it should be possible to redevelop the whole site and the air space over this third-party property. As noted previously, it is possible under the conditions of the Local Plan and of current policies, to construct five floors of which the top one would be recessed. This should accommodate some 500m<sup>2</sup> of gross floor area. With a floor plan efficiency of say, 85%, this would provide for 425m<sup>2</sup> of net rentable area. With a new building and good finishes, the rental rate could be increased such that the property would generate a maximum annual return of around €63,750 p.a. Capitalising this at a lower rate of 7%, the capital value of the property would then be €910,714, say €910,000.

The costs involved in redeveloping the property with a gross floor area of 500m<sup>2</sup> are being assessed as follows:

Demolition and construction works	€107,000	
Finishing works	€200,000	
Services	€50,000	
Sub-total		€357,000
Total b/f		€357,000
Professional fees and PA charges		€28,000
Allow for contingencies at 15%		€57,750
Financial costs		€20,000
Total cost of project		€462,750
Developer's ROI of 20%		€92,550
Total cost + ROI		€555,300

The Residual Value of the property in its current state can then be assessed as follows:

Total capitalised value	€910,000
Less total cost + ROI	(€537,300)
Net Residual Value	€354,700

**The value based on a redevelopment approach would therefore be €354,700 (B)**

I would consider this latter option to be the more reasonable valuation approach given the nature of the property.

**Thus, the present value of the property comprising the office accommodation and the garage in Borton House, in its existing state and taking into account its development potential is being assessed at €354,700.**

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## **Property 7: Maisonette no. 9 and garage no. 24, Hillside Place, Triq il-Kwartin, Ibragg**

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### **Description of property, tenure, etc.:**

The property consists of a maisonette and a garage located in a three storey terraced building. The property is located on Triq il-Kwartin in Ibragg. The building is bounded on the West by the said street and on all the other sides by built, third party property. The area is wholly residential. The property was purchased in 2013 at €315,000 and I would estimate its age to be around 20 years.

The maisonette, which is located at first floor level, is accessible via an open staircase on the façade of the building with two units on each landing, while the garage lies in a garage court beneath the residential units. The accommodation of the maisonette consists of a sitting/dining room, a kitchen, two bedrooms, a study (or third bedroom), one en-suite and one separate bathroom. The overall Net Floor Area (NFA) is 128m<sup>2</sup>. It also includes a part of the roof area including a small utility room.

The structure of the building consists of masonry load-bearing walls and reinforced concrete slabs cast in situ. The structure appears to be in good condition although it should be made clear that this is based only on a visual examination which was carried out merely for the purposes of this valuation and which does not constitute a structural condition report. Moreover, no parts of the building that were covered or otherwise inaccessible were inspected. It is being assumed that the building is essentially free of any major structural defects.

The finishes in the building are of a high standard. Generally, the finishes are as follows:

- Floors are paved in large format ceramic tiles;
- Walls are plastered and painted and with cladding in marble, wood panelling or mirrored, in places;
- Ceilings are fitted with gypsum false ceilings throughout with in-built lighting fittings;
- External apertures are fitted with doors and windows in aluminium with double glazing;
- Internal apertures are fitted with timber doors;
- The bathrooms are of a high standard;
- The main areas are air conditioned; and
- The kitchen is fitted and includes all appliances.

The property is freehold.

The property is encumbered by a first ranking general hypothec, special hypothec and special privilege as specified in Annex A to this document.

### **Permits:**

The site falls within the North Harbour Local Plan (NHLP) and it is zoned as a residential area. There is a height limitation of three floors plus semi-basement.

The building is covered by amended PA permit 06948/98 which was issued in May 1999 as well as earlier permits. The

development appears to conform to the sanitary laws and there do not appear to be any material contraventions of statutory requirements.

### Valuation:

The market value for existing use of the property is being assessed using a comparative approach where it is compared to the similar properties in the same or equivalent locations. The following properties were identified:

- Semi-detached maisonette with three bedrooms, two bathrooms, living/dining room, kitchen, with a NFA of 230m<sup>2</sup> and high finish plus a one-car garage selling at €465,000. (1)
- Terraced maisonette with two bedrooms, two bathrooms, living/dining/kitchen, with a NFA of 138m<sup>2</sup> and high finish and furnished plus a one-car garage selling at €475,000. (2)
- Terraced maisonette with three bedrooms, one bathroom, living/dining/kitchen, with a NFA of 125m<sup>2</sup> and poor finish selling at €260,000. (3)
- Terraced maisonette with three bedrooms, two bathrooms, living/dining/kitchen, with a NFA of 120m<sup>2</sup> and lower medium finish plus a six-car garage selling at €405,000. (4)
- Terraced maisonette in a new development with three bedrooms, two bathrooms, living/dining/kitchen, with a NFA of 120m<sup>2</sup> and high finish plus a one-car garage selling at €425,000. (5)

Source: Frank Salt Real Estate Ltd

Analysing the above:

Property	Type	Accommodation				Finish	NFA	Price	Rate
		Bedrooms	Reception	Other	Garage				
1	Semi-det.	3	1	3	1-car	High	130m <sup>2</sup>	€465,000	€3,577
2	Terraced	2	1	2	1-car	High/Furnished	138m <sup>2</sup>	€475,000	€3,442
3	Terraced	3	1	1	None	Poor	125m <sup>2</sup>	€260,000	€2,080
4	Terraced	3	1	2	6-car	Lower medium	120m <sup>2</sup>	€405,000	€3,375
5	Terraced	3	1	2	1-car	High	120m <sup>2</sup>	€425,000	€3,542
Property	Terraced	2/3	1	3	1-car	High	128m <sup>2</sup>		

The rates range between €3,375/m<sup>2</sup> and €3,577/m<sup>2</sup> for the units with similar finish, while being substantially lower for the older unit with poor finish. The average rate for these is €3,484/m<sup>2</sup>. Considering that the above are advertised prices and comparing the characteristics of the comparables with the property being valued, I would consider a rate of €3,400/m<sup>2</sup> to be appropriate. The value of the property would then be €435,200, say €435,000 for the bare property (excluding all loose furniture). The change in advertised property prices for maisonettes as set out in the relative Central Bank table gives values of 177.3 (for 2013) and 273.7 (for 2017) and thus the increase in value between 2013 and 2017 would be of 54%. The purchase price in 2013 was €315,000 and factoring this up by 54% would give a figure of €485,100. The valuation figure of €435,000 is therefore fairly conservative.

**The present value of the property comprising the garage in Hillside Place, in its existing state is being assessed at €435,000.**



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## Property 8: Garage no. 14, Buontempo Estate, Triq Wied Hal-Balzan, Balzan

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### Description of property, tenure, etc.:

The property consists of a lock-up garage numbered 14 and located in an underground garage court which underlies a residential building. The building is located in a private, unnamed street in Balzan and is known as 'Buontempo Estate'. It is bounded on the South East by the said, unnamed street, on the North east by Triq Wied Hal-Balzan, and on all the other sides by built, third party property. The area is largely residential. I would estimate its age to be around 25 years.

The garage court in which the garage is located is accessible via a ramp which leads down from the street. There are 15 garages in the court. The garage being valued is a one-car garage. It measures approximately 18m<sup>2</sup> and it has a height of 11 courses (3.00m) although it is understood that the area under ownership extends a further 1.5m outwards and thus, the current door could be re-installed at this point, thereby extending the garage by this distance.

The garage is presently leased out to a single tenant. The term of the lease is for a definite period of six months with effect from 17th October, 2016, extendable automatically for further periods of six months thereafter unless it is terminated earlier by either of the parties thereto. Ordinary repairs and maintenance works to the garage shall be borne by the tenant.

The structure of the building consists of masonry load-bearing walls and reinforced concrete slabs cast in situ. The structure appears to be in good condition although it should be made clear that this is based only on a visual examination which was carried out merely for the purposes of this valuation and which does not constitute a structural condition report. Moreover, no parts of the building that were covered or otherwise inaccessible were inspected. It is being assumed that the building is essentially free of any major structural defects. The finishes are basic and consist of a concrete floor and little else.

The property is freehold.

The property is encumbered by the security specified in Annexe A to this document.

### Permits:

The property falls within the Central Malta Local Plan (CMLP) and it is zoned as a residential area. The building is covered by the permit number PA05065/93 which was issued in April 1994. The development appears to conform to the permit issued and there do not appear to be any material contraventions of statutory requirements.

### Valuation:

The market value for existing use of the property is being assessed using a comparative approach where it is compared to similar properties in the same or equivalent locations. In addition, a garage in the same building was sold in the year 2015 at €10,482. Considering the location, floor area, condition and level of finish it is being valued at €12,000.

**The present value of the property comprising a garage in Buontempo Estate, in its existing state is being assessed at €12,000.**

**I am summarising the valuations of the various properties as follows:**

<b>Property</b>	<b>Type</b>	<b>Valuation methodology</b>	<b>Value</b>
Marina Business Centre	Business Centre	Market value for existing use	€17,126,000
Parklane Business Centre	Business Centre	Market value for existing use	€1,769,000
Mayfair Business Centre	Business Centre	Market value for existing use	€8,345,000
Cornerstone Business Centre	Business Centre	Market value for existing use	€6,782,000
Golden Mile Business Centre	Business Centre	Market value for existing use	€19,433,000
Borton House	Single office / Redevelopment site	Residual Value	€354,700
Maisonette and garage	Residential unit	Market value	€435,000
Garage	Garage	Market value	€12,000
<b>Total</b>			<b>€54,256,700</b>

**The final valuation figure for the whole portfolio of properties is €54,256,700.**

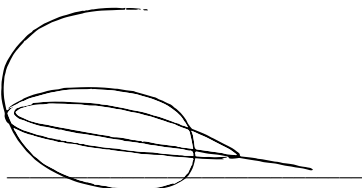
My opinion of the value of the properties is based upon the data available at the date of the valuation. No geotechnical site investigations have been carried out but it would appear that there is no reason to believe that there are any problems in the foundations or structure of the buildings. Neither does it appear that any contamination exists.

Valuations are not a prediction of price, nor a guarantee of value, and whilst my valuation is such as I consider both reasonable and defensible, different valuers may properly arrive at different opinions of value. Moreover, the value of property is susceptible to changes in economic conditions and it may therefore change over relatively short periods. I advise that no responsibility is accepted or implied to third parties to whom these valuations may be disclosed, with or without my consent.

I declare that I did not carry out any structural surveys, nor exposed parts of the structures which were covered, unexposed or inaccessible, nor tested engineering services. As such, I am not able to give any assurance that the properties are free from defect. Nevertheless, I have had regard to the age and apparent general condition of the properties. No geological investigations were carried out in order to verify the ground conditions and services, nor were environmental, archaeological or geo-technical surveys undertaken. It has also been assumed that the properties have been constructed in strict conformity with the relative planning permits and other statutory obligations and requirements and constructed by reputable contracting firms, to good quality standards and workmanship.

In accordance with standard practice, neither the whole nor any part of this valuation nor any reference thereto may be included in any published document without my prior written approval for the context in which it may appear.

Yours sincerely,



S.A. Mangion B.Arch., A. & C.E.

**[ ANNEX A ]**  
**LIST OF EFFECTIVE HYPOTHECS AND PRIVILEGES**

	<b>Creditor</b>	<b>Debtor</b>	<b>Borrowed Amount</b>	<b>Charged Property</b>	<b>Cause of Preference</b>
1.	HSBC Bank Malta p.l.c.	Exalco Properties Limited	€7,707,820 on overdraft basis	All assets present and future given by Exalco Properties Limited	First GH
			€15,230,127 on loan basis	All assets present and future given by Exalco Properties Limited	First GH
2.	HSBC Bank Malta p.l.c.	Exalco Properties Limited	€7,707,820 on overdraft basis	(i) Borton House and airspace including garage at Sir Arthur Borton Street, Mosta (ii) Cornerstone Business Centre	First SH
			€16,435,442 on loan basis	(i) Borton House and airspace including garage at Sir Arthur Borton Street, Mosta (ii) Cornerstone Business Centre	First SH
3.	HSBC Bank Malta p.l.c.	Exalco Properties Limited	€582,000	Cornerstone Business Centre	SP
4.	HSBC Bank Malta p.l.c.	Exalco Properties Limited	€3,000,000 on overdraft basis	Golden Mile Business Centre	First SH
			€13,690,490 on loan basis	Golden Mile Business Centre	First SH
5.	HSBC Bank Malta p.l.c.	Exalco Properties Limited	€4,900,000	Golden Mile Business Centre	SP
6.	HSBC Bank Malta p.l.c.	Exalco Properties Limited	€7,707,820 on overdraft basis	(i) Mayfair Business Centre	First SH
				(ii) Parklane Business Centre and airspace at Mountbatten Street, Guardamangia	
			€16,705,442 on loan basis	(i) Mayfair Business Centre	First SH
				(ii) Parklane Business Centre and airspace at Mountbatten Street, Guardamangia	
7.	HSBC Bank Malta p.l.c.	Exalco Properties Limited	€14,157,000 on loan basis	Marina Business Centre	First SH
8.	HSBC Bank Malta p.l.c.	Exalco Properties Limited	€4,750,000 on loan basis	Marina Business Centre	SP
9.	HSBC Bank Malta p.l.c.	Exalco Properties Limited	€165,000	(i) Maisonette no. 9 , Hillside Place, Triq il-Kwartin, Ibragg	First GH SH
				(ii) Garage no. 24, Hillside Place, Triq il-Kwartin, Ibragg	SP

*(GH: General Hypothec, SH: Special Hypothec, SP: Special Privilege)*





## SECURITIES NOTE

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

dated 31 July 2018

in respect of an issue of

€15,000,000 4% Secured Bonds 2028

of a nominal value of €100 per Secured Bond, issued and redeemable at par

by

### EXALCO FINANCE P.L.C.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA

WITH COMPANY REGISTRATION NUMBER C 87384

with the joint and several Guarantee\* of

### EXALCO PROPERTIES LIMITED

A PRIVATE LIMITED LIABILITY COMPANY REGISTERED IN MALTA

WITH COMPANY REGISTRATION NUMBER C 11273

*\*Prospective investors are to refer to the Guarantee contained in Annex II of this Securities Note and section 1 of the Registration Document for a description 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.*

ISIN: MT0001911206

Sponsor, Manager & Registrar



**RIZZO FARRUGIA**  
YOUR INVESTMENT CONSULTANTS

Legal Counsel

**CAMILLERI PREZIOSI**  
ADVOCATES

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Approved by the directors of Exalco Finance p.l.c

Alexander Montanaro

Jean Marc Montanaro

*Signing in their capacity as directors of the company and on behalf each of Michael Montanaro, Kevin Valenzia, Lawrence Zammit and Mario P. Galea.*

## IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY EXALCO FINANCE P.L.C. (THE “ISSUER”) OF €15,000,000 SECURED BONDS OF A NOMINAL VALUE OF €100 PER BOND, ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 4% PER ANNUM, PAYABLE ANNUALLY ON 20 AUGUST OF EACH YEAR (THE “SECURED BONDS” OR “BONDS”). THE ISSUER SHALL REDEEM THE BONDS ON SUCH DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION.

THIS SECURITIES NOTE CONTAINS INFORMATION ABOUT THE ISSUER, EXALCO PROPERTIES LIMITED (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.

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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 THE 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.**

ALL THE ADVISERS TO THE ISSUER AND THE GUARANTOR UNDER THE HEADING “*ADVISERS TO THE ISSUER AND THE GUARANTOR*” IN SECTION 3.2 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 CONTENTS OF THE ISSUER’S OR THE GURANTOR’S WEBSITES OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER’S OR THE GUARANTOR’S WEBSITES 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 ADVISERS.**

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## [ 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, expressions and capitalized 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 capitalized form, except where the context otherwise requires:

<b>Act</b>	the Companies Act (Cap. 386 of the laws of Malta);
<b>Applicant/s</b>	an applicant submitting an application for the Bonds through any Authorised Financial Intermediary, and any Authorised Financial Intermediary when subscribing for the Bonds for its own account or for the account of its customers;
<b>Authorised Financial Intermediaries</b>	the financial intermediaries whose details appear in Annex I to this Securities Note;
<b>Bond Issue</b>	the issue of the Bonds;
<b>Bond Issue Price</b>	the price of €100 per Bond;
<b>Bondholder/s</b>	a holder/s of the Bonds;
<b>Business Day</b>	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
<b>Collateral</b>	the following security granted by the Guarantor in favour of the Security Trustee for the benefit of Bondholders: i. a first ranking special hypothec over the Security Property; and ii. a pledge over the proceeds from any insurance policy required under clause 5(1)(h) of the Security Trust Deed;
<b>CSD</b>	the Central Securities Depository of the Malta Stock Exchange established pursuant to article 24 of the Financial Markets Act (Cap. 345 of the laws of Malta) having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063, Malta;
<b>Deed of Hypothec</b>	a deed to be entered into by and between the Security Trustee and the Issuer in the acts of Dr Notary John Gambin whereby the Issuer constitutes in favour of the Security Trustee that part of the Collateral which according to law requires the execution of a notarial deed;
<b>Euro or €</b>	the lawful currency of the Republic of Malta;
<b>Exalco Group or Group</b>	the group of companies of which Exalco Holdings is the parent company, which includes the Issuer and the Guarantor;
<b>Exalco Holdings</b>	Exalco Holdings Limited, a private limited liability company registered in Malta with company number C 86836 having its registered office at Cornerstone Business Centre, Level 4, 16 <sup>th</sup> September Square, Mosta, MST 1180, Malta;
<b>Issue Date</b>	expected on 4 September 2018, or such earlier date as may be applied in the event that constitution of Collateral is completed in advance of 31 August 2018;

<b>Issuer or Company</b>	Exalco Finance p.l.c., a public limited liability company registered in Malta with company number C 87384 having its registered office at Cornerstone Business Centre, Level 4, 16 <sup>th</sup> September Square, Mosta, MST 1180, Malta;
<b>Listing Authority</b>	the Board of Governors of the MFSA, appointed as Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
<b>Listing Rules</b>	the listing rules of the Listing Authority;
<b>Malta Stock Exchange or MSE</b>	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;
<b>Memorandum and Articles of Association</b>	the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus. The terms <b>“Memorandum”</b> , <b>“Articles”</b> and <b>“Articles of Association”</b> shall be construed accordingly;
<b>MFSA</b>	the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
<b>Official List</b>	the list prepared and published by the MSE as its official list in accordance with the MSE Bye-Laws;
<b>Planning Authority</b>	means the Planning Authority established in terms of the Development Planning Act (Cap. 552 of the laws of Malta);
<b>Prospectus</b>	collectively, the Registration Document, the Securities Note and the Summary Note;
<b>Redemption Date</b>	20 August 2028;
<b>Redemption Value</b>	the nominal value of each Bond (€100 per Bond);
<b>Registration Document</b>	the registration document issued by the Issuer dated 31 July 2018, forming part of the Prospectus;
<b>Regulation</b>	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;
<b>Secured Bond(s) or Bond(s)</b>	the €15,000,000 secured bonds of a nominal value of €100 payable in full upon subscription, and redeemable at the nominal value on the Redemption Date bearing interest at the rate of 4% per annum, as detailed in this Securities Note;

<b>Securities Note</b>	this document in its entirety, forming part of the Prospectus;
<b>Security Property</b>	the following immovable property: <ul style="list-style-type: none"> <li>i. 'Marina Business Centre', Abate Rigord Street, Ta' Xbiex, Malta; and</li> <li>ii. 'Mayfair Business Centre', St. Augustine Street, Paceville, St Julian's, Malta;</li> </ul>
<b>Security Trustee or Trustee</b>	Alter Domus Trustee Services (Malta) Limited, a private limited liability company registered and existing under the laws of Malta with company registration number C 63887 and having its registered office at Vision Exchange Building, Territorials Street, Mriehel, Birkirkara BKR 3000, Malta, duly authorised to act as a trustee or co-trustee in terms of Article 43(3) of the Trusts and Trustees Act (Cap. 331 of the laws of Malta);
<b>Security Trust Deed</b>	means the security trust deed entered into between the Security Trustee, the Issuer and the Guarantor on 27 July 2018;
<b>Sponsor, Manager &amp;/or Registrar</b>	Rizzo, Farrugia & Co. (Stockbrokers) Ltd., a private limited liability company registered in Malta with company number C 13102 having its registered office at Airways House, Fourth Floor, High Street, Sliema, SLM 1551, Malta. Rizzo, Farrugia & Co. (Stockbrokers) Ltd. is an authorised financial intermediary licensed by the Malta Financial Services Authority and a member of the Malta Stock Exchange;
<b>Summary Note</b>	the summary note issued by the Issuer dated 31 July 2018, forming part of the Prospectus;
<b>Target Property</b>	the immovable property described in section 4.4.2.3 of the Registration Document; and
<b>Terms and Conditions</b>	the terms and conditions of the Bonds, set out in sections 4.3, 5 and 7 of 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; and
- c. the word "may" shall be construed as permissive and the word "shall" shall be construed as imperative.

## [2] RISK FACTORS

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 ADVISERS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. THE 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.

### 2.1 FORWARD-LOOKING STATEMENTS

This Securities Note contains “forward-looking statements” which include, amongst 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.

### 2.2 SUITABILITY OF INVESTMENT IN THE BONDS

An investment in the Bonds may not be suitable for all recipients of the Prospectus. Prospective investors are urged to consult an independent investment adviser 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. In particular, such advice should be sought with a view to ascertaining that 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 adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

## 2.3 RISKS RELATING TO THE BONDS

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

### 2.3.1 NO PRIOR MARKET

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.

### 2.3.2 ORDERLY AND LIQUID MARKET

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

### 2.3.3 SUBSEQUENT CHANGES IN INTEREST RATES

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

### 2.3.4 MARKET RISK

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.

### 2.3.5 CURRENCY RISK

Any investor whose currency of reference is not the Euro shall bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference.

### 2.3.6 CHANGES IN CIRCUMSTANCES

No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time. If such changes take place they could have an adverse effect on the market price for the Bonds.

### 2.3.7 COLLATERAL AND THE GUARANTEE

The Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantor. The Bonds shall at all times rank *pari passu* without any priority or preference amongst themselves but, in respect of the Guarantor, they shall rank with priority or preference over all unsecured indebtedness, if any. In view of the fact that the Bonds are being guaranteed by the Guarantor on a joint and several basis, the Security Trustee, for the benefit of itself and the Bondholders, shall be entitled to request the Guarantor to pay both the interest due and the principal amount under said Bonds if the Issuer fails to meet any amount, when due in terms of the Prospectus.

The joint and several Guarantee requires the Security Trustee to take action against the Guarantor before taking action against the Issuer. The strength of this undertaking on the part of the Guarantor and therefore, the level of recoverability by the Security Trustee from the Guarantor of any amounts due under any of the Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantor.

The Guarantee is further supported by the Collateral that is to be granted over the Security Property, however recourse thereto would be triggered only in the event that the Guarantee proves insufficient to address a claim brought by the Security Trustee as aforesaid. In terms of the Security Trust Deed, the Security Trustee reserves the right to demand that additional or alternative immovable (and unencumbered) property owned by the Guarantor be given as security in addition to and/or in place of the Security Property, should at any given time the value of the Security Property be reported to be lower than the nominal value of outstanding Bonds in issue plus interest yet to accrue until the Redemption Date. In such case, the Issuer shall identify which unencumbered property/ies in the Guarantor's portfolio would replace or be added to the existing Security Property for the purpose of securing the Bond Issue, and procure that the Guarantor takes the steps necessary in this respect.

Whilst the Security Trust Deed grants the Security Trustee a right of preference and priority for repayment over the Security Property, there can be no guarantee that the value of the Security Property (or other properties forming part of the Guarantor's portfolio that may from time to time replace or be added to the Security Property, as currently constituted, as explained in section 4.5 below) over the term of the Bonds will be sufficient to cover the full amount of interest and principal outstanding under the Bonds. This may be caused by a number of factors not least of which general economic factors that could have an adverse impact on the value of the Security Property. If such circumstances were to arise or subsist at the time when the Collateral is to be enforced by the Security Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Bonds.

Notwithstanding that the Bonds constitute the general, direct and unconditional obligations of the Issuer and in relation to the Guarantor the general, direct, unconditional and secured obligations, there can be no guarantee that privileges accorded by law in specific situations will not arise during the course of the business of each of the Issuer and the Guarantor which may rank with priority or preference to the Collateral.

### **2.3.8 CONDITIONS PRECEDENT**

The attention of prospective investors in the Bonds is drawn to the concluding paragraph of section 4.1 of this Securities Note, which provides that the issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List by no later than 4 September 2018 and on the Collateral being constituted in favour of the Security Trustee, and that in the event that either of the aforesaid conditions is not satisfied, the Security Trustee shall return Bond Issue proceeds to Bondholders.

### **2.3.9 CHANGES TO TERMS AND CONDITIONS**

In the event that the Issuer wishes to amend any of the Terms and Conditions it shall call a meeting of Bondholders in accordance with the provisions of section 5.12 of this Securities Note. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

### **2.3.10 CHANGES IN LAW**

The terms and conditions of this Bond Issue are based on the requirements of the Listing Rules of the Listing Authority, the Act and the Regulation. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law, European regulation or administrative practice after the date of this Prospectus.

### **2.3.11 PROPERTY VALUATIONS**

The valuations referred to in the Prospectus are prepared by an independent qualified architect in accordance with Chapter 7 of the Listing Rules. In providing a market value of the respective properties, the independent architect has

made certain assumptions which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends as reality may not match the assumptions. There can be no assurance that such property valuations and property-related assets will reflect actual market values.

#### **2.3.12 ADDITIONAL INDEBTEDNESS AND SECURITY**

Both the Issuer and the Guarantor may incur further borrowings or indebtedness and may create or permit to subsist security interests upon the whole or any part of their respective present or future undertakings, assets or revenues (including uncalled capital).

#### **2.3.13 INDEPENDENT CREDIT RATING**

The Issuer has not sought, nor does it intend to seek, the credit rating of an independent agency and there has been no assessment by any independent rating agency of the Bonds.

#### **2.3.14 DISCONTINUATION OF LISTING**

Even after the Bonds are admitted to trading on the MSE, the Issuer is required to remain in compliance with certain requirements relating inter alia to the free transferability, clearance and settlement of the Bonds in order to remain a listed company in good standing. Moreover, the Listing Authority has the authority to suspend trading or listing of the Bonds if, *inter alia*, it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The Listing Authority may discontinue the listing of the Bonds on the MSE. Any such trading suspensions or listing revocations / discontinuations described above could have a material adverse effect on the liquidity and value of the Bonds.

### **[ 3 ]**

## **PERSONS RESPONSIBLE AND CONSENT FOR USE OF PROSPECTUS**

### **3.1 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 subheading “*Directors*” under the heading “*Identity of Directors, Advisers 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 and the directors of the Guarantor, 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 and the directors of the Guarantor accept responsibility accordingly.

All representations and other statements made in the Prospectus are made by the Issuer, and the Directors of the Issuer and the directors of the Guarantor take sole responsibility for all such representations and statements. The Sponsor, Manager and Registrar, and the Issuer’s advisers have advised and assisted the Issuer in the preparation of this document, but none make any representation or statement, unless otherwise expressly stated in the Prospectus, and each of them disclaims any responsibility for any representations and other statements made in the Prospectus.

### **3.2 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 Regulation, 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 the 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;
- ii. to any resale or placement of Bonds subscribed for as aforesaid, taking place in Malta; and
- iii. to any resale or placement of Bonds subscribed for as aforesaid, taking place within the period of sixty (60) days from the date of the Prospectus.

None of the Issuer, the Sponsor, the Security Trustee or any of their respective advisers take 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 the 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 circumstance. 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 the 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 the 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 the Bonds subsequent to the Bond Issue shall, limitedly for the period of sixty (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: [www.exalcogroup.com](http://www.exalcogroup.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 €14,700,000, will be used by the Issuer for the following purposes, in the amounts set out below:

- i. a maximum amount of circa €11,200,000 will be loaned by the Issuer to the Guarantor for the purpose of it re-financing the outstanding banking facilities held with HSBC Bank Malta p.l.c. which were originally utilised by the Guarantor to acquire and/or develop various properties and for capital expenditure purposes; and
- ii. the remaining balance of the net Bond Issue proceeds equivalent to circa €3,500,000 shall be applied towards financing the Guarantor's general financing requirements including but not limited to the (re-)financing of future costs of acquisition and development of other immovable properties (in full or in part) in pursuance of the Guarantor's business development strategy.

For the purposes of (i) and (ii) above, a loan agreement dated 20 July 2018 has been entered into by and between the Issuer (as lender) and the Guarantor (as borrower). Such loan agreement is conditional upon the issue and allotment of the Bonds, which in turn is conditional upon: the Bonds being admitted to the Official List; and the Collateral being constituted in favour of the Security Trustee in accordance with the provisions of the Security Trust Deed.

The issue and allotment of the Bonds is conditional upon: (i) the Bonds being admitted to the Official List by no later than 4 September 2018; and (ii) the Collateral being constituted in favour of the Security Trustee in accordance with the provisions of the Security Trust Deed. In the event that either of the aforesaid conditions is not satisfied, the Security Trustee shall, through the Registrar and/or Authorised Financial Intermediaries (as applicable), return the proceeds of the Bond Issue to the Bondholders.

### 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 €300,000 and shall be borne by the Issuer. There is no particular order of priority with respect to such expenses.

### 4.3 ISSUE STATISTICS

<b>Amount:</b>	€15,000,000
<b>Form:</b>	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;
<b>Denomination:</b>	Euro (€);
<b>ISIN:</b>	MT0001911206;
<b>Minimum amount per subscription:</b>	Minimum of €5,000 and multiples of €100 thereafter;
<b>Redemption Date:</b>	20 August 2028;

<b>Plan of Distribution:</b>	The Bonds are open for subscription by Authorised Financial Intermediaries, either for their own account or for the account of their underlying customers, as further specified in section 7.4 below;
<b>Bond Issue Price:</b>	At par (€100 per Bond);
<b>Status of the Bonds:</b>	The Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves. The Bonds shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantor in terms of the Guarantee. In respect of the Guarantor, the Bonds shall rank with priority or preference to all other present and future unsecured obligations of the Guarantor, save for such exceptions as may be provided by applicable law, and with first ranking and priority over the Security Property;
<b>Listing:</b>	The Listing Authority has approved the Bonds for admissibility to listing and subsequent trading on the Official List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List;
<b>Placement Agreements:</b>	The Bonds will be available for subscription by Rizzo, Farrugia & Co. (Stockbrokers) Ltd. and Bank of Valletta p.l.c. as Authorised Financial Intermediaries pursuant to conditional placement agreements. Further information on the said placement agreements may be found in section 7.4 below;
<b>Placement Date:</b>	10 August 2018;
<b>Interest:</b>	4% per annum;
<b>Interest Payment Date(s):</b>	Annually on 20 August as from 20 August 2019 (the first interest payment date);
<b>Governing Law of Bonds:</b>	The Bonds are governed by and shall be construed in accordance with the laws of Malta; and
<b>Jurisdiction:</b>	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 subscription for Bonds by Rizzo, Farrugia & Co. (Stockbrokers) Ltd., and any fees payable in connection with the Bond Issue to Rizzo, Farrugia & Co. (Stockbrokers) Ltd. as Sponsor, Manager and Registrar, so far as the Issuer is aware, no person involved in the Bond Issue has an interest material to the Issue.

#### 4.5 SECURITY

The Bonds are secured by, and Bondholders shall have the benefit of, the following security:

- a. a first ranking special hypothec over the Security Property pursuant to a deed of hypothec to be made in the records of Notary John Gambin (the “**Deed of Hypothec**”); and
- b. a pledge over the proceeds from any insurance policy required under clause 5(1)(h) of the Security Trust Deed.

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

The Issuer and the Guarantor have entered into a Security Trust Deed with the Security Trustee, which sets out the covenants of the Issuer and the Guarantor to pay the principal amount under the Bonds on the Redemption Date and interest thereon, the hypothecary rights under the Deed of Hypothec, the rights under the pledge agreement relating to

the abovementioned insurance policy, and all the rights and benefits enjoyed by the Security Trustee (for the benefit of Bondholders) under the Security Trust Deed. The Collateral will be vested in the Security Trustee for the benefit of the Bondholders in proportion to their respective holding of Bonds.

The Security Trustee's role includes the holding of the Collateral for the benefit of the Bondholders and the enforcement of the said Collateral upon the happening of specified events of default, provided that recourse is first made to the Guarantee, and only in the event that the value of the Guarantee is not sufficient to cover the full amount of interest and principal outstanding under the Bonds, can the Security Trustee enforce any of the Collateral over the Security Property.

The Security Trustee shall have no payment obligations to Bondholders under the Bonds, such obligations remaining exclusively the obligations of the Issuer (or, in the case of default by the Issuer and recourse to the Guarantee, of the Guarantor).

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

As at the date hereof, it is agreed between Issuer, Guarantor and Security Trustee as parties to the Security Trust Deed that the Cornerstone Business Centre, Parklane Business Centre, Golden Mile Business Centre, Borton House, and eventually the Target Property, will be reserved for securing third party financing, including (but not limited to): loan facilities to be obtained for the financing of prospective property acquisitions (including that of the Target Property); an overdraft facility which is to be retained by the Guarantor for working capital purposes; and a further overdraft facility provided to a related party of the Exalco Group. Accordingly, the existing charges over the Cornerstone Business Centre, Parklane Business Centre, Golden Mile Business Centre and Borton House indicated in the table below will not be released once the outstanding bank facilities referred to in section 4.1. (i) above (which may, but not necessarily shall, include the aforementioned loan facility and overdraft facilities) are refinanced by application of the Bond Issue proceeds as aforesaid. In the event that, during the term of the Bonds, any of the properties referred to in the preceding paragraph were to be freed of any and all encumbrances thereon, in terms of the Security Trust Deed the Guarantor shall not be in a position to grant any form of new security over any of such properties without the prior approval of the Issuer. Furthermore, the Guarantor has undertaken towards the Issuer not to dispose of any of the properties held by it from time to time during the term of the Bonds without the prior approval of the Issuer.

The outstanding aggregate amount of the facilities to be re-financed is €10,717,091 as at 30 June 2018. The following table provides a breakdown of the charges currently in place over assets of the Guarantor:

<b>Asset</b>	<b>Charge</b>	<b>Relevant Inscriptions</b>
All assets present and future of Exalco Properties Limited	First General Hypothec	H 7073/2006
		H 10936/2006
		H 10937/2006
		H 10938/2006
		H 21744/2006
		H 5299/2008
		H 5436/2009
		H 533/2010
		H 13914/2011
		H 13915/2011
		H 13917/2011
		H 15313/2013
		H 5760/2014
H 2961/2017		
Golden Mile Business Centre	Special Privilege	H 15313/2013
		H 2961/2017
	First Special Hypothec	H 15313/2013
		H 2954/2017
		H 2955/2017
		H 2956/2017
		H 2957/2017
		H 2958/2017
		H 2959/2017
		H 2960/2017
	H 2961/2017	
Marina Business Centre	Special Privilege	H 13915/2011
	First Special Hypothec	H 13915/2011
		H 13917/2011
		H 2952/2017
		H 2953/2017
	H 2961/2017	
Cornerstone Business Centre	Special Privilege	H 7073/2006
	First Special Hypothec	H 7073/2006
		H 10936/2006
		H 10937/2006
		H 10938/2006
		H 21744/2006
		H 5299/2008
		H 5436/2009
		H 533/2010
		H 13914/2011
		H 13915/2011
		H 13917/2011
		H 2952/2017
	H 2953/2017	
	H 2961/2017	

Mayfair Business Centre	First Special Hypothec	H 7073/2006 H 10936/2006 H 10937/2006 H 10938/2006 H 21744/2006 H 5299/2008 H 5436/2009 H 533/2010 H 13914/2011 H 13915/2011 H 13917/2011 H 2952/2017 H 2953/2017 H 2961/2017
Parklane Business Centre and airspace at Mountbatten Street, Guardamangia	First Special Hypothec	H 7073/2006 H 10936/2006 H 10937/2006 H 10938/2006 H 21744/2006 H 5299/2008 H 5436/2009 H 533/2010 H 13914/2011 H 13915/2011 H 13917/2011 H 2952/2017 H 2953/2017 H 2961/2017
Borton House and airspace including garage at Sir Arthur Borton Street, Mosta	First Special Hypothec	H 7073/2006 H 10936/2006 H 10937/2006 H 10938/2006 H 21744/2006 H 5299/2008 H 5436/2009 H 13914/2011 H 13915/2011 H 13917/2011 H 2952/2017 H 2953/2017 H 2961/2017
Maisonette no. 9 and garage no. 24, Hillside Place, Triq il-Kwartin, Ibragg	Special Privilege First Special Hypothec	H 5760/2014 H 5760/2014

Once the outstanding bank facilities referred to in section 4.1.(i) above are refinanced through the application of Bond Issue proceeds as aforesaid, the Security Property will, through the appropriate cancellations, reductions and/or waivers (as applicable), be released from the charges listed above currently encumbering the Security Property, and such charges shall effectively be replaced by the Collateral being created in favour of the Security Trustee for the benefit of Bondholders.

In relation to the property of the Guarantor which is already encumbered as specified above (including but not limited to the Security Property), the Security Trustee shall appear on each notarial deed to effect payment and to obtain, if possible and where relevant, subrogation into the rights of the bank which provided the original finance. Pursuant to these deeds, the Security Trustee shall obtain the Collateral over the relevant immovable property constituting the Security Property and that had previously part-secured the bank funding being refinanced.

By creating a preferred claim over the Security Property, the Collateral will secure the claim of the Security Trustee, for the benefit of and in the interest of Bondholders, for the repayment of the principal and interest under the Bonds. Accordingly, following the issue of the Bonds and application of the Bond Issue proceeds in accordance with the terms of this Securities Note as well as the release of the existing security in place over the Security Property, the Security Trustee will have the benefit of a first ranking special hypothec over the Security Property for the full amount of the Bonds and interest thereon. The security constituted by the Collateral is in addition to the Guarantee, pursuant to which the Guarantor and the Issuer agree to jointly and severally between them guarantee the punctual performance by the Issuer of the Bond obligations. The Guarantee shall become effective upon the full subscription of the Bonds. In terms of the Security Trust Deed, the Security Trustee shall have recourse to the Collateral over the Security Property only in the event that the value of the Guarantee is not sufficient to cover the full amount of interest and principal outstanding under the Bonds in the case of default by the Issuer in terms of this Securities Note.

#### **4.6 PROCESS FOR CREATION OF COLLATERAL AND RELEASE OF BOND PROCEEDS TO ISSUER**

The net Bond Issue proceeds shall be transferred to the Security Trustee on or around 10 August 2018. The Bond Issue proceeds to be allocated to the bank refinancing referred to in section 4.1.(i) above shall, as outlined in the Security Trust Deed, be released by the Security Trustee on condition that: (i) it receives appropriate assurance that publication and registration of the necessary notarial deeds for the cancellation of the existing charges over the Security Property, and the simultaneous publication and registration of the Deed of Hypothec pursuant to which all security over the Security Property for the benefit of Bondholders is to be duly perfected and registered, will be effected once the outstanding bank facilities referred to in section 4.1.(i) above are refinanced through the application of Bond Issue proceeds; (ii) the pledge on insurance proceeds referred to in clause 5(1)(h) of the Security Trust Deed is duly and properly executed; and (iii) confirmation that the Bonds will be admitted to the Official List by no later than 4 September 2018 is communicated to the Security Trustee.

With reference to (i) above:

- (I) the Guarantor shall appear on notarial deeds to repay the outstanding loans due to HSBC Bank Malta p.l.c., which as at 30 June 2018 amounted to €10,717,091 as indicated in section 4.5 above. The Security Trustee shall appear on each notarial deed to effect payment and to obtain, if possible, subrogation into the rights of the bank which provided the original finance. Pursuant to these deeds the Security Trustee would be in a position to obtain the Collateral over the Security Property which as at the date hereof secures the existing bank funding; and
- (II) the Issuer, the Guarantor and the Security Trustee will simultaneously enter into another notarial deed (the Deed of Hypothec) pursuant to which the Guarantor shall constitute a first ranking special hypothec over the Security Property.

Following registration of the notarial deeds described in (I) and (II) above and the presentation to the Security Trustee of the appropriate notes of hypothec, and upon the Bonds being admitted to the Official List, the Security Trustee shall release the remaining balance of the net Bond Issue proceeds, equivalent to circa €3,500,000, to be applied for the purposes specified in section 4.1.(ii) above of this Securities Note.

The Guarantor shall also acknowledge itself as the true and lawful debtor of the Issuer for an amount equivalent to the payment effected by the Issuer to repay all bank financing of the Guarantor, and the amount to be loaned for the general corporate funding purposes of the Guarantor, in either case as specified in section 4.1 above.

## [ 5 ]

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

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

#### 5.1 GENERAL

Each Bond forms part of a duly authorised issue of 4% Secured Bonds 2028 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €15,000,000 (except as otherwise provided under section 5.11 “Further Issues”). The Issue Date of the Bonds is expected to be 4 September 2018, or such earlier date as may be applied in the event that constitution of Collateral is completed in advance of 31 August 2018.

- a. The currency of the Bonds is Euro (€).
- b. Subject to admission to listing of the Bonds to the Official List of the MSE, the Secured Bonds are expected to be assigned ISIN: MT0001911206.
- c. Unless previously purchased and cancelled, the Bonds shall be redeemable at par on the Redemption Date.
- d. The issue of the Bonds is made in accordance with the requirements of the Listing Rules, the Act, and the Regulation.
- e. The Bond Issue is not underwritten.
- f. There are no special rights attached to the Bonds other than the right of the Bondholders to the payment of capital and interest and in accordance with the ranking specified in section 5.2 hereunder.

#### 5.2 RANKING OF THE BONDS

The Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference amongst themselves. The Bonds shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantor in terms of the Guarantee. In respect of the Guarantor, the Bonds shall rank with priority or preference to all other present and future unsecured obligations of the Guarantor, save for such exceptions as may be provided by applicable law, and with first ranking and priority over the Security Property.

As explained earlier, pursuant to the Security Trust Deed, the Guarantor has agreed to constitute in favour of the Security Trustee, for the benefit of Bondholders as beneficiaries, a special hypothec over the Security Property, of which it is the owner. The special hypothec will secure the claim of the Security Trustee, for the benefit and in the interest of Bondholders, for the repayment of the principal and interest under the Bonds by a preferred claim over the Security Property. Accordingly, following the issue of the Bonds and application of the proceeds as set out above, the Security Trustee for the benefit of Bondholders will have the benefit of a special hypothec over the Security Property for the Bonds plus interest thereon.

#### 5.3 RIGHTS ATTACHING TO THE BONDS

A Bondholder shall have such rights as are, pursuant to this Securities Note, attached to the Secured Bonds, including:

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

## 5.4 INTEREST

The Bonds shall bear interest from and including 20 August 2018 at the rate of 4% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 20 August 2019 (covering the period 20 August 2018 to 19 August 2019). Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. In terms of article 2156 of the Civil Code (Cap. 16 of the laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Bonds is barred by the lapse of five years.

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 360-day year consisting of 12 months of 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%.

## 5.6 REGISTRATION, FORM, DENOMINATION AND TITLE

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

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

The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiples of €100 provided that on subscription the Bonds will be issued for a minimum of €5,000 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 €5,000 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 the making of any payments), as the absolute owner of such Bond. Title to the Secured Bonds may be transferred as provided below under the heading “*Transferability of the Bonds*” in section 5.10 of this Securities Note.

## 5.7 PAYMENTS

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

Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro and held with any licensed bank in Malta.



Such payment shall be effected within seven days of the Interest Payment Date. The Issuer shall not be responsible for any loss or delay in transmission.

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

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

## **5.8 REDEMPTION AND PURCHASE**

Unless previously purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 20 August 2028. Subject to the provisions of this section 5.8, the Issuer may at any time purchase Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike. All Secured Bonds repurchased by the Issuer shall be cancelled forthwith and may not be re-issued or re-sold.

## **5.9 EVENTS OF DEFAULT**

Pursuant to the Security Trust Deed, the Security Trustee may in its absolute and uncontrolled discretion, and shall upon the request in writing of not less than seventy five per cent (75%) in value of the registered beneficiaries (the Bondholders appearing on the register of Bondholders from time to time), by notice in writing to the Issuer and the Guarantor declare the Bonds to have become immediately due and repayable at their principal amount together with accrued interest, upon the happening of any of the following events:

- a. the Issuer fails to effect the payment of interest under the Bonds on an Interest Payment Date and such failure continues for a period of sixty (60) days after written notice thereof by the Security Trustee to the Issuer;
- b. the Issuer fails to pay the principal amount of a Bond on the date fixed for its redemption; and such failure continues for a period of sixty (60) days after written notice thereof by the Security Trustee to the Issuer;
- c. the Issuer fails duly to perform or shall otherwise be in breach of any other material obligation contained in the Prospectus and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by a Bondholder;
- d. in terms of article 214(5) of the Act, a Court order or other judicial process is levied or enforced upon or sued out against any part of the property of the Issuer and is not paid out, withdrawn or discharged within one month;
- e. the Issuer or the Guarantor stop or suspend payments (whether of principal or interest) with respect to all or any class of its debts or ceases or threatens to cease to carry on its business or a substantial part of its business;
- f. the Issuer or the Guarantor is unable to pay its debts within the meaning of article 214(5) of the Act, or any statutory modification or re-enactment thereof;
- g. a judicial or provisional administrator is appointed upon the whole or any part of the property of the Issuer or the Guarantor; and such appointment is certified by the Security Trustee to be prejudicial, in its opinion, to the Bondholders;
- h. an order is made or an effective resolution is passed for winding up of the Issuer or the Guarantor, except for the purpose of a reconstruction, amalgamation or division, the terms of which have been approved in writing by the Security Trustee;
- i. the Issuer or the Guarantor substantially changes the object or nature of its business as currently carried on;
- j. the Issuer or the Guarantor commits a breach of any of the covenants or provisions contained in the Security Trust Deed and on its part to be observed and performed and the said breach still subsists for thirty (30) days after having been notified by the Security Trustee (other than any covenant for the payment of interests or principal monies owing in respect of the Bonds);
- k. the security constituted by any hypothec, pledge or charge upon the whole or any part of the undertaking or assets of the Issuer or the Guarantor shall become enforceable and steps are taken to enforce the same and the taking of such steps shall be certified in writing by the Security Trustee to be in its opinion prejudicial to the Bondholders;

- l. any representation or warranty made or deemed to be made or repeated by or in respect of the Issuer or the Guarantor is or proves to have been incorrect in any material respect in the sole opinion of the Security Trustee;
- m. any material indebtedness of the Issuer or the Guarantor is not paid when properly due or becomes properly due and payable or any creditor of the Issuer or the Guarantor (as the case may be) becomes entitled to declare any such material indebtedness properly due and payable prior to the date when it would otherwise have become properly due or any guarantee or indemnity of the Issuer or the Guarantor in respect of indebtedness is not honoured when properly due and called upon; PROVIDED THAT for the purposes of this provision, material indebtedness shall mean an amount exceeding €1,000,000;
- n. any consent, permit, authorisation, licence or approval of, or registration with, or declaration to governmental, statutory or public bodies, or authorities or courts, required by the Guarantor in connection with the operation of the Security Property, or required by the Issuer for the performance of its obligations hereunder or under the Security Trust Deed, is substantially modified in the sole opinion of the Security Trustee, or is not granted, or is revoked, or terminated, or expires and is not renewed, or otherwise ceases to be in full force and effect;
- o. it becomes unlawful at any time for the Issuer or the Guarantor to perform all or any of its obligations hereunder, or under the Security Trust Deed;
- p. the Issuer or the Guarantor repudiates, or does or causes or permits to be done any act or thing evidencing an intention to repudiate the Bonds and/or the Security Trust Deed; or
- q. all, or in the sole opinion of the Security Trustee, a material part, of the undertakings, assets, rights, or revenues of or shares or other ownership interests in the Issuer or the Guarantor are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government.

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

Provided that in the event of any breach by the Issuer or the Guarantor of any of the covenants, obligations or provisions herein contained due to any fortuitous event of a calamitous nature or otherwise beyond the control of the Issuer or Guarantor, then the Security Trustee may, but shall be under no obligation so to do, give the Issuer or Guarantor such period of time to remedy the breach as in its sole opinion may be justified in the circumstances and if in its sole opinion the breach is remediable within the short term and without any adverse impact on the Bondholders. Provided further that in the circumstances contemplated by this proviso, the Security Trustee shall at all times take cognizance of and, to the extent considered reasonably possible, act on and in accordance with any directions it may receive in a meeting of Bondholders satisfying the conditions set out in the Security Trust Deed. The Security Trustee shall not be bound to take any steps to ascertain whether any event of default or other condition, event or circumstance has occurred or may occur, and, until it shall have actual knowledge or express notice to the contrary, the Security Trustee shall be entitled to assume that no such event of default or condition, event or other circumstance has happened and that the Issuer is observing and performing all the obligations, conditions and provisions on their respective parts contained in the Secured Bonds and the Security Trust Deed.

## **5.10 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.

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.

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 transferee.

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.

## **5.11 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, provided that no issue may be made that would rank senior to the Bonds in respect of the Collateral.

## **5.12 MEETINGS OF BONDHOLDERS**

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

A meeting of Bondholders shall be called by the Directors by giving the Security Trustee not less than twenty-one (21) days' notice in writing. Upon receiving due notice from the Directors, the Security Trustee shall call such meeting 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 to 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 5.12 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

The amendment or waiver of any of the Terms and Conditions 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. A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose, at least two Bondholders present, in person or by proxy, representing not less than fifty per cent (50%) in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within 30 minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven days, and not later than 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.

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.

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 which are required to be taken 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.

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

The proposal placed before a meeting of Bondholders shall only be considered approved if at least seventy-five per cent (75%) 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.

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.

### **5.13 AUTHORISATIONS AND APPROVALS**

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a Board of Directors' resolution passed on 18 July 2018. The Guarantee being given by the Guarantor in respect of the Bonds has been authorised by a resolution of the board of directors of the Guarantor dated 18 July 2018.

### **5.14 REPRESENTATIONS AND WARRANTIES**

The Issuer represents and warrants to Bondholders and to the Security Trustee for the benefit of Bondholders, who shall be entitled to rely on such representations and warranties, that:

- i. it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business as it is now being conducted and to hold its property and other assets under legal title; and
- ii. it has the power to execute, deliver and perform its obligations under the Prospectus and that all necessary corporate, shareholder and other actions have been duly taken to authorise the execution, delivery and performance of the same, and further that no limitation on its power to borrow or guarantee shall be exceeded as a result of the Terms and Conditions or the Prospectus.

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

### **5.15 NOTICES**

Notices to Bondholders will be mailed to 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.

## 5.16 GOVERNING LAW AND JURISDICTION

The Bonds are governed by and shall be construed in accordance with Maltese law. Any legal action, suit or proceedings against the Issuer and/or the Guarantor arising out of or in connection with the Bonds and/or the Prospectus shall be brought exclusively before the Maltese courts.

## [6] 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 transfer as well as on any income derived therefrom or on any gains derived on the transfer of such Bonds. 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 instructed by a Bondholder to receive the interest gross of any withholding tax, 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, hereinafter the “**Income Tax Act**”), interest shall be paid to such Bondholder net of a final withholding tax, currently at the rate of fifteen per cent (15%) (ten per cent (10%) in the case of certain types of collective investment schemes) of the gross amount of the interest, pursuant to Article 33 of the Income Tax Act. Bondholders who do not fall within the definition of a “recipient” do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder is not obliged to declare the interest so received in his income tax return (to the extent that the interest is paid net of tax). No person shall be charged to further tax in respect of such income. Furthermore, such tax should not be available as a credit against the recipient’s tax liability or for a refund, as the case may be, for the relevant year of assessment in Malta. The Issuer will render an account to the Maltese Commissioner for Revenue of all amounts so deducted, including the identity of the recipient.

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

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

### **6.3 EXCHANGE OF INFORMATION**

In terms of applicable Maltese legislation, the Issuer and/or its agent are required to collect and forward certain information (including, but not limited to, information regarding payments made to certain Bondholders) to the Commissioner for Revenue. The Commissioner for Revenue will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions.

### **6.4 MALTESE TAXATION ON CAPITAL GAINS ON A 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”, to the extent that the Bonds are held as capital assets by the Bondholder, no tax on capital gains should be chargeable in respect of a transfer of the Bonds.

### **6.5 DUTY ON DOCUMENTS AND TRANSFERS**

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

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

Furthermore, even if the Bonds are considered marketable securities for the purposes of the Duty on Documents and Transfers Act, in terms of article 50 of the Financial Markets Act (Cap. 345 of the laws of Malta) as the Bonds constitute financial instruments of a company quoted on a regulated market Exchange, as is the MSE, redemptions and transfers of the Bonds should, in any case, be exempt from 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. Placement Date	10 August 2018
2. Commencement of interest on the Bonds	20 August 2018
3. Expected date of constitution of Collateral	31 August 2018
4. Expected date of admission of the securities to listing	4 September 2018
5. Expected date of commencement of trading in the securities	5 September 2018

In the event that the constitution of Collateral is completed in advance of 31 August 2018, the events set out in steps 4 and 5 above shall be brought forward accordingly, although the number of Business Days between the respective events shall remain unaltered.

**7.2 TERMS AND CONDITIONS OF THE BONDS**

The following terms and conditions shall be read in conjunction with all the other terms and conditions relative to and regulating the contractual relationship created between the Issuer and the Guarantor on the one hand and the Security Trustee and the Applicant on the other.

- a. The issue and allotment of the Bonds is conditional upon: (i) the Bonds being admitted to the Official List by no later than 4 September 2018; and (ii) the Collateral being constituted in favour of the Security Trustee, in accordance with the provisions of the Security Trust Deed. In the event that the latter condition is not satisfied within fourteen (14) Business Days of the Placement Date and/or the Bonds are not admitted to listing by the date indicated, the Issuer undertakes to procure that any application monies received by the Registrar will be returned without interest by direct credit into the Authorised Financial Intermediary's bank account as indicated by the Authorised Financial Intermediary in the respective Placement Agreement, for the eventual refund to the Applicant.
- b. An Applicant applying for the Bonds is thereby confirming to the Issuer, the Registrar and the Authorised Financial Intermediary through whom the application is made, as applicable, that the Applicant's remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured on its first presentation, the Issuer and the Registrar reserve the right to invalidate the relative application. Furthermore the Applicant will not be entitled to receive a registration advice or to be registered in the register of Bondholders, unless the Applicant makes payment in cleared funds and such consideration is accepted by the respective Authorised Financial Intermediary, Registrar and/or Issuer, as applicable, which acceptance shall be made in the Authorised Financial Intermediary, Registrar and/or Issuer's absolute discretion and may be on the basis that the Applicant indemnifies the Authorised Financial Intermediary, Registrar and/or Issuer against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of the Applicant's remittance to be honoured on first presentation.
- c. The contract created by the Issuer's acceptance of an application for the Bonds shall be subject to all the terms and conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer. It is the responsibility of Applicants 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.
- d. Any application for the Bonds made on behalf of another person, legal or natural, will be deemed to have bound the person signing such application who will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such Applicant 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 or the Authorised Financial Intermediary.

- e. In the case of joint applications, reference to the Applicant in these terms and conditions is a reference to each of the joint Applicants, and liability therefor is joint and several.
- f. In respect of a Bond to be registered as held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register of Bondholders. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Bond/s and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner).
- g. Any Bonds allocated in the name and for the benefit of minors shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer is duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
- h. 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.
- i. No person receiving a copy of the Prospectus 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 Prospectus, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Prospectus could lawfully be used without contravention of any registration or other legal requirements.
- j. It is the responsibility of any person outside Malta wishing to make any application to satisfy himself/herself as to the 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.
- k. The Bonds will be issued in multiples of €100. The minimum subscription amount of Bonds that can be subscribed for by Applicants is €5,000.
- l. In the event that an Applicant is not allocated any Bonds or has been allocated a number of Bonds which is less than the number applied for, the Applicant shall receive a full refund or, as the case may be, the balance of the price of the Bonds applied for but not allocated, without interest, through the Authorised Financial Intermediary to such account as indicated by the Applicant, at the Applicant's sole risk within five Business Days from the date of final allocation. The Issuer and/or Registrar shall not be responsible for any charges, loss or delay arising in connection with such direct credit transfer.
- m. 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, the 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 "Members' Code of Conduct" appended as Appendix 3.6 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. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR) (EU) 2016/679, as may be amended from time to time, for the purposes and within the terms of the MSE Data Protection Policy as published from time to time.
- n. Any Applicant applying for the Bonds:
  - 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 is true and correct in all respects. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) provided by the Applicant and those held by the MSE in relation to the MSE account number indicated by the Applicant, the details held by the MSE shall be deemed to be the correct details of the Applicant;
  - c. authorises the Issuer, the Registrar, the Authorised Financial Intermediary and/or the MSE, as applicable, to process the personal data that the Applicant provides, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Cap. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR) (EU) 2016/679, as may be amended from time to time. The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed in relation to the Bond Issue. Any such requests must be made in writing and sent to the MSE. 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/or Guarantor or the issue of the Bonds other than what is contained in the Prospectus and accordingly agrees 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, the Authorised Financial Intermediary 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 “**U.S.**”) or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- j. agrees that unless such application is made with Rizzo, Farrugia & Co. (Stockbrokers) Ltd. as Authorised Financial Intermediary, Rizzo, Farrugia & Co. (Stockbrokers) Ltd. will not, in its capacity as any of Sponsor, Manager or Registrar treat the Applicant as its customer by virtue of such Applicant making an application for the Bonds, and that Rizzo, Farrugia & Co. (Stockbrokers) Ltd. will owe the Applicant no duties or responsibilities concerning the Bonds including 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 indicated by the Applicant on the relevant application for the Bonds submitted through any Authorised Financial Intermediary; 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 will be available for subscription by Rizzo, Farrugia & Co. (Stockbrokers) Ltd. and Bank of Valletta p.l.c. pursuant to the Placement Agreements as detailed further in section 7.4 below.

Subscriptions shall be made through Authorised Financial Intermediaries, subject to a minimum subscription amount of €5,000 in nominal value of Bonds and in multiples of €100 thereafter.

Dealings in the Bonds shall not commence prior to: (i) the Bonds being admitted to the Official List; and (ii) the Collateral being constituted in favour of the Security Trustee.

### 7.4 PLACEMENT AGREEMENTS

The Issuer has entered into placement agreements with Rizzo, Farrugia & Co. (Stockbrokers) Ltd. and Bank of Valletta p.l.c. for the placement of the Bonds. In terms of the Placement Agreements, the Issuer is conditionally bound to issue, and Rizzo, Farrugia & Co. (Stockbrokers) Ltd. and Bank of Valletta p.l.c. are each conditionally bound to subscribe to, such number of Bonds as indicated in their respective agreements. The Placement Agreements are conditional upon the Bonds being admitted to the Official List.

The Authorised Financial Intermediaries undertake to pay to the Issuer all subscription proceeds in cleared funds by no later than the Placement Date.

## **7.5 PRICING**

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

## **7.6 ALLOCATION POLICY**

The Issuer shall allocate the Bonds to Authorised Financial Intermediaries pursuant to the conditional placement agreements entered into with the Issuer, details of which can be found in section 7.4 above.

## **7.7 ADMISSION TO TRADING**

- i. The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 31 July 2018.
- ii. 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.
- iii. The Bonds are expected to be admitted to the Official List by no later than 4 September 2018 and trading is expected to commence thereafter.

## **7.8 ADDITIONAL INFORMATION**

Save for the financial analysis summary set out as Annex III, 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 the Sponsor, which has given and has not withdrawn its consent to the inclusion of such report herein.

The Sponsor 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**

<b>Name</b>	<b>Address</b>	<b>Telephone</b>
Bank of Valletta p.l.c.	BOV Centre, Cannon Road, St Venera, SVR 9030	22751732
Rizzo, Farrugia & Co (Stockbrokers) Ltd.	Airways House, Fourth Floor, High Street, Sliema, SLM 1551	22583000

## [ANNEX II] THE GUARANTEE

To: Alter Domus Trustee Services (Malta) Limited (C 63887), Vision Exchange Building, Territorials Street, Mriehel, Birkirkara BKR 3000, Malta

(hereinafter together with its lawful successors and assigns referred to as the “**Security Trustee**”)

19 July 2018

Dear Sirs,

**RE: GUARANTEE AND INDEMNITY**

**We, Exalco Properties Limited, a company registered in Malta and bearing company registration number C 11273 (hereinafter together with our lawful successors and assigns referred to as the “Guarantor”), having noted that:**

- i. by virtue of a prospectus dated 31 July 2018 issued by Exalco Finance p.l.c. (the “**Issuer**”) in connection with the issue of €15,000,000 4% Secured Bonds (as the same may be amended, varied or supplemented, hereinafter referred to as the “**Prospectus**”) the Issuer shall, under the joint and several guarantee of the Guarantor, issue up to €15,000,000 in Secured Bonds at an annual interest rate of 4% to be redeemed and finally repaid on 20 August 2028 subject to the terms and conditions of the Prospectus (the “**Secured Bonds**”);
- i. it is a condition precedent for the issuance of the Secured Bonds that, *inter alia*, the Guarantor executes and grants this Guarantee and Indemnity (hereinafter referred to as “**Guarantee**”) of the obligations of the Issuer above referred to in favour of the Security Trustee; and
- ii. the Guarantor has agreed to the conclusion and execution of this Guarantee in favour of the Security Trustee.

NOW, THEREFORE, THE GUARANTOR IS HEREBY COVENANTING IN FAVOUR OF THE SECURITY TRUSTEE AS FOLLOWS:

### **1. 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 Secured 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.

## **2. TERMS OF THE GUARANTEE**

### **2.1 COVENANT TO PAY**

In satisfaction of the conditions precedent for the issuance of the Secured Bonds, and in consideration of the Bondholders acquiring the Secured Bonds, the Guarantor, as duly authorised, without proof of liability or evidence and as primary obligor, hereby jointly and severally with the Issuer, unconditionally and irrevocably guarantees to the Security Trustee, for the benefit of Bondholders the payment of, and undertakes on first demand in writing made by the Security Trustee on the Guarantor, to pay the Indebtedness to the Security Trustee or any balance thereof at any time due or owing under the Secured Bonds. The Guarantor acknowledges that recourse must first be made to this Guarantee, and only in the event that the value of the Guarantee is not sufficient to cover the Indebtedness in full, can any of the Collateral over the Security Property be enforced by the Security Trustee.

### **2.2 MAXIMUM LIABILITY**

This is a continuing Guarantee for the whole amount due or owing under the Secured Bonds or which may hereafter at any time become due or owing under the Secured Bonds by the Issuer but the amount due by the Guarantor to the Security Trustee under this Guarantee shall be up to and shall not be in excess of €15,000,000 apart from interest due up to the date of payment and costs and expenses relating to the protection, preservation, collection or enforcement of the Security Trustee's rights against the Issuer and/or the Guarantor which shall be additional to the maximum sum herein stated.

### **2.3 INDEMNITY**

As a separate and independent stipulation, the Guarantor agrees to indemnify the Security Trustee on demand for any damages, losses (excluding loss of profit), costs and expenses arising from any failure on the part of the Issuer to perform any obligation to the Security Trustee and the Guarantor so agrees to indemnify the Security Trustee even in the event that any obligation of the Issuer to the Security Trustee is invalid or ceases to be valid and enforceable against the Issuer for any reason whatsoever including, but without limitation, any legal limitation or any disability or incapacity of the Issuer. In such an event the Guarantor shall be liable towards the Security Trustee as if that obligation was fully valid and enforceable and as if the Guarantor was the principal debtor in respect thereof and shall pay all sums due to the Security Trustee within seven days of a demand in writing by the Security Trustee.

## **3. 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 effected, 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 any Guarantor; or
- d. the Security Trustee 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 exact 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 Security Trustee.

The Security Trustee is being expressly authorised to vary the Prospectus and/or modify the Indebtedness or to release or modify any guarantees or any security the Security Trustee may hold as security for the Indebtedness and this without the need of any prior or subsequent notice to the Guarantor and without any prejudice to the rights of the Security Trustee hereunder. The Guarantor is also hereby expressly consenting to any assignments and transfers made by the Issuer in accordance with the Prospectus and this without the need of any prior or subsequent notice to the Guarantor and without any prejudice to the rights of the Security Trustee hereunder.

#### **4. WAIVER OF THE GUARANTOR'S RIGHTS AND THE GUARANTOR'S WARRANTIES**

- 4.1** This Guarantee shall be for the full amount of the Indebtedness due from time to time. The liability of the Guarantor under this Guarantee shall be decreased from time to time to the extent, if any, that the Issuer or the Guarantor shall have made any irrevocable payment of the Indebtedness.
- 4.2** Until the Indebtedness has been paid in full the Guarantor agrees that it will not, without the prior written consent of the Security Trustee,
- a. exercise any rights of subrogation, reimbursement and indemnity against the Issuer or any other person liable for the Indebtedness;
  - b. demand or accept repayment, in whole or in part, of any indebtedness now or hereafter due to the Guarantor either from the Issuer or from any other person liable for the Indebtedness or demand any collateral in respect of same or dispose of same;
  - c. take any step to enforce any right against the Issuer or any other person liable for the Indebtedness; and/or
  - d. claim any set-off or counter-claim against the Issuer or any other person liable for the Indebtedness nor shall the Guarantor claim or prove in competition with the Security Trustee in the liquidation of the Issuer or any other person liable for the Indebtedness or benefit or share any payment from or in composition with the Issuer or any other person liable for the Indebtedness.
- 4.3** Subject to the overriding provisions of the Prospectus, until the Indebtedness has been paid in full the Guarantor further agrees that:
- a. if an Event of Default under the Prospectus occurs, any sums which may be received by it from the Issuer or any person liable for the Indebtedness shall be held by it on trust exclusively for the Security Trustee and shall be paid to the Security Trustee immediately upon demand in writing or immediately after its receipt if such obligation arises from the documents executed by the Issuer in connection with the Prospectus;
  - b. all rights of relief and subrogation arising in favour of the Guarantor upon a partial payment to the Security Trustee against the Issuer and any other person who may be liable for the Indebtedness, including any co-guarantors, shall be suspended;
  - c. the Security Trustee may and shall receive and retain the whole of the liquidation dividends to the exclusion of the rights (if any) of the Guarantor in competition with the Security Trustee and pursuant to the above the Security Trustee is entitled to hold all payments made by the Guarantor or the Issuer on account of the Indebtedness in suspense for a period of six months from the date of payment and any such payments on account shall not be applied in reduction of the Indebtedness for a period of six months as stated. The Security Trustee may accordingly prove for the whole Indebtedness of the Issuer in liquidation after excluding any and all payments made within a period of six months prior to the liquidation of the Issuer; and/or
  - d. the Security Trustee shall not be required to exhaust any remedy or remedies it may have against the Issuer or other persons who may be liable for the Indebtedness for the settlement of all the Indebtedness before claiming against the Guarantor under this Guarantee which is to be construed as entirely independent from the relationship between the Security Trustee and the Issuer and providing immediate recourse against the Guarantor under this Guarantee. The Guarantor hereby waives any benefit of discussion or division which may be available under any applicable law.

## **5. APPROPRIATION OF PAYMENTS**

The Security Trustee is entitled to appropriate payments received by it from the Issuer towards the credit of the collateral account or such other purposes contemplated in the Prospectus.

## **6. SETTLEMENTS CONDITIONAL**

Any release, discharge or settlement between the Guarantor and the Security Trustee shall be conditional upon no security, disposition or payment to the Security Trustee by the Issuer or the Guarantor or any other third party liable to being void or set aside for any reason whatsoever and if, for any reason whatsoever, this condition is not fulfilled, such release, discharge or settlement shall be of no effect whatsoever and this Guarantee shall again come into force for all effects and purposes of law.

## **7. ADDITIONAL GUARANTEE**

This Guarantee is to be construed as being in addition to and in no way prejudicing any other securities or guarantees which the Security Trustee may now or hereafter hold from or on account of the Issuer and is to be binding on the Guarantor as a continuing Guarantee until full and final settlement of all the Issuer's Indebtedness towards the Security Trustee. Moreover, the remedies provided in this Guarantee are cumulative and are not exclusive of any remedies provided by law.

## **8. BENEFIT OF THIS GUARANTEE AND NO ASSIGNMENT**

**8.1** This Guarantee is to be immediately binding upon the Guarantor for the benefit of the Security Trustee and the liability hereunder is not subject to any conditions as to additional security being received by the Security Trustee or otherwise.

**8.2** The Guarantor shall not be entitled to assign or transfer any of its obligations under this same Guarantee.

## **9. REPRESENTATIONS AND WARRANTIES**

**9.1** 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, judgment, 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 the Guarantor to create any encumbrance on any of that 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 and nor is it threatened with any such procedures;
- vii. that, save for any other priority and preference created by virtue of the Deed of Hypothec, the obligations binding it under this Guarantee rank at least *pari passu* with all other present and future unsecured indebtedness of the Guarantor with the exception of any obligations which are mandatorily 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.

**9.2** As from the date of this Guarantee, until such time as the Indebtedness is paid in full to the Security Trustee, 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.

## **10. DEMANDS AND PAYMENTS**

**10.1** All the Indebtedness shall be due by the Guarantor under this Guarantee as a debt, certain, liquidated and due on the seventh day following the Security Trustee's first written demand to the Guarantor to pay. All demands shall be sent to the address or facsimile or other numbers as are stated below in Article 11 as the same may be changed by notice in writing by one party to the other.

The demand shall be accompanied by a statement by the Security Trustee confirming that to the best of its knowledge there exist, at the time of the demand, circumstances which constitute an Event of Default or such that may render the underlying obligations of the Issuer to the Security Trustee or any security document invalid and unenforceable for any reason whatsoever.

It is expressly agreed that the requirement of such statement is not a condition of liability of the Guarantor under this Guarantee and is entirely without prejudice to the on demand nature of this Guarantee. Any disagreement by the Guarantor as to the contents of the statement shall not entitle the Guarantor to delay or interrupt the payment of the sum due under this Guarantee for any reason whatsoever.

**10.2** The statement by the Security Trustee of the amount due under this Guarantee shall be binding on the Guarantor and shall be conclusive evidence of the sum due, saving only manifest error.

**10.3** All payments shall be made to the Security Trustee 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 or the Security Trustee. The Guarantor authorises the Security Trustee to apply any credit balance the Guarantor may have with the Security Trustee towards the satisfaction of the Indebtedness. The Security Trustee shall notify the Guarantor forthwith of the exercise of this right giving full details relating thereto.

## **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.



For the purposes of this Guarantee, the proper addresses and facsimile numbers of the Parties are:

**Exalco Finance p.l.c.**

Address: Cornerstone Business Centre, Level 4, 16<sup>th</sup> September Square, Mosta, MST 1180, Malta

Tel. No.: +356 2142 4430/1/2

Contact Persons: Alexander Montanaro / Jean Marc Montanaro

**Exalco Properties Limited**

Address: Cornerstone Business Centre, Level 4, 16<sup>th</sup> September Square, Mosta, MST 1180, Malta

Tel. No.: +356 2142 4430/1/2

Contact Persons: Alexander Montanaro / Jean Marc Montanaro

**Alter Domus Trustee Services (Malta) Limited**

Address: Vision Exchange Building, Territorials Street, Mriehel, Birkirkara, BKR 3000, Malta

Tel. No.: +356 2205 1000

Contact Person: Chris Casapinta

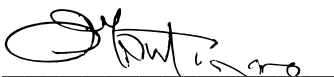
Provided that each party may at any time change such address or telefax number by giving seven days' prior written notice to the other party. Every notice, request, demand, letter or other communication hereunder shall be in writing and shall be delivered by hand or by post or through any other communication methods including telex, telefax or otherwise and shall be deemed to be received in case of post within seven days of dispatch or in case of other methods immediately upon confirmed transmission.

## 12. APPLICABLE LAW AND JURISDICTION

This Guarantee shall be governed by and 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, 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.

Yours faithfully,

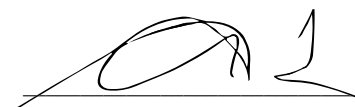


Name: Alexander Montanaro

duly authorised, for and on behalf of

**Exalco Properties Limited**

WE ACCEPT.



Name: Chris Casapinta

duly authorised, for and on behalf of

**Alter Domus Trustee Services (Malta) Limited**

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**[ANNEX III]  
FINANCIAL ANALYSIS SUMMARY**



**EXALCO FINANCE P.L.C.  
FINANCIAL ANALYSIS SUMMARY**

*Prepared by*

**Rizzo, Farrugia & Co (Stockbrokers) Ltd  
31 July 2018**



The Board of Directors

**Exalco Finance p.l.c.**

Cornerstone Business Centre,  
Level 4, 16<sup>th</sup> September Square,  
Mosta, MST 1180  
Malta

31 July 2018

Dear Sirs,

**Exalco Finance p.l.c. – Financial Analysis Summary (the “FAS”)**

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

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

- a. Historical financial information sourced from the consolidated audited financial statements of Exalco Properties Limited for the years ended 31 December 2015 and 2016 (restated);
- b. Historical financial information sourced from the audited financial statements of Exalco Properties Limited for the year ended 31 December 2017;
- c. Projected data for financial years ending 31 December 2018 and 2019 as provided and approved by management of the Issuer and the Guarantor;
- d. Commentary on the historical financial information and forecasts based on explanations from management and the financial due diligence report (FDDR) prepared by the reporting accountants of the Issuer (PricewaterhouseCoopers);
- e. Ratios presented in the FAS have been computed by us applying the definitions as set out and defined within the FAS; and
- f. Financial data in respect of the comparable set of bond issuers as analysed in section 12 has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registry of Companies.

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

Yours sincerely,



**Vincent E Rizzo**  
Director

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## 1 INTRODUCTION

Exalco Finance plc (the “**Issuer**” or “**Exalco Finance**”) is a newly set-up company, incorporated on 17 July 2018 with company registration number C 87384, which acts as the financing vehicle of the Exalco Group (Exalco Holdings Limited (C 86836) and subsidiaries), the principal constituent of which is the Issuer’s sister company, Exalco Properties Limited (C 11273) (the “**Guarantor**” or “**Exalco Properties**”). Both Issuer and Guarantor share common ownership, through the said holding company Exalco Holdings Limited [as explained further in section 4 of this financial analysis summary (“**FAS**”).

The FAS is being drawn up in terms of the Listing Policies issued by the Malta Financial Services Authority (“**MFSA**”) and in connection with a €15 million 4% secured bond issue 2028 (the “**Bond Issue**”).

## 2 GOVERNANCE & MANAGEMENT

### 2.1 THE ISSUER

The Issuer was set up on 17 July 2018 as a public limited liability company

#### ISSUER’S DIRECTORS & SENIOR MANAGEMENT

Being a public limited liability company listing securities on the Official List of the Malta Stock Exchange, Exalco Finance is bound by the Code of Corporate Governance (the “**Code**”). As such, its board of directors is composed of a mix of executive and non-executive directors in terms of the Code. The board is currently composed as follows:

Mr Alexander Montanaro	Chairman of the Board, Executive Director
Mr Jean Marc Montanaro	Executive Director
Mr Michael Montanaro	Executive Director
Mr Mario Galea	Non-Executive Director
Mr Lawrence Zammit	Non-Executive Director
Mr Kevin Valenzia	Non-Executive Director

The Issuer is a finance company and does not have employees of its own.

### 2.2 THE GUARANTOR

Set up in 1990, Exalco Properties was formerly known as Exalco Group Limited. It is the main operating company, whose activities comprise the acquisition, development, management and leasing of property in Malta. The current property portfolio of the Guarantor includes five properties, on lease to corporate clients on both short- and long-term leases. Further information on each of these properties is found in section 5 of this FAS.

#### GUARANTOR’S DIRECTORS & SENIOR MANAGEMENT

Mr Alexander Montanaro	Chairman of the Board, Executive Director
Mr Jean Marc Montanaro	Executive Director
Mr Michael Montanaro	Executive Director

### 3 HISTORY OF THE GUARANTOR

Exalco Properties was established on 11 January 1990 and was previously known as Exalco Group Limited.

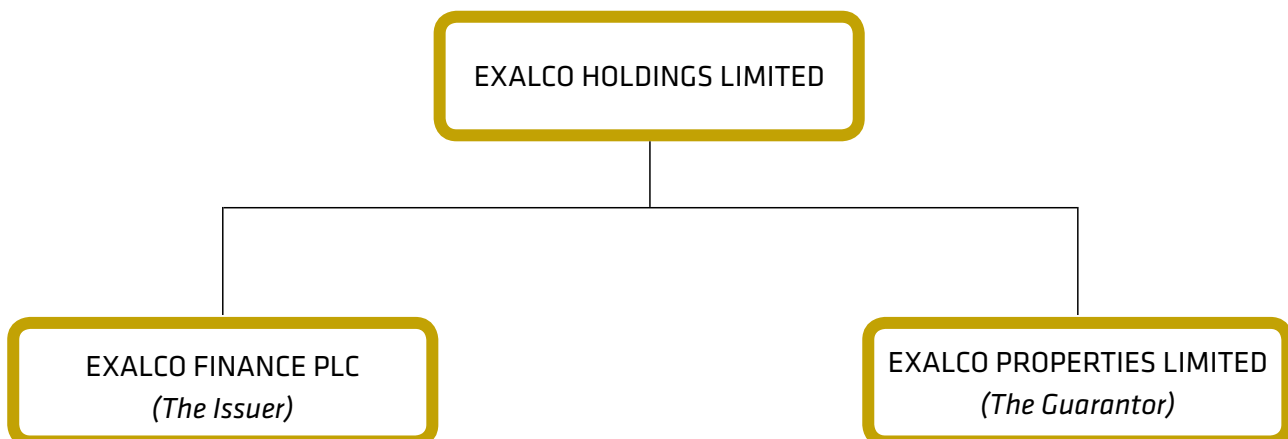
During its earlier years, the main business of the Exalco group was the international trade in non-ferrous metals through a related company of the Guarantor, Exalco (Metals and Steel) Limited (C 10397 – the company was struck off following the merger with the Guarantor), which started its operations back in 1987. This business, consisting of the supply of aluminium billets and other base metal products such as copper and steel commodities, was eventually transferred out into a separate company - Exalco Metals Limited (C 67788).

Exalco Group Limited branched into real estate in the 1990s through the acquisition of Parklane Business Centre in Hamrun, which was completed in 1999. Following that, the company undertook the development of the Mayfair Business Centre in St Julian's (1999) and the Cornerstone Business Centre in Mosta (2006). Each property was owned in separate companies which were eventually amalgamated within either of Exalco Group Limited or Exalco (Property Leasing) Limited.

In 2005, Exalco (Property Leasing) Limited and Exalco (Metals and Steel) Limited were merged into the Guarantor. The next property acquired was the Marina Business Centre in Ta' Xbiex in 2011. The latest development is the Golden Mile Business Centre in St Julian's, which was completed in 2017.

Exalco Properties' business interest is now exclusively real estate, particularly business centres with lettable office space. *Further information on the major (and non-major) assets of the Guarantor may be found in section 5 of this FAS.*

### 4 GROUP STRUCTURE



The Issuer and the Guarantor are sister companies, owned by Exalco Holdings Limited. The Issuer is a financing vehicle and its purpose is the raising of finance for the use and benefit of the Exalco group, of which the main operating entity is presently Guarantor. The majority of bond proceeds are to be on-lent to the Guarantor and as such the Issuer is dependent on the Guarantor.

## 5 MAJOR ASSETS

As at the date of this FAS, the Issuer has no major assets. Going forward, it is expected that the assets of the Issuer will comprise of receivables from the Guarantor, as the proceeds from the bond issue are on-lent to the Guarantor.

The property portfolio of the Guarantor comprises, primarily, of five business centres. Below is a summary of the key information pertaining to these and additional, smaller, properties.

Business Centre	Location	Title / Tenure	Year of Acquisition/ Completion	No of Levels	NLA: Offices	NLA: Commercial	No. of Parking Spaces	Valuation €'000
Golden Mile Business Centre	St Julian's	Wholly owned	2017	7	2,880	0	25	19,433
Marina Business Centre	Ta' Xbiex	Wholly owned	2011	6	3,532	64	78	17,126
Mayfair Business Centre	St Julian's	Wholly owned	1999	7	836	1,620	12	8,345
Cornerstone Business Centre	Mosta	Wholly owned	2006	5	1,880	372	32	6,782
Parklane Business Centre	Guardamangia, Hamrun	Wholly owned	1999	4	695	250	6	1,769
Borton House	Mosta	Wholly owned	1990	3	200	0	2	355
Ibragg Maisonette	Ibragg	Wholly owned	2013	1	n/a	n/a	1	435
Tilbury Garage	Balzan	Wholly owned	1997	n/a	n/a	n/a	1	12

Source: Management information



## 5.1 THE MAYFAIR BUSINESS CENTRE



Source: Management

Location: Triq Santu Wistin, St Julian's

The Mayfair Business Centre ("**Mayfair BC**") was completed in 1999 – the second business centre of the group. It hosts 836 square metres ("**sqm**") of net lettable area of office space and 1,620 sqm of commercial lettable space spread across six levels above ground and two semi/basement floors. The property has 12 parking spaces. Mayfair BC is wholly owned by the Guarantor.

According to the latest valuation report prepared by Perit Stephen A. Mangion A&CE dated 15 June 2018 (the "**Valuation Report**"), the value of the property based on discounted future cash flows is of €8.3 million.

Mayfair BC is fully tenanted, with the anchor tenant being an English language school and a number of smaller tenants renting office space within the centre. The property is freehold.

## 5.2 THE MARINA BUSINESS CENTRE



Source: Management information

Location: Triq Abate Rigord, Ta' Xbiex

The development of the Marina Business Centre ("**Marina BC**") was completed in 2011. It lies on a corner site between two streets in Ta' Xbiex and has net lettable area of 3,532 sqm. The property has six floors and hosts 78 parking spaces and is built on a footprint of 800sqm. The business centre is occupied by seven lessees, some of which occupy whole floors of the property.

According to the Valuation Report, the value of the property is of €17.1 million.

The property is freehold and is wholly owned by the Guarantor, except for the ground floor.

### 5.3 THE PARKLANE BUSINESS CENTRE



Source: Management

Location: Triq Mountbatten, Guardamangia, Hamrun

The Parklane Business Centre ("**Parklane BC**") was constructed in 1992 and lies on a trapezoidal corner site between two streets. The footprint of the property is 290sqm. Parklane BC has five floors above ground and one semi-basement floor – the latter serves as a parking lot which can hold up to seven cars. The ground floor (250 sqm) is let to a retail outlet, while the remaining floors serve as office space for four tenants across total area of 695 sqm of lettable office space.

The value attributed to Parklane BC in the Valuation Report is that of €1.8 million.

The property is freehold.

## 5.4 THE CORNERSTONE BUSINESS CENTRE



Source: Management information

Location: Constitution Street, Mosta

The Cornerstone Business Centre (“**Cornerstone BC**”) sits on a rectangular corner plot having an area of 610sqm. The building has five floors above ground and two basement floors. The ground floor hosts a number of retail units, while the basement floors provide car parking facilities. The net lettable space for office space on the other floors within Cornerstone BC is 1,880sqm, which is leased out to a number of tenants, including the offices of the Exalco group companies.

The value attributed to the Cornerstone BC in the Valuation Report is €6.8 million. The property is freehold.

## 5.5 THE GOLDEN MILE BUSINESS CENTRE



*Source: Management*

Location: Dragonara Road, St. George's Bay, St Julian's

The Golden Mile Business Centre ("**Golden Mile BC**") is the latest addition to the property portfolio of the Guarantor. The plot on which the building sits is of 750sqm. Lettable office space in the building is of 2,880sqm spread over seven floors. The building has one semi-basement floor which serves as a parking for up to 25 cars. The Golden Mile BC is leased out to one tenant who has renamed the building to reflect its commercial name. The property is freehold. The tenant has entered into a naming rights agreement with the Guarantor, giving the former the right to name the property '@GIG Beach'.

The Valuation Report attributes a value of €19.4 million to the Golden Mile BC.

## 5.6 OTHER PROPERTY ASSETS

The Guarantor has three other properties, two of which are for residential use.

— Borton House, Mosta

Borton House is a three-storey terraced premises in Mosta. Since its completion in 1990, the 200sqm building has been leased out for environmental studies and monitoring. The Borton House has an underlying garage at ground level with an area of 80sqm. The value of the Borton House is €0.36 million.

— The other two residential premises comprise a maisonette and an underlying garage in Ibragg and a garage in Balzan (known as Tilbury Garage). It is the intention of the Guarantor to transfer out these two properties (to ECTS Limited, a related company) and retain a property portfolio consisting solely of commercial properties. The value of these two properties is €0.45 million.

## 6 RECENT DEVELOPMENT

In pursuit of the objective to continue growing the Exalco brand and the respective commercial property portfolio, a related party of the Issuer and the Guarantor, ALMO Properties Limited (C 69554), entered into a promise of sale agreement dated 22 June 2018 for the acquisition of a six-floor complex bordered on three streets namely Triq il-Ferrovija, Triq Regionali and Triq Blata l-Kahla, in Santa Venera (the “**New Property**”), for the price of €6.2 million. The acquisition is subject to the successful conclusion of the final deed of sale. Pursuant to the terms of the promise of sale agreement, the related party is vested with a right of assignment in favour of, *inter alia*, the Guarantor. The Board of Directors of the Issuer understands that such right of assignment is due to be exercised with a view to the Guarantor appearing on the final deed of sale for the acquisition of the New Property.

## 7 FUTURE DEVELOPMENTS

The growth of Exalco Properties over the years has been achieved through the acquisition and development of properties which contributed an adequate rate of return on the investment. In pursuit of this objective, management is constantly screening potential new projects / properties which would complement the existing property portfolio.

## 8 MATERIAL AGREEMENTS

The Issuer is a financing vehicle for the Group and the contracts it is expected to enter into are in respect of its lending function to the Group’s main operating company, that is the Guarantor. A loan agreement has been entered into by and between the Issuer (as lender) and the Guarantor (as borrower) on 20 July 2018 pursuant to which the Issuer will advance the net proceeds from the Bond Issue, amounting to approximately €14,700,000, to the Guarantor for the purposes of the latter deploying same in the manner specified in section 4.1 of the Securities Note, entitled “*Reasons for the Bond Issue and Use of Proceeds*”. Such loan agreement is conditional upon the issue and allotment of the Bonds, which in turn is conditional upon: the Bonds being admitted to the Official List; and the Collateral being constituted in favour of the Security Trustee in accordance with the provisions of the Security Trust Deed.

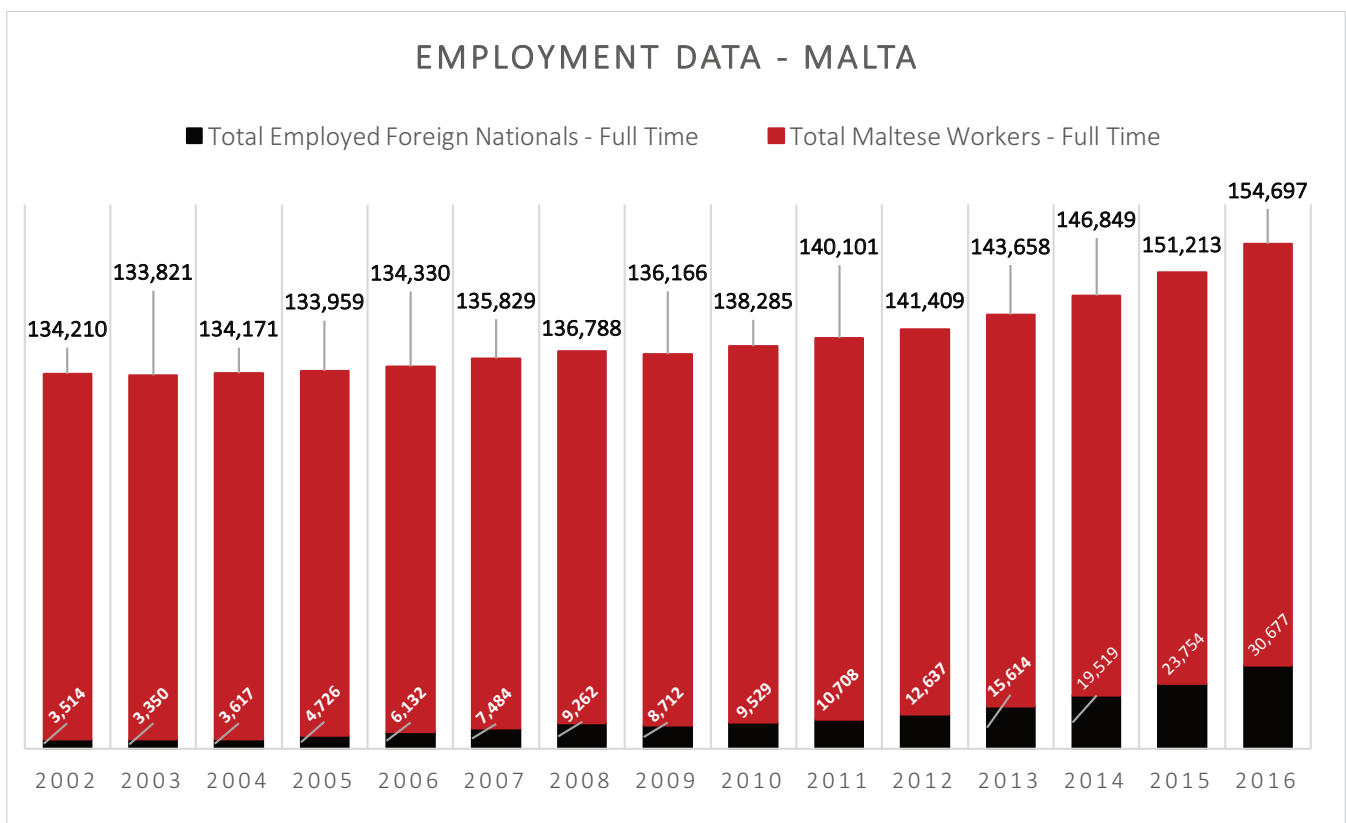
The Guarantor is party to a number of contracts which are considered to be material in the context of its operations, particularly those with tenants of the business centres. Furthermore, as described in section 6 of this FAS, the Guarantor may in the near future become party, by assignment, to a promise of sale agreement to acquire the New Property.

## 9 MARKET OVERVIEW

*Note: The analysis below has been conducted by Rizzo, Farrugia & Co (Stockbrokers) Ltd. on information from publicly-available sources, including data from the National Statistics Office (NSO), Jobs Plus, the Eurostat and other information obtained from real estate agent websites which advertise commercial properties for rent.*

The market for the rental of office and commercial space in Malta has grown substantially over the past couple of years. This was largely driven by the increase in employment levels<sup>1</sup>, most notably, that of foreign workers. In the period between 2002 and 2005, employment levels remained relatively stable. Afterwards, employment levels grew steadily except for a marginal decline in 2009 because of the global financial crisis after which the growth rate in employment levels accelerated considerably.

The sound growth in employment levels can be attributed to two main factors, primarily, the solid growth rate of the local economy which in 2017 amounted to €11,109 million, an increase of €917 million or 9% when compared to 2016. In real terms, GDP went up by 6.6%<sup>2</sup>. For the same period, the eurozone GDP increased by 2.5%<sup>3</sup>, the highest growth rate since a 3% rise in 2007. Furthermore, the level of foreign direct investment over recent years lead to in an inflow of foreign workers. This is in general because Malta offers a number of business-friendly incentives and a favourable tax system, attracting substantial foreign direct investment to the island. By 2016, foreign workers exceeded 30,000 representing approximately 16.5% of total employed workers in Malta.



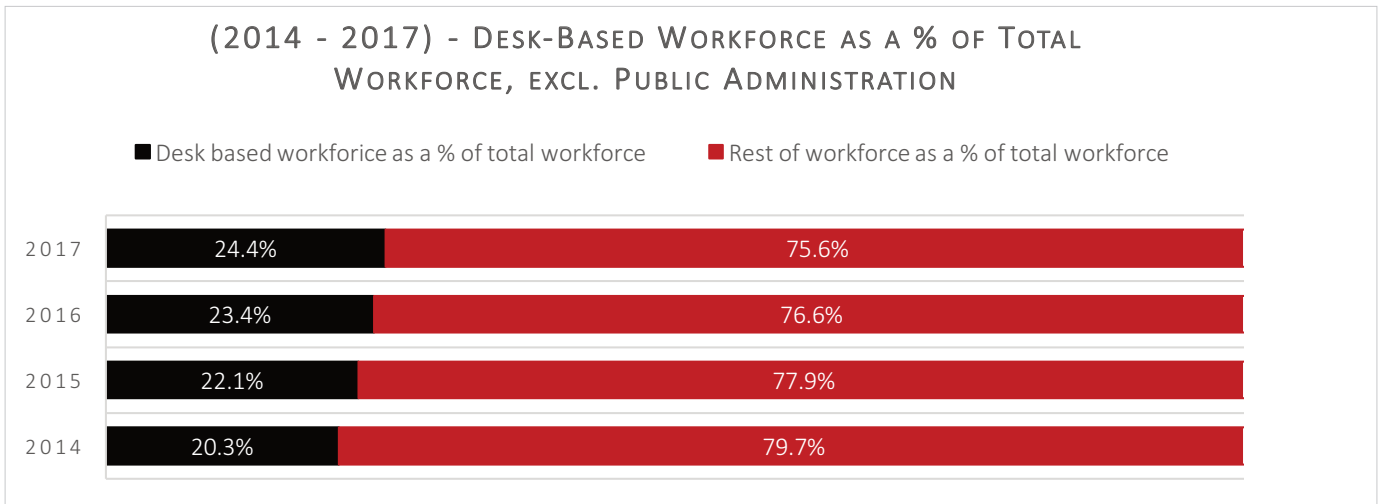
Source: Jobs Plus

<sup>1</sup> All figures are stated for full-time employment

<sup>2</sup> Source: NSO

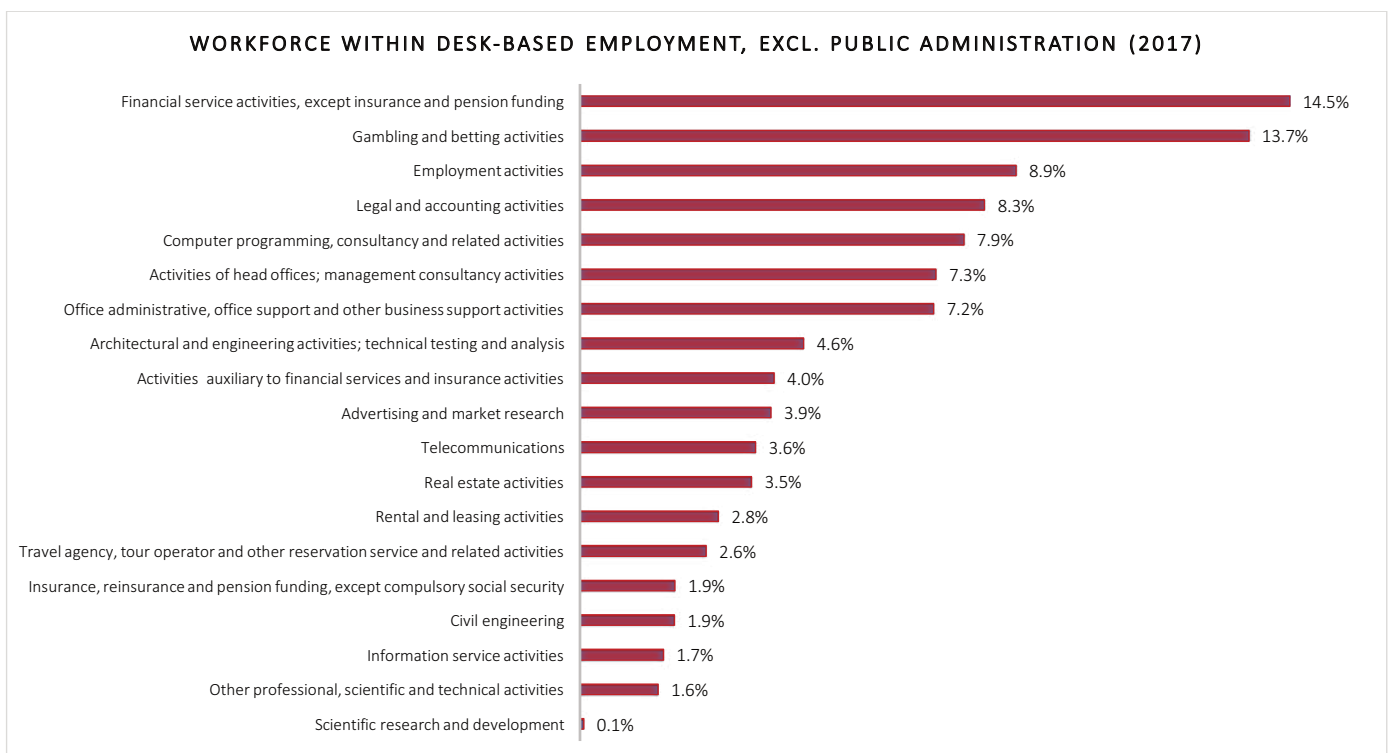
<sup>3</sup> Source: Eurostat

The principal driver for demand of office and commercial space is associated to the number of individuals engaged in desk-based employment. Over the period between 2014 and 2017, desk-based employment has grown from 33,312 to 46,763, representing a CAGR of nearly 12%. Consequently, this led to total desk-based workforce to account approximately 24.4% of total workforce in 2017, a noteworthy increase over the 2014 figure of 20.3%. Moreover, this indicates that desk-based employment is growing at a rate higher than other type of employments. Going forward, it is clear that Malta's economy is reliant on the growth and sustainability of desk-based sectors.



Source: NSO - Gainfully Occupied Population

As indicated overleaf, most of the employees working within desk-based industries are concentrated in financial services activities, gaming and betting activities, employment activities, legal and accounting services, computer programming and consultancy services, as well as office administration. Together, these account for nearly 68% of all desk-based employment in Malta. The largest growth was reported in the gaming and betting activities sector as employment levels doubled from 3,192 in 2014 to 6,398 in 2017. Subsequently, in nominal terms, the employment activities sector, the management consultancy activities and legal and accounting activities were the key contributors in growth adding 1,642, 1,292 and 1,070 respectively.



Source: NSO - Gainfully Occupied Population



To accommodate the growing demand, there has been an increase in the supply of office and commercial space in Malta. In fact, several business centres have recently been complete and are currently fully operational. A few of these include The Centre at Tigné Point, Aragon House in St. Julians, The Golden Mile BC in St. Julians, and SkyParks in Luqa. Other major developments that will feature substantial office and commercial space currently in progress include Pendergardens in St. Julians, Mercury House in Paceville, and The Quad and Trident Park both in Mriehel.

The supply for office space is highest in four main areas around Malta. The table below presents the range of pricing in € per sqm yearly for each segment. Data for pricing of office space available has been obtained from various real estate agents websites as at mid-2018.

<b>Area</b>	<b>€ per sqm yearly</b>
Central areas such as Birkirkara, Mriehel & Naxxar	120 - 200
North East such as Ta Xbiex, Sliema & St Julians	220 - 500
Harbour Area such as Valletta, Msida & Floriana	175 - 400
West & South such as Qormi, Luqa & Gudja	120 - 150

As outlined above, the higher rentals are generally found in the North East Area, which rates vary from €220/sqm up to €500/sqm. On the other hand, office rents tend to be lowest in the West & South Areas, which rates vary between €120/sqm to €150/sqm. The variance in pricing is attributable to the characteristics of the building primarily location but also functional efficiency, technology, size and proximity and surrounding infrastructure.

## 10. REVIEW OF FINANCIAL INFORMATION - THE ISSUER

The Issuer was registered on 17 July 2018, and as such, does not have any historic audited financial information. Furthermore, the Issuer is not intended to undertake any trading activities itself apart from the raising of capital and the advancing thereof to the Guarantor and is therefore economically dependent on the financial and operational performance of the business of the Guarantor.

The financial statements presented for the Issuer in this section reflect the projections for the years ended 31 December 2018 and 31 December 2019 (“**FY2018**” and “**FY2019**”).

### 10.1 INCOME STATEMENT

<b>as at 31 December</b>	<b>Projected 2018 €000's</b>	<b>Projected 2019 €000's</b>
Interest on loans to fellow companies	251	602
Facility fee	63	127
<b>Finance Income</b>	<b>314</b>	<b>729</b>
Finance cost	(250)	(600)
<b>Net Finance Cost</b>	<b>64</b>	<b>129</b>
Amortisation of bond issuance costs	(15)	(30)
Directors' fees	(23)	(46)
Listing and related fees	(17)	(34)
Other	(5)	(10)
<b>Profit before tax</b>	<b>4</b>	<b>9</b>
Taxation	(1)	(3)
<b>Profit for the Year</b>	<b>3</b>	<b>6</b>

*Source: Management information*

Income streams are expected to be interest income and the facility fee chargeable to the Guarantor, as the ultimate beneficiary of the funds raised by the Issuer. A margin over the coupon of the Bond Issue and the facility fee charged are intended to cover the Issuer's fees, which include directors' fees, listing fees, bond amortisation costs and other administrative expenses. By the end of FY2018 and FY2019, the Issuer is expected to register a profit for the year of approximately €3,000 and €6,000 respectively.

## 10.2 STATEMENT OF FINANCIAL POSITION

<b>as at 31 December</b>	<b>Projected 2018 €000's</b>	<b>Projected 2019 €000's</b>
<b>Assets</b>		
<b>Non-Current Assets</b>		
Loans & receivables	14,700	14,700
<b>Current Assets</b>		
Cash & cash equivalents	519	557
<b>Total Assets</b>	<b>15,219</b>	<b>15,257</b>
<b>Equity &amp; Liabilities</b>		
<b>Equity</b>		
Share Capital	250	250
Retained Earnings	3	9
<b>Total Equity</b>	<b>253</b>	<b>259</b>
<b>Non-Current Liabilities</b>		
Amortised bond issue	14,715	14,745
<b>Current Liabilities</b>		
Accrued bond interest	250	250
Current tax	1	3
<b>Total Liabilities</b>	<b>14,966</b>	<b>14,998</b>
<b>Total Equity &amp; Liabilities</b>	<b>15,219</b>	<b>15,257</b>

Source: Management information

The balance sheet structure of the Issuer will be reflective of its objectives as a financing arm for the Guarantor. By the end of FY2018, the Issuer's total assets are expected to amount to €15.2 million, comprising of the loan to Exalco Properties of €14.7 million and a €0.5 million cash balance. Liabilities include the amortised bond issue of €14.7 million and accrued interest on the bond of €0.25 million, while equity consists of €0.25 million in share capital and retained earnings for the year.

The company does not expect any material changes in the balance sheet for FY2019.

## 10.3 CASH FLOW STATEMENT

<b>as at 31 December</b>	<b>Projected 2018 €000's</b>	<b>Projected 2019 €000's</b>
Cash flows from operating activities	269	38
Cash flows used in investing activities	(14,700)	-
Cash flow from financing activities	14,950	-
<b>Net movements in cash &amp; cash equivalents</b>	<b>519</b>	<b>38</b>
Opening cash & cash equivalents	-	519
<b>Closing cash &amp; cash equivalents</b>	<b>519</b>	<b>557</b>

Source: Management information

The cash flow from operating activities of the Issuer will comprise facility fees and interest received from the Guarantor, which for FY2018 is expected to be in the region of €0.27 million and €0.04 million in FY2019, reflecting the full year coupon payable. Cash flows used in investing activities reflect the loan advanced to the Guarantor, while the cash flow from financing activities represent the share capital upon incorporation and the bond issue proceeds, net of bond issue costs.

## 11 REVIEW OF FINANCIAL INFORMATION - THE GUARANTOR

The Guarantor has been in existence since 1990. The property segment has not always been the sole trading activity of the Guarantor, and as such, ahead of the Bond Issue, restructuring processes have taken place to extract any non-property related business out of the Guarantor. To this effect, the financial statements of the Guarantor are being presented hereunder in a manner that makes the financial statements of previous years comparable to those of FY2017 (and beyond) by presenting items related to other business interests as extraordinary items or discontinued operations, where and as necessary.

The historical financial figures for the years ended 31 December 2015, 2016 and 2017 have been sourced as follows:

- i. The consolidated financial statements of the Guarantor for the years ended 31 December 2015 and 2016 (restated - The 2016 financial statements of Exalco Properties were restated to include accumulated depreciation of €0.5 million on the buildings of the properties held by the Guarantor, which was not being accounted for in prior years, and €0.4 million relating to revaluation gains, previously credited to retained earnings instead of the revaluation reserve);
- ii. The audited financial statements of the Guarantor for the year ended 31 December 2017; and
- iii. The Guarantor reports under GAPSME, which is an accounting standard applicable for small-and-medium sized entities in Malta, which standard does not require the publication of a cash flow statement. As such, for the purposes of the prospectus and this FAS, cash flows statements for FY2016 and FY2017 have been produced accordingly by management.

Whereas, items (i) to (iii) will hereinafter collectively be referred to as “**Historical Financial Information**”.

Projections for the years ended 31 December 2018 and 2019 (the “**Management Projections**”) have been provided by management. Given it is the objective of the Guarantor to continue expanding its property portfolio, a new project is assumed to be undertaken during FY2019 (the “**Assumed Project**”). The Assumed Project is a proxy to the various investment proposals that the Guarantor is frequently being presented with and in line with the parameters that management feel would complement and work in terms of yield on the investment.

Financial information presented hereunder may be subject to rounding differences.

### 11.1 THE INCOME STATEMENT

<b>for the year ended 31 December</b>	<b>Audited 2015 €000's</b>	<b>Audited (restated) 2016 €000's</b>	<b>Audited 2017 €000's</b>	<b>Projected 2018 €000's</b>	<b>Projected FY2019 €000's</b>
Property Leasing	1,674	1,769	2,174	3,070	3,542
Net property management income	96	94	149	177	198
<b>Net revenue from property leasing activities</b>	<b>1,770</b>	<b>1,863</b>	<b>2,323</b>	<b>3,247</b>	<b>3,740</b>
Other net (costs)/income from property leasing activities	(32)	(27)	18	12	12
Selling, general and administrative costs	(218)	(210)	(292)	(307)	(304)
<b>Normalised EBITDA</b>	<b>1,520</b>	<b>1,626</b>	<b>2,049</b>	<b>2,952</b>	<b>3,448</b>
Depreciation	(50)	(83)	(204)	(190)	(235)
<b>Normalised EBIT</b>	<b>1,470</b>	<b>1,543</b>	<b>1,845</b>	<b>2,762</b>	<b>3,213</b>
Net finance expenses	(542)	(509)	(538)	(646)	(960)
<b>Normalised profit before tax</b>	<b>928</b>	<b>1,034</b>	<b>1,307</b>	<b>2,116</b>	<b>2,253</b>
Extraordinary expenses	(182)	(131)	(102)	-	-
Profits attributable to legacy metals business	36	24	-	-	-
Profits attributable to ECTS operations	33	33	-	-	-
Income attributable to property held by ECTS	42	42	46	-	-
<b>Profit before tax</b>	<b>857</b>	<b>1,002</b>	<b>1,251</b>	<b>2,116</b>	<b>2,253</b>
Current taxation	(268)	(295)	(333)	(471)	(542)
<b>Profit for the year</b>	<b>589</b>	<b>707</b>	<b>918</b>	<b>1,645</b>	<b>1,711</b>

Source: Historical Financial Information and Management Projections

The results for the period between FY2015 and FY2017 were adjusted to single-out the results relating to discontinued operations in connection with the legacy metals business, ECTS Limited (as this was transferred from the Guarantor in 2017) and income from property owned by ECTS.

## REVENUE ANALYSIS

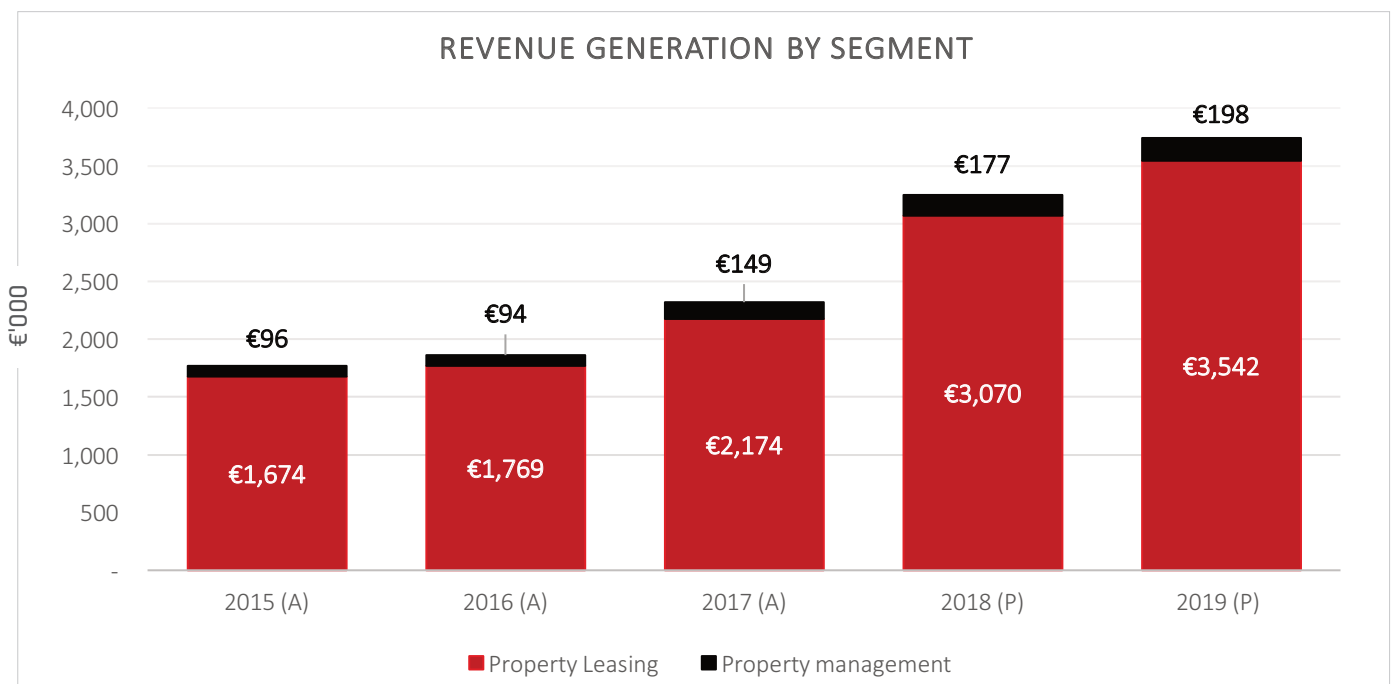
The Group's revenue generating segments are two:

- Property leasing
- Property management

The Group's total revenue reached €2.32 million in FY2017, up from €1.86 million and €1.77 million in FY2016 and FY2015, respectively. The property leasing segment is the largest contributor to the Group's revenue exceeding 90% of total revenue.

In the last financial year, the Group registered growth across both principal business segments. The property management segment grew by 59% to €149,000 while the property leasing segment grew by 23% to €2.17 million, as the revenue streams from the Golden Mile BC started being recognised.

## PROPERTY LEASING

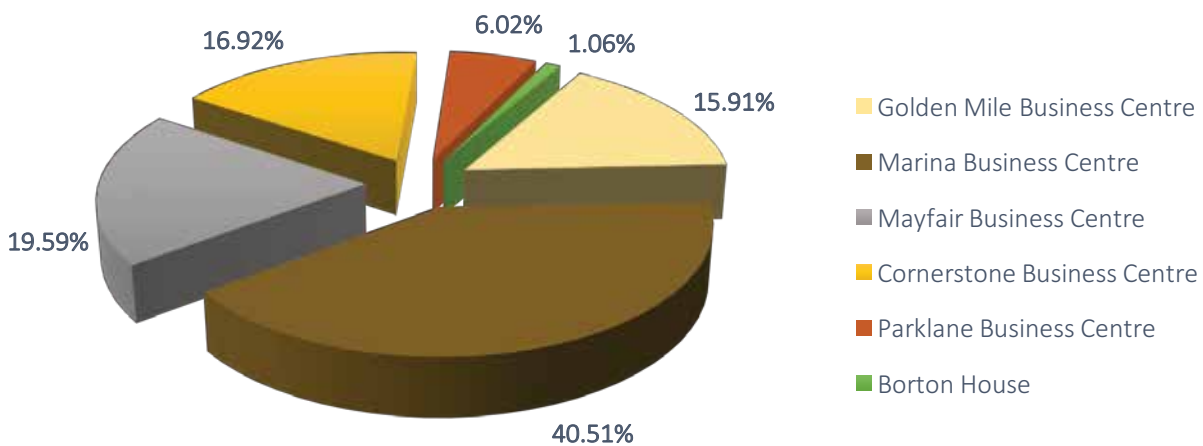


Source: Historical Financial Information and Management Projections

This segment is represented by the leasing of the five business centres in Malta entirely owned by the Group. A detailed description of the property portfolio of the Guarantor can be found in section 5. The latest addition in the property portfolio of the Group is the Golden Mile Business Centre which started operating in the last quarter of 2017. Therefore, the income generated in 2017 includes only four months of income generated from the Golden Mile Business Centre.

The business centres provide a total net lettable area of circa 12,300 sqm, of which circa 2,300 sqm is commercial space. The business centres are leased out to corporate clients on both short and long-term leases. The lease agreements in place between the Guarantor and its tenants provide an initial definite term of rent and are subject for annual increments ranging between 2% and 3% of the rent payable in the previous year. Certain lease agreements also cater for the automatic renewal of the lease, for a period ranging from one to three years. Additionally, all the rental agreements provide the option for the termination of the lease agreement by the lessee by giving a written notice a few months before the expiration of the lease term (between 3 to 12 months), either during the original or the renewed term.

### Contribution of rental Income in % terms per Business Centre - 2017



Source: Management Information

Adjusting the Golden Mile rental income to a full year equivalent, the contribution from Golden Mile is expected to reach 37%, followed by Marina Business Centre at 31% in FY2018.

The Guarantor's tenants are various, however, there is a noticeable concentration on the gaming industry (approximately 56% of total income forecast in FY2018), which is reflective of the current demand for office space in Malta. Furthermore, as the Golden Mile BC is currently fully occupied by one large gaming company and given also that this business centre represents nearly 37% of total revenue (based on FY2018 forecast), such concentration is all the more visible.

#### **PROPERTY MANAGEMENT**

This segment complements the rental property segment, as it maintains the business centres on behalf of its tenants. Services provided by Exalco include common area management, general repairs and maintenance, and in-house maid services. The company generated revenue of €149,000 from these services in 2017.

#### **OTHER COMPONENTS OF THE INCOME STATEMENT**

EBITDA, being the operating profit adjusted for depreciation, amortisation and before charging tax and interest expenses, amounted to €2.05 million in FY2017, an increase of 26% over the previous year and an improvement of 34.8% over that of FY2015. This mainly reflects the contribution of the newly operating Golden Mile Business Centre during the last quarter of FY2017, as well as, the annual increase in lease payments of the other business centres. EBITDA margin stood at 88.2% in FY2017 reflecting the business model of the Group which necessitates very little human capital and working capital to sustain the business.

Depreciation increased from €50,000 in FY2015, to €83,000 in FY2016 to €204,000 in FY2017 mainly due to a substantial investment in the Golden Mile Business Centre during the year. Accordingly, operating profit amounted to €1.85 million in FY2017, from €1.54 million the previous year (FY2015: €1.47 million).

Net finance costs remained relatively stable throughout the last three-year period averaging €0.5 million per annum. However, because of the improvement in operating income, interest coverage increased from 2.7x in FY2015 to 3.4x in FY2017.

The company incurred extraordinary expenses during each of the years presented:

- In FY2015, the €182,000 relate to a one-off repair and maintenance expense incurred on the various business centres operated by Exalco Properties at that time.
- In FY2016, the €131,000 expense is associated with professional expenses incurred in the development of the Golden Mile Business Centre which were not capitalised.
- In FY2017, the €102,000 is a result of a one-off expense related to a number of works on the public alley adjacent to the Golden Mile Business Centre.

The main expenses of the Guarantor consist of payroll charges which increased over the period covered herein to reflect the time and effort of management and its staff in relation to the management of the property portfolio.

### **DISCONTINUED OPERATIONS**

The metals operation of Exalco Properties was transferred from the company to Exalco Metals in January 2016. Accordingly, the FY2016 results include the income generated from the sale of leftover stock. The Guarantor registered a profit before tax of €23,000 during FY2016, primarily because of foreign exchange differences recognised during the year.

The ECTS operations generated profit before tax of €33,000 in both FY2016 and FY2015. Additionally, over the last three years the Guarantor received rental income in relation to a property located in Attard which amounted to approximately €42,000 per annum, which property is owned by ECTS Limited. In FY2018, the lease agreement will be amended to reflect a change in lessor (that from Exalco Properties to ECTS). Thus, ECTS will receive any future income associated to the property.

### **PROJECTIONS - FY2018**

The projections for FY2018 show that the company is anticipating an increase in profitability as profit for the year is expected to reach €1.65 million, representing an increase of 80% over FY2017. As intimated earlier in this section, such increase mainly reflects the contribution of the newly operating Golden Mile Business Centre for the whole year (unlike FY2017 which was only reflective of the last quarter contribution), as well as, the annual increase in lease payments. Revenue is expected to reach €3.25 million, of which, 94.6% is attributable to the property rental segment. The remaining 5.4% of revenue is related with the property management segment.

As described in section 5.6 of this FAS, the New Property to be acquired during FY2018 is expected to contribute additional EBITDA of €59,000, reflecting the fact that the Guarantor is expected to take over the property in October of this year.

Other components of the Group's income statement of FY2018 are not expected to be materially different from FY2017, save for finance costs which are expected to be higher (+20%) as they reflect the additional borrowings of the Bond Issue and the new borrowings necessary for the New Property.

### **PROJECTIONS - FY2019**

The forecasts of FY2019 assume that the Guarantor will develop and finish the New Property, with revenue streams from the additional lettable area within the New Property expected to come on board as from the second quarter of 2019.

With this in mind, and taking into account the full occupancy of the other business centres, revenue in FY2019 is expected to reach €3.74 million, an increase of 15.2% over FY2018 reflecting the full year rental income on the New Property in addition to the increase in lease payments. Consequently, EBITDA is expected to also increase to €3.5 million, representing an improvement in the EBITDA margin to 92.2% from 90.9% assumed in FY2018.

Net finance costs are expected to increase to €0.96 million in FY2019 from €0.65 million in FY2018, reflecting the full year interest on the €15 million bond, the additional bank borrowings of €6.4 million for the New Property and new bank borrowings for the Assumed Project. After deducting tax, profit for the year is expected to be marginally higher at €1.7 million.

<b>for the year ended 31 December</b>	<b>Audited 2015 €000's</b>	<b>Audited (restated) 2016 €000's</b>	<b>Audited 2017 €000's</b>	<b>Projected 2018 €000's</b>	<b>Projected 2019 €000's</b>
<b>Assets</b>					
<u>Non-Current Assets</u>					
Property, plant and equipment	135	128	456	448	445
Investment property	32,768	32,834	53,716	60,752	65,144
investment property (ECTS)	1,978	1,978	-	-	-
<b>Total Non-Current Assets</b>	<b>34,881</b>	<b>34,940</b>	<b>54,172</b>	<b>61,200</b>	<b>65,589</b>
<u>Current Assets</u>					
Inventories (Exalco Metals)	85	-	-	-	-
Trade and other receivables	616	315	1,000	847	886
Cash and cash equivalents (continuing operations)	599	682	213	3,442	3,029
Cash and cash equivalents (ECTS)	306	15	-	-	-
<b>Total Current Assets</b>	<b>1,606</b>	<b>1,012</b>	<b>1,213</b>	<b>4,288</b>	<b>3,915</b>
<b>Total Assets</b>	<b>36,487</b>	<b>35,952</b>	<b>55,385</b>	<b>65,489</b>	<b>69,504</b>
<b>Equity &amp; Liabilities</b>					
<b>Equity</b>					
Share Capital	2,400	2,840	2,840	2,840	2,840
Revaluation & other Reserves	14,968	15,352	30,270	30,270	30,270
Retained Earnings	3,985	3,778	2,358	3,754	5,465
<b>Total Equity</b>	<b>21,353</b>	<b>21,970</b>	<b>35,468</b>	<b>36,864</b>	<b>38,575</b>
<u>Non-Current Liabilities</u>					
Deferred tax liabilities	1,918	1,534	4,651	4,651	4,651
Non-current trade and other payables	40	14	-	-	-
Shareholders' loan	204	168	583	-	-
Security Deposits	-	-	552	618	719
Borrowings for continuing operations	9,509	8,415	10,026	6,308	7,930
Amounts due to fellow subsidiaries	-	-	-	14,700	14,700
Borrowings for discontinued operations	294	295	-	-	-
<b>Total Non-current liabilities</b>	<b>11,965</b>	<b>10,426</b>	<b>15,812</b>	<b>26,277</b>	<b>28,000</b>
<u>Current Liabilities</u>					
Trade and other payables	866	1,395	2,032	1,646	1,855
Net Trade payables (ECTS)	284	-	-	-	-
Deposits received from clients	341	420	114	139	155
Borrowings	1,068	1,457	1,398	92	378
Bank overdraft (Exalco Metals)	511	34	263	-	-
Current tax liabilities	99	250	298	471	542
<b>Total Current Liabilities</b>	<b>3,169</b>	<b>3,556</b>	<b>4,105</b>	<b>2,348</b>	<b>2,930</b>
<b>Total Liabilities</b>	<b>15,134</b>	<b>13,982</b>	<b>19,917</b>	<b>28,625</b>	<b>30,929</b>
<b>Total Equity &amp; Liabilities</b>	<b>36,487</b>	<b>35,952</b>	<b>55,385</b>	<b>65,489</b>	<b>69,504</b>

Source: Historical Financial Information and Management Projections



## REVIEW OF FY2015 – FY2017

The Guarantor's asset base as of the end of FY2017 was mostly composed of Investment property, which accounts to nearly 97% of total assets. A breakdown of the portfolio of investment property is presented in a previous section of this FAS. On the liabilities side, the major components are bank debt and deferred taxes which account to 58.7% and 23.4% of total liabilities respectively.

The Statement of Financial Position as at 31 December 2017 compared to the figures as at 31 December 2016 and 2015, reveals that total assets increased by 51.8% to €55.4 million since the end of FY2015 (FY2015: €36.5 million; FY2016: €36.0 million) largely reflecting the increase in value of investment property. The increase of €20.9 million in the carrying amount of investment property from FY2016 to FY2017 mainly reflects a fair value gain of €18.0 million, the capitalisation of €2.5 million of expenditure with respect to development of Golden Mile and an increase of €0.4 million as a result of the reclassification of property, plant and equipment to investment property.

Meanwhile, the Guarantor's total liabilities increased by 31.6% to €19.9 million over the years (FY2015: €15.1 million; FY2016: €14.0 million). The notable increase between FY2016 and FY2017 (+€5.9 million) reflects in the main the increase of €3.1 million in deferred tax liabilities as a result of the fair value gains in investment property arising during the year, and €1.5 million in additional borrowings.

<b>Borrowing Analysis as at 31 December</b>	<b>Audited 2015 €000's</b>	<b>Audited (restated) 2016 €000's</b>	<b>Audited 2017 €000's</b>	<b>Projected 2018 €000's</b>	<b>Projected 2019 €000's</b>
Borrowings for continuing operations	10,577	9,872	11,424	21,100	23,008
Less: Net Cash and cash equivalents	599	682	213	3,442	3,029
<b>Net Funding - Continuing operations</b>	<b>9,978</b>	<b>9,190</b>	<b>11,211</b>	<b>17,658</b>	<b>19,979</b>
Borrowings for discontinued operations	805	329	263	-	-
Less: Cash and cash equivalents (ECTS)	306	15	-	-	-
<b>Net Funding - Discontinued operations</b>	<b>499</b>	<b>314</b>	<b>263</b>	<b>-</b>	<b>-</b>
<b>Total net borrowings</b>	<b>10,477</b>	<b>9,504</b>	<b>11,474</b>	<b>17,658</b>	<b>19,979</b>

Source: Historical Financial Information and Management Projections

## PROJECTIONS - FY2018

As at the end of FY2018, the Guarantor's total asset base is expected to increase to €65.5 million, reflecting the carrying value of the New Property and positive cash balances. The New Property is expected to be financed through the application of funds from the Bond Issue (to the tune of €1 million) and new bank borrowings. The Bond Issue and the additional bank borrowings will result in total borrowings of €21.1 million. The increase in total equity expected in FY2018 reflects the retained earnings for the year net of the repayment of a shareholders' loan.

## PROJECTIONS - FY2019

The projections for FY2019 assume that the Guarantor will undertake the Assumed Project. As such, in FY2019, investment property is expected to increase by €4.4 million reflecting its value. The development of the Assumed Project is expected to be financed by an additional €2 million bank borrowings and cash generated from operations. Consequently, total borrowing is expected to increase to €23 million in FY2019.

### 11.3 STATEMENT OF CASH FLOWS

as at 31 December	Audited 2015 €000's	Mgmt. Info. 2016 €000's	Mgmt. Info. 2017 €000's	Projected 2018 €000's	Projected 2019 €000's
Net Cash flow from operating activities	211	1,622	1,322	2,235	3,231
Net cash flow used in investing activities	(869)	(614)	(3,407)	(7,573)	(4,525)
Net cash flow from / (used in) financing activities	1,882	(1,216)	1,601	8,567	881
<b>Net movement in cash &amp; cash equivalents</b>	<b>1,224</b>	<b>(208)</b>	<b>(484)</b>	<b>3,229</b>	<b>(413)</b>
Opening cash & cash equivalents	(319)	905	697	213	3,442
<b>Closing cash &amp; cash equivalents</b>	<b>905</b>	<b>697</b>	<b>213</b>	<b>3,442</b>	<b>3,029</b>
Bank overdraft balance	(1,074)	(618)	(734)	-	-
<b>Net cash &amp; cash equivalents at end of year</b>	<b>(169)</b>	<b>79</b>	<b>(521)</b>	<b>3,442</b>	<b>3,029</b>

Source: Historical Financial Information and Management Projections

#### REVIEW OF FY2015 – FY2017

Over the three-year period to 31 December 2017, the Guarantor generated cash flows of €0.5 million. Net of the bank overdraft facilities, the company closed FY2017 with a negative cash balance of €0.52 million. This was the result of the substantial cash flows used by the Guarantor in its investing activities related in the main to the works of the Golden Mile project. Such cash flows were supported by increased bank borrowings throughout the years.

#### PROJECTIONS - FY2018

The projected cash flow statement for FY2018 will feature an increase in cash flow from operating activities which is expected to increase to €2.2 million, reflecting primarily the full year contribution of the Golden Mile Business Centre rental income; a net cash outflow of €7.6 million, which in the main relates to the New Property being acquired and the supporting cash inflow of €8.6 million, which is the net effect of the cash from the bond issue less repayments of bank borrowings, and the new additional borrowings in relation to the New Property.

#### PROJECTIONS - FY2019

Net operating cash flows in FY2019 are expected to be €1 million over those generated during the previous year, mainly reflecting the full year contribution of the New Property and the yearly rental rate increments. Moreover, cash used in investing activities in FY2019 is expected to be €4.5 million and is in relation to the additional financing for the works to complete the New Property and funds used for the purchase of the Assumed Project. Net cash flows from financing activities are expected to amount to €0.9 million reflecting the additional bank borrowings for the year.

## 11.4 RATIO ANALYSIS

### PROFITABILITY RATIOS

The below is a set of ratios prepared to assist in measuring the company's earnings potential from its property portfolio.

	Audited FY2015	Audited (restated) FY2016	Audited FY2017	Projected FY2018	Projected FY2019
<b>EBITDA Margin</b> <i>(EBITDA / Revenue)</i>	85.9%	87.3%	88.2%	90.9%	92.2%
<b>Operating profit Margin (EBIT Margin)</b> <i>(Operating Profit / Revenue)</i>	<b>83.1%</b>	<b>82.8%</b>	<b>79.4%</b>	<b>85.1%</b>	<b>85.9%</b>
<b>Net Profit Margin</b> <i>(Net Profit / Revenue)</i>	48.4%	53.8%	53.9%	65.2%	60.2%
<b>Return on Average Equity</b> <i>(Net Profit / Average Equity)</i>	<b>2.8%</b>	<b>3.3%</b>	<b>3.2%</b>	<b>4.6%</b>	<b>4.5%</b>
<b>Return on Average Assets</b> <i>(Net Profit / Average Assets)</i>	<b>1.6%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.7%</b>	<b>2.5%</b>

Source: Calculations based on Historical Financial Information and Management Projections

The Guarantor's margins reflect the lean cost structure of its business model. Margins have generally improved over the years between FY2015 to FY2017 and are expected to continue to improve further through improved cost efficiencies and the full-year recognition of income from the Golden Mile and Phoenix Building in FY2018 and FY2019 respectively.

### LIQUIDITY RATIOS

The below is a set of ratios prepared to assist in measuring a Company's ability to meet its short-term obligations.

	Audited FY2015 €000's	Audited (restated) FY2016 €000's	Audited FY2017 €000's	Projected FY2018 €000's	Projected FY2019 €000's
<b>Current Ratio</b> <i>(Current Assets / Current Liabilities)</i>	0.51x	0.28x	0.30x	1.83x	1.34x
<b>Cash Ratio</b> <i>(Cash &amp; Equivalents* / Current Liabilities)</i>	<b>0.19x</b>	<b>0.19x</b>	<b>0.05x</b>	<b>1.47x</b>	<b>1.03x</b>

\* For comparative reasons, the cash and equivalents taken for this ratio exclude the cash attributable to the discontinued operations of ECTS.

Source: Calculations based on Historical Financial Information and Management Projections

The Guarantor's liquidity ratios are reflective of the fact that the Guarantor receives rental income in advance from its tenants, which inflates its current liabilities. Furthermore, as the existing bank loans are extinguished through the Bond Issue and income from the Golden Mile Business Centre and the New Property is received, the Guarantor's cash management is expected to improve. Furthermore, the extent of the Guarantor's debt servicing commitments will also help in improving the cash ratio, as the company will no longer need to service capital repayments of the existing bank borrowings which will be replaced by the servicing of the interest on the Bond Issue.

## SOLVENCY RATIOS

The below is a set of ratios prepared to assist in measuring a Company's ability to meet its debt obligations.

	Audited FY2015 €000's	Audited (restated) FY2016 €000's	Audited FY2017 €000's	Projected FY2018 €000's	Projected FY2019 €000's
<b>Interest Coverage Ratio</b> <i>(EBIT / Net Finance Costs)</i>	2.71x	3.03x	3.43x	4.28x	3.35x
<b>Gearing Ratio (1)</b> <i>(Net Borrowings / Equity)</i>	<b>0.49x</b>	<b>0.43x</b>	<b>0.32x</b>	<b>0.48x</b>	<b>0.52x</b>
<b>Gearing Ratio (2)</b> <i>(Total Borrowings / [Total Borrowings + Equity])</i>	<b>34.8%</b>	<b>31.7%</b>	<b>24.8%</b>	<b>36.4%</b>	<b>37.4%</b>
<b>Gearing Ratio (3)</b> <i>(Net Borrowings / [Net Borrowings + Equity])</i>	<b>32.9%</b>	<b>30.2%</b>	<b>24.4%</b>	<b>32.4%</b>	<b>34.1%</b>

Source: Calculations based on Historical Financial Information and Management Projections

The Guarantor had a healthy interest cover over the years, reflective of the strong income margins as discussed earlier on in this FAS. Going forward, this is expected to remain stable as net finance costs are expected to increase in line with EBITDA in percentage terms, however, in nominal terms, the increase in EBITDA is greater than the increase in net finance costs.

Leverage is below 50% at Guarantor level. Gearing is expected to remain manageable despite additional borrowings that are expected to be availed of later this year.

## 12 COMPARABLES

The table below compares the Issuer and its proposed bond issue to other listed debt on the local market having broadly similar maturities. The list excludes issues by financial institutions. The comparative set includes local groups whose assets, strategy and level of operations may vary significantly from those of the Issuer and are therefore not directly comparable. Nevertheless, the table below provides a sample of some comparatives:

Bond Details	Outstanding Amount	Total Assets	Total Equity	Gearing Ratio*	Net Debt to EBITDA**	Interest Cover***	YTM <sup>^</sup>
	(€)	(€'000)	(€'000)	(%)	(times)	(times)	(%)
5.00% Dizz Finance plc 2026	8,000,000	19,262	4,754	66.1	5.16	3.16	4.41
4.80% Med. Maritime Hub Finance plc 2026	15,000,000	29,276	4,784	73.9	8.63	2.13	4.07
4.50% Medserv plc 2026 (EUR)	21,982,400	153,273	28,251	63.5	11.36	1.10	4.37
4.25% Corinthia Finance plc 2026	40,000,000	1,765,072	901,595	42.1	9.55	2.23	3.58
4.00% MIDI plc 2026	50,000,000	235,302	86,621	43.3	25.30	-0.98	3.45
4.00% IHI plc 2026 (Secured)	55,000,000	1,602,317	884,632	36.4	7.91	2.64	3.42
4.00% IHI plc 2026 (Unsecured)	40,000,000	1,602,317	884,632	36.4	7.91	2.64	3.44
3.90% Plaza Centres plc 2026	8,500,000	44,882	27,625	30.2	4.46	6.10	3.82
3.75% Premier Capital plc 2026	65,000,000	161,128	47,607	67.3	1.82	10.15	3.40
4.50% GHM plc 2027	15,000,000	21,050	2,876	70.7	4.57	1.81	3.90
4.35% SD Finance plc 2027	65,000,000	217,599	65,698	47.7	3.21	5.46	3.75
4.00% Eden Finance plc 2027	40,000,000	169,936	90,161	36.5	4.97	4.46	3.44
3.75% Tumas Investments plc 2027	25,000,000	198,819	89,238	25.8	2.10	10.13	3.22
3.50% Simonds Farsons Cisk plc 2027	20,000,000	163,528	96,632	28.8	1.81	17.86	2.87
3.75% Virtu Finance plc 2027	25,000,000	161,959	79,465	40.6	3.82	11.30	3.28
3.85% Hili Finance plc 2028 (YTM as at date of issue)	40,000,000	408,204	82,870	73.1	5.69	3.27	3.85
<b>4.00% Exalco Finance plc</b>	<b>15,000,000</b>	<b>54,912</b>	<b>36,051</b>	<b>24.1</b>	<b>5.60</b>	<b>3.43</b>	<b>4.00</b>

Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 28 June 2018. Ratio workings and financial information quoted have been based on the issuer's and their guarantors where applicable, from published financial data for the year ended 2017.

\*Gearing Ratio: This refers to the fundamental analysis ratio of a company's level of long-term debt compared to its equity capital. In the above table this is computed as follows:  $\text{Net Debt} / (\text{Net Debt} + \text{Equity})$ .

\*\*Net Debt to EBITDA: This is the measurement of leverage calculated by dividing a company's interest-bearing borrowings net of any cash or cash equivalents by its EBITDA.

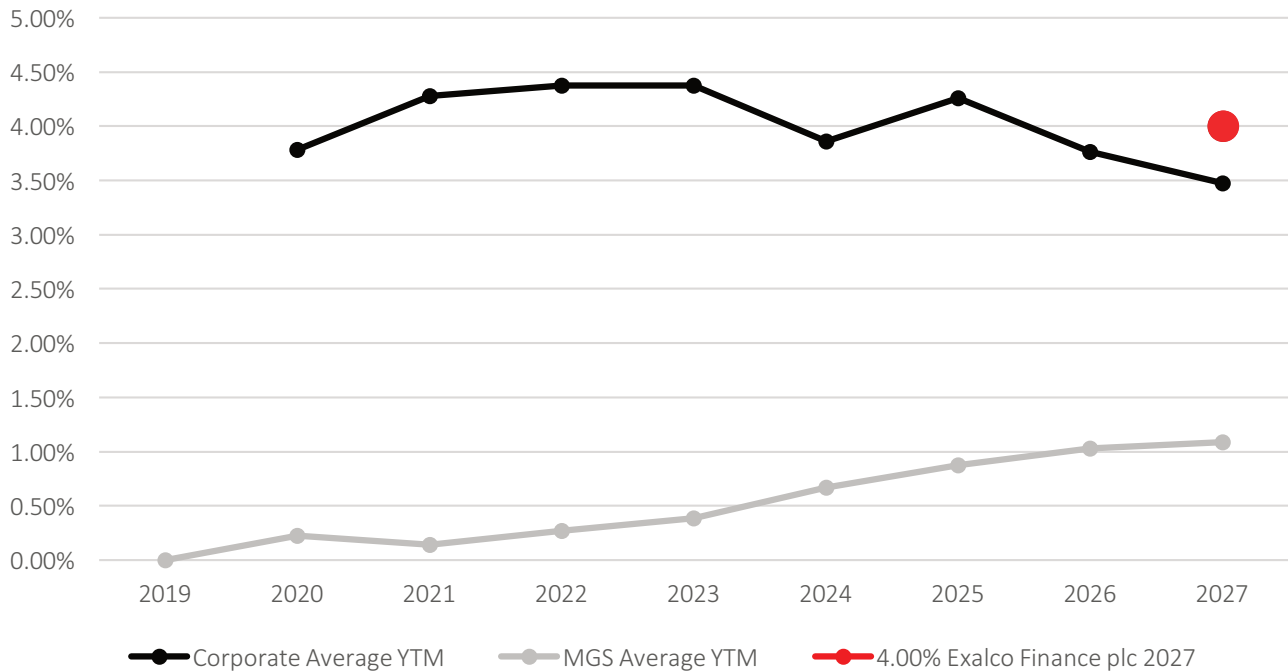
\*\*\*Interest Cover: The interest coverage ratio is calculated by dividing a company's EBITDA of one period by the company's net finance costs of the same period.

<sup>^</sup>Yield to Maturity (YTM) from rizzofarrugia.com, based on bond prices of 28 June 2018. YTM is the rate of return expected on a bond

which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.

The chart below compares the Exalco Finance plc bond to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as at 28 June 2017.

Exalco Finance plc vs Corporate & MGS YTM - as at 28.06.2018



Source: Rizzo, Farrugia & Co (Stockbrokers) Ltd. analysis

At a coupon of 4.00% per annum, the Exalco Finance plc 2027 YIELDS 4.00% per annum to maturity, which is approximately 291 basis points over the average yield to maturity of Malta Government Stock (MGS) maturing in 2027 and approximately

52 basis points above the average yield to maturity of corporate bonds maturing in 2027 (data correct as at 28 June 2018).

## **GLOSSARY & DEFINITIONS**

### Statement of Comprehensive Income Explanatory Definitions

Revenue	Total revenue generated by the company from its business activity during the financial year.
EBITDA	Earnings before interest, tax, depreciation and amortization, reflecting the company's earnings purely from operations.
Normalisation	Normalisation is the process of removing non-recurring expenses or revenue from a financial metric like EBITDA, EBIT or earnings. Once earnings have been normalised, the resulting number represents the future earnings capacity that a buyer would expect from the business.
EBIT	Earnings before interest and tax.
Depreciation and Amortization	An accounting charge to compensate for the reduction in the value of assets and the eventual cost to replace the asset when fully depreciated.
Finance Income	Interest earned on cash bank balances and from the intra-group companies on loans advanced.
Finance Costs	Interest accrued on debt obligations.
Net Profit	The profit generated in one financial year.

### Cash Flow Statement Explanatory Definitions

Cash Flow from Operating Activities	The cash used or generated from the company's business activities.
Cash Flow from Investing Activities	The cash used or generated from the company's investments in new entities and acquisitions, or from the disposal of fixed assets.
Cash Flow from Financing Activities	The cash used or generated from financing activities including new borrowings, interest payments, repayment of borrowings and dividend payments.

### Statement of Financial Position Explanatory Definitions

Assets	What the company owns which can be further classified in Current and Non-Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Liabilities	What the company owes, which can be further classified in Current and Non-Current Liabilities.
Current Liabilities	Obligations which are due within one financial year.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Equity	Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.

### Profitability Ratios

EBITDA Margin	EBITDA as a percentage of total revenue.
Operating Profit Margin	Operating profit margin is operating profit achieved during the financial year expressed as a percentage of total revenue.
Net Profit Margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
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	This is computed by dividing profit after tax by total assets.
Equity	Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.

### Liquidity Ratios

Current Ratio	The current ratio is a financial ratio that measures whether 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.
Cash Ratio	Cash ratio is the ratio of cash and cash equivalents of a company to its current liabilities. It measures the ability of a business to repay its current liabilities by only using its cash and cash equivalents and nothing else.
Net Profit Margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
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	This is computed by dividing profit after tax by total assets.
Equity	Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.

### Solvency Ratios

Interest Coverage Ratio	This is calculated by dividing a company's EBITDA of one period by the company's net finance costs 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.
Net Debt to EBITDA	This is the measurement of leverage calculated by dividing a company's interest-bearing borrowings net of any cash or cash equivalents by its EBITDA.

### Other Definitions

Yield to Maturity	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.
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