



PHOENICIA FINANCE
COMPANY P.L.C.

PROSPECTUS

DATED 15 NOVEMBER 2018

**Issue of € 25,000,000
4.15% Unsecured Bonds 2023-2028**

Sponsor

**CURMI &
PARTNERS**

Manager & Registrar

BOV
Bank of Valletta

Legal Counsel

**Refalo &
Zammit Pace**
ADVOCATES



SUMMARY NOTE

DATED 15 NOVEMBER 2018

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

Issue of €25,000,000 4.15% Unsecured Bonds 2023-2028
of a nominal value of €100 per Bond issued at par
(due 15 December 2028, subject to early redemption at the option of the Issuer
on any Early Redemption Date)
by

PHOENICIA FINANCE COMPANY P.L.C.

a public limited liability company registered in Malta
with company registration number C 88958

with the joint and several Guarantee* of
Phoenicia Malta Limited

a private limited liability company registered in Malta with company registration number C 41576
and

Phoenicia Hotel Company Limited

a private limited company registered in the United Kingdom and registered
as an oversea company in Malta with registration number OC1

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

ISIN: MT0002081207

Sponsor

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PARTNERS**

Manager & Registrar

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ADVOCATES

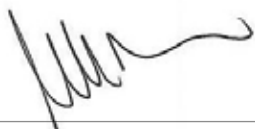
THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENT IS IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY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

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

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

THESE SECURITIES ARE COMPLEX FINANCIAL INSTRUMENTS AND MAY NOT BE SUITABLE FOR ALL TYPES OF INVESTORS. A PROSPECTIVE INVESTOR SHOULD NOT INVEST IN THESE SECURITIES UNLESS: (I) HE/SHE HAS THE NECESSARY KNOWLEDGE AND EXPERIENCE TO UNDERSTAND THE RISKS RELATING TO THIS TYPE OF FINANCIAL INSTRUMENT; (II) THE SECURITIES MEET THE INVESTMENT OBJECTIVES OF THE PROSPECTIVE INVESTOR; AND (III) THE PROSPECTIVE INVESTOR IS ABLE TO BEAR THE INVESTMENT AND FINANCIAL RISKS RESULTING FROM INVESTING IN THESE SECURITIES.

APPROVED BY THE DIRECTORS



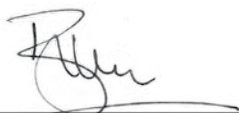
Mark D. Shaw



Jean Pierre Ellul Castaldi



Mario P. Galea



Benjamin Muscat



Etienne Borg Cardona



IMPORTANT INFORMATION

THIS SUMMARY NOTE CONSTITUTES PART OF A PROSPECTUS AND CONTAINS INFORMATION IN RELATION TO PHOENICIA FINANCE COMPANY P.L.C. IN ITS CAPACITY AS ISSUER AND PHOENICIA MALTA LIMITED AND PHOENICIA HOTEL COMPANY LIMITED AS GUARANTORS. THIS DOCUMENT INCLUDES INFORMATION GIVEN IN COMPLIANCE WITH: (A) THE COMPANIES ACT, (CAP. 386 OF THE LAWS OF MALTA) AND COMMISSION REGULATION (EC) NO. 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS (AS AMENDED BY COMMISSION DELEGATED REGULATION (EU) NO. 486/2012 OF 30 MARCH 2012, COMMISSION DELEGATED REGULATION (EU) NO. 862/2012 OF 4 JUNE 2012, COMMISSION DELEGATED REGULATION (EU) NO. 759/2013 OF 30 APRIL 2013, COMMISSION DELEGATED REGULATION (EU) NO. 382/2014 OF 7 MARCH 2014 AND COMMISSION DELEGATED REGULATION (EU) NO. 2016/301 OF 30 NOVEMBER 2015); 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, THE GUARANTORS OR THEIR RESPECTIVE DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF SECURITIES OF THE ISSUER OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND TO THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, THE GUARANTORS OR THEIR RESPECTIVE DIRECTORS OR ADVISORS.

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

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

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

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

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

ALL THE ADVISORS TO THE ISSUER AND THE GUARANTORS HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER AND THE GUARANTORS, AS THE CASE MAY BE, 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 ANY WEBSITE OF THE ISSUER OR OF THE GUARANTORS OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO ANY WEBSITE OF THE ISSUER OR OF THE GUARANTORS DO NOT FORM PART OF THIS PROSPECTUS. ACCORDINGLY, NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE BONDS.

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

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

A summary note is made up of disclosure requirements known as 'Elements'. These Elements are numbered in Sections A – E (A.1– E.7). This Summary Note contains all the Elements required to be included in a summary for the type of securities being offered pursuant to this Prospectus and the 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 Note 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

INTRODUCTIONS 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 Bonds being offered pursuant to the Prospectus. This document 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 Note in deciding whether to invest in the Bonds described in this document. Accordingly, any decision to invest in the Bonds 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 laws 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 if the summary does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Bonds.

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 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:
 - a. in respect of Bonds subscribed through Authorised Financial Intermediaries pursuant to placement agreements during the Offer Period;
 - b. to any resale or placement of Bonds subscribed for as aforesaid taking place in Malta;
 - c. to any resale or placement of Bonds subscribed for as aforesaid taking place within the period of 60 days from the date of the Prospectus.
- ii. In the event of a resale, placement or other offering of Bonds by an Authorised Financial Intermediary, the Authorised Financial Intermediary will 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 GUARANTORS

B.1 The legal and commercial name of the Issuer is Phoenicia Finance Company p.l.c. The legal and commercial name of each of
B.19 the Guarantors is Phoenicia Malta Limited ("PML") and Phoenicia Hotel Company Limited ("PHCL").

B.2 The Issuer was incorporated in Malta in terms of the Act on 23 October 2018, as a public limited liability company and is
B.19 in Malta. PML was incorporated in Malta in terms of the Act on 8 June 2007, as a private limited liability company and is domiciled in Malta. PHCL was incorporated as a private limited company in the United Kingdom on 10 October 1935 in terms

of the UK Companies Act 2006, and is operated through a branch, which was registered in Malta as an overseas company on 21 April 1965. PHCL is domiciled in the United Kingdom.

B.4(b) The Issuer is dependent on the business prospects of the Guarantors and, therefore, the trend information relating to the
B.19 Guarantors (detailed below) has a material effect on its financial position and prospects.

As at the time of publication of the Prospectus, the Phoenicia Group considers that it shall be subject to normal risks associated with the business in which the Group operates, and, barring any unforeseen circumstances, does not anticipate any trends outside the ordinary course of business that could be considered to have a material effect on the prospects of the Group, at least with respect to the current financial year. However, investors are strongly advised to carefully read the risk factors in the Prospectus.

The following is a brief synopsis of the significant trends affecting the operations of each of the Guarantors:

PML: PML holds the perpetual sub-empyteusis of the Premises, upon which the Hotel is situated. The Hotel is leased by PML to PHCL pursuant to the Lease Agreement, and revenue is generated through rental income arising from the lease of the Hotel. The contracted level of rental income has been based on the assessment of the directors of PML on current market rates. The Premises on which the Hotel is built supports further growth potential in terms of room capacity. The ongoing performance of the Hotel and relative food and beverage business is expected to grow further in the coming years. Furthermore, it is anticipated that the development of the spa and health club will be completed in the first quarter of 2019, which will improve the overall facilities of the Phoenicia Hotel for both guests and visitors.

PHCL: PHCL manages and operates the Phoenicia Hotel by virtue of the Lease Agreement. PHCL registered total revenue of €6.8m during its nine months of operation in the financial year ended 31 December 2017 (“FY17A”). The Hotel achieved revenue per available room of €157 in FY17A driven by a higher average room rate when compared to the historical period. The Phoenicia Hotel is situated right at the entrance of Malta’s capital city, Valletta, which hosts Malta’s retail, commercial and financial hubs. The city has several building restrictions emanating from the Development Control Design Policy, Guidance and Standards issued by the Planning Authority. In addition, Valletta is classified as an urban conservation area and is subject to various building restrictions due to its status as a UNESCO World Heritage Site.

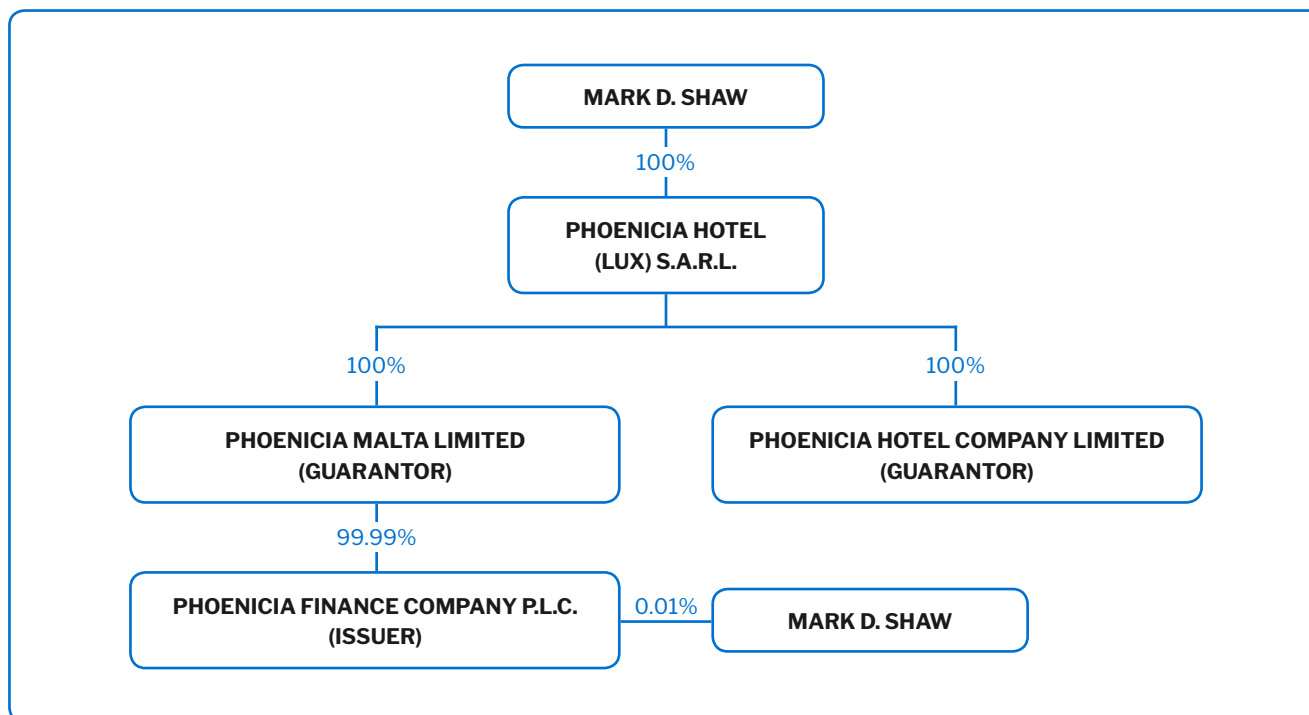
Inbound Tourism:

According to the Malta Tourism Authority’s Statistical Report 2018, inbound tourism in Malta has experienced year-on-year records, reaching 2.3 million guests in 2017. The majority of tourists (c. 85.2%) visit Malta for leisure purposes, whilst the remaining visitors are evenly split between those visiting for business and other purposes, such as education, religion, or health. Total tourism expenditure between 2013 and 2017 is estimated by the Malta Tourism Authority at c. €800–€900 per visitor. Although the percentage of tourists visiting for leisure as opposed to business purposes remained stable over the past 10-year period, business tourism spending has experienced an increase, indicating a higher spend by business tourists.

Malta’s five-star hotel market:

According to the National Statistics Office’s “Collective Accommodation Establishments 2017” release, there are currently 15 five-star hotels spread around Malta and Gozo, with a total of *circa* 7,000 beds. The industry experienced year-on-year increases in the number of total tourists opting to stay at five-star hotels over the past 10 years, and these reached *circa* 421,000 visitors in 2017 (2007: *circa* 286,000), representing *circa* 18.5% of total inbound tourists for the year.

B.5 The organisational structure of the Group is depicted below:
B.19



The Issuer is a subsidiary of PML and forms part of the Phoenicia Group. The shares in PML and PHCL are each wholly owned by PHL, which in turn is beneficially owned by Mark D. Shaw.

B.9 The financial information set out below has been extracted from the forecast combined financial statements of the Issuer,
B.19 PML and PHCL for the financial year ending 31 December 2018 (“FY18B”) and 31 December 2019 (“FY19F”). This financial information has been prepared on a combined basis in line with the historical combined financial information for the financial years ending 31 December 2016 (“FY16A”) to 31 December 2017 (“FY17A”) for the Guarantors.

COMBINED PROFIT FORECAST

CURRENCY: € 000	FY18B	FY19F
Revenue	13,245	15,214
Cost of sales	(5,204)	(5,945)
Gross contribution	8,041	9,269
Operating expenses	(2,542)	(2,713)
Gross operating profit	5,499	6,556
Other fixed charges	(552)	(586)
EBITDA	4,947	5,970
Depreciation	(2,486)	(2,635)
Interest payable	(5,019)	(1,725)
(Loss) / Profit before tax	(2,558)	1,610
Taxation	(160)	(748)
Profit / (Loss) after tax	(2,718)	862
Total comprehensive income for the year	(2,718)	862

In FY18B, the Hotel’s revenue is forecast to be €13.2m, an increase over FY17A revenue, on account of the Hotel operating at full room availability, as well as improved RevPAR and occupancy levels compared to FY17A. This resulted in an improvement in the EBITDA margin to 37.3% in FY18B compared to 13.6% in FY17A. PHCL management’s figures for FY19F include the forecast performance with the Spa & health club service offering. FY19F revenue is expected to increase by €2m as a result of the Spa operations, together with further increases in RevPAR and anticipated occupancy rates during the year. The EBITDA margin in FY19F is expected to increase to 39.2%.

- B.10** The independent auditor's reports on the historical financial statements of PML for the financial year ended 31 December 2016 includes a reference to a qualified opinion. The basis for the qualified opinion related to the inability of the independent auditor to establish the fair value of the Premises since the carrying value of PML's investment property was not re-assessed during the period of the ongoing refurbishment and restoration project. Furthermore, the independent auditor's report on the historical financial statements of PML for the financial year ended 31 December 2017 also included a reference to a qualified opinion. In this regard, the independent auditor reported that the re-assessment of the fair value of the investment property as at 31 December 2017, which was based on an independent architect valuation, resulted in the recognition of a fair value gain of €41 million in the statement of comprehensive income for 2017. Accordingly, since the opening value of the investment property affects the determination of the changes in fair value for the period, the independent auditor was unable to determine whether adjustments to the reported amounts of fair value gain and profit for the year 2017, as well as to the opening retained earnings and investment property as of 1 January 2017, might be necessary.
- B.12** As at the date hereof there is no historical financial information pertaining to the Issuer. 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 each of the Guarantors is set out in the audited financial statements for each of the financial years ended 31 December 2016 ("FY16A") to 31 December 2017 ("FY17A"). There were no significant changes to the financial or trading position of each of the Guarantors since the date up to which the latest audited financial statements were prepared. The Group does not have a statutory requirement to prepare consolidated financial information. The combined financial information for FY15A to FY17A have been based on the audited historical results of both PML and PHCL. The annual combined financial statements of PML and PHCL as of 31 December 2016 and for 31 December 2017, and for the years then ended, have been audited by Ernst & Young Malta Limited, Independent Auditors, as stated in their report.
- B.13** Not Applicable: neither the Issuer nor any of the Guarantors are aware of any recent events which are to a material extent relevant to the evaluation of their solvency.
- B.14** The Issuer was incorporated on 23 October 2018 and, accordingly, has no trading record or history of operations. Furthermore, the Issuer itself does not have any substantial assets and is a special purpose vehicle set up to act as a financing company solely for the Phoenicia Group's requirements, and, therefore, its assets are intended to consist primarily of loans issued to any company within the Phoenicia Group. The Issuer is mainly dependent on the business prospects of the Guarantors. The Issuer operates exclusively in and from Malta.
- B.15** The business of the Phoenicia Group relates to the ownership, management and operation of the iconic five-star Phoenicia Hotel. The Issuer is a special purpose vehicle set up to act as a financing company for the Phoenicia Group and, is therefore dependent on the business prospects and operating results of the Guarantors. PML principally acts as the property holding company of the Phoenicia Group, which holds the Premises (over which the Phoenicia Hotel is built) under title of perpetual sub-emphyteusis. The principal activity of PHCL is the operation of the Phoenicia Hotel.
- B.16** The issued share capital of the Issuer is wholly taken up by PML, other than 1 share which is subscribed for, allotted and taken up by Mark D. Shaw. The shares in PML and PHCL are each wholly owned by PHL, which in turn is beneficially owned by Mark D. Shaw.
- B.17** Not Applicable: neither the Issuer nor any of the Guarantors have 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** For the purposes of the Guarantee, the Guarantors irrevocably and unconditionally guarantee to each Bondholder that if for any reason the Issuer fails to pay any sum payable by it to such Bondholder pursuant to the terms and conditions of the Bonds as and when the same shall become due under any of the foregoing, the Guarantors will pay to such Bondholder on written demand the amount payable by the Issuer to such Bondholder. The obligations of the Guarantors 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 €25,000,000 in Bonds having a face value of €100 per Bond, subject to a minimum subscription of €2,000 in Bonds. The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. On admission to trading, the Bonds will have the following ISIN: MT0002081207. The Bonds shall bear interest at the rate of 4.15% 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 (that is in multiples of €100) 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 attached to the Bonds, including: (i) the repayment of capital; (ii) the payment of interest; (iii) ranking with respect to other unsecured indebtedness of the Issuer and the Guarantors; (iv) seeking recourse from the Guarantors pursuant to the Guarantee, in case of failure by the Issuer to pay any sum payable by it to Bondholders pursuant to the Terms and Conditions of the Bonds; (v) the right to attend, participate in, and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and (vi) enjoy all such other rights attached to the Bonds emanating from the Prospectus.
- The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed by the Guarantors and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt of each of the Issuer and the Guarantors, if any. Furthermore, subject to the negative pledge clause, third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer and the Guarantors for so long as such security interests remain in effect.
- As at the date of this Summary Note, the Issuer does not have any indebtedness which is subordinated to the Bonds. As at 30 June 2018, the Group's indebtedness amounted in aggregate to €38.4 million (including accrued interest as at that date), which comprised bank facilities and the indebtedness to Teramy. The borrowings are secured by privileges and hypothecs, and therefore the indebtedness being created by the Bonds, together with other unsecured debt, ranks after all these borrowings. In addition, the Bonds would also rank after any future debts that may be secured by a cause of preference, such as a privilege and/or a hypothec.
- C.9** The Bonds shall bear interest from and including 12 December 2018 at the rate of 4.15% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 15 December 2019 (covering the period 12 December 2018 to 14 December 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. The gross yield calculated on the basis of the Interest, the Bond Issue Price, and the Redemption Value of the Bonds is 4.15%. 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 15 November 2018. Application has been made to the MSE for the Bonds being issued pursuant to the Prospectus to be listed and traded on its Official List. The Bonds are expected to be admitted to the Malta Stock Exchange with effect from 12 December 2018 and trading is expected to commence on 14 December 2018.

SECTION D

RISKS

- D.2** **Holding of a Bond involves certain risks. Prospective investors should carefully consider, with their own independent financial and other professional advisors, the following risk factors and other investment considerations as well as all the other information contained in the Prospectus before deciding to 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 or 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, the Guarantors and/or their 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 Guarantors’ future performance.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds will be repayable in full upon maturity, unless the Bonds are previously re-purchased

and cancelled, or unless the bonds are otherwise previously redeemed at the option of the Issuer on any of the Early Redemption Dates at their nominal value as the Issuer may determine by giving not less than 60 days' notice in writing to bondholders. An investment in the Bonds involves certain risks, including those described below.

The Bonds are complex financial instruments and may not be suitable for all recipients of the Prospectus. Authorised Financial Intermediaries are to determine the suitability or otherwise of prospective investors' investment in the Bonds before making an investment decision.

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

i. Risks relating to the Issuer and its business:

The Issuer is merely a special purpose vehicle and is therefore mainly dependent on the business prospects of the Guarantors. As such, the operating results of the Group have a direct effect on the Issuer's financial position. Accordingly, the risks of the Group are indirectly those of the Issuer.

ii. Risks relating to the Business of the Phoenicia Group:

The Phoenicia Group is subject to a number of risks which could have an adverse effect on its business, the value of its assets and results of operations. These risks include but are not limited to those risks, which are discussed below:

- a. The Group's operations and the results of its operations are subject to a number of external factors that could adversely affect the Group's business, many of which are common to the hotel industry and beyond the Group's control;
- b. The Group is exposed to a variety of risks associated with safety, security, and crisis management. Serious incidents or a combination of events could escalate into a crisis which, if managed poorly, could expose the Group to significant reputational damage;
- c. The future operating results of the Group could be adversely affected by industry overcapacity and weak demand due, in whole or in part, to the cyclical nature of the hotel industry or other differences between management assumptions and forecasts and actual operating conditions and results;
- d. The Group is subject to a competitive and changing industry, and failure to compete effectively in traditional and emerging areas of the business could impact the Group's market share, profitability, and relationships with guests;
- e. The Group is exposed to increasing competition from online travel agents and intermediaries;
- f. The failure to comply with past, present, or future environmental and/or health and safety laws and regulations could result in regulatory action, the imposition of fines or third-party claims, which could in turn have a material adverse effect on the Group's results of operations, its financial condition and/or its reputation;
- g. The Group's revenues from the food and beverage business and the overall performance of the Group could be vulnerable to a number of risks that have an impact on the food and beverage industry;
- h. The termination or non-renewal of PHCL's management agreement with CGHL, or the entering into any similar agreements in the future on less favourable terms, could have a negative impact on the Group's business operations and financial results, or its future prospects;
- i. Since PML is a property holding company, the Group is exposed to fluctuations in the property and real estate markets;
- j. 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;
- k. The Premises is held by PHCL under title of perpetual emphyteusis and by PML under title of perpetual sub-emphyteusis. The breach of emphyteutical conditions may have significant consequences at law which may have a material impact on the Group's operations and financial position;
- l. The completion of the refurbishment programme of the Hotel is dependent on various external factors and third parties who are tasked with completing the project within the anticipated timeframes and projected costs;
- m. The Group's ability to implement its business strategies is dependent upon, amongst other things, its ability to generate sufficient funds from its operations and to access external funding at acceptable costs. No assurance can be given that sufficient financing for its current and future investments will be available on commercially reasonable terms or within the timeframes required by the Group, also considering the need, from time to time, for the Premises to undergo renovation, refurbishment, or other improvements, including replacements of furniture, fixtures and equipment;
- n. The Group's operating and other expenses could increase without a corresponding increase in turnover or revenue;
- o. The Group has a material amount of debt and may incur additional debt in connection with its future growth, which could adversely affect its financial position;
- p. Currency fluctuations may have a material adverse effect on the Group's business, financial condition, and results of operations;
- q. The Group is reliant on non-proprietary software systems and third-party information technology providers and is exposed to the risk of failures of such systems and there can be no assurance that the service or systems will not be disrupted;
- r. The Group is exposed to risks related to information security and data privacy;

- s. The Group's key senior personnel and management have been and remain material to its growth;
- t. The Group, including the Issuer and both the Guarantors, is owned and controlled by Mark D. Shaw via PHL. A potential change in ownership or control of the Group may potentially have a negative impact on the Group's business operations and financial results, or its future prospects;
- u. No assurance can be given that the Group's current insurance coverage would be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage would always be available at acceptable commercial rates;
- v. Changes in laws and regulations relevant to the Group's business and operations could have an adverse impact on its business, results of operations, financial condition or prospects;
- w. The Company is susceptible to legal claims, with or without merit, by its guests, customers, actual and potential partners, suppliers, contractors, service providers, consultants, employees and regulatory authorities. Unfavourable outcomes of claims and proceedings could have a material adverse effect on the Group's operations, results, cash flow and/or financial position;
- x. The forecasts set out in the Prospectus are dependent on a number of assumptions and future expectations that may or may not occur. The non-occurrence of those future expectations could have material adverse effects on the financial position and results of the Group and the Issuer.

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

An investment in the Bonds involves certain risks, including those set out 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 advisors, the following risk factors (not listed in order of priority) and other investment considerations, together with all the other information contained in the Prospectus. The Bonds are complex financial instruments and may not be suitable for all types of retail investors. A potential investor should not invest in the Bonds unless: i) he/she has the necessary knowledge and experience to understand the risks relating to this type of financial instrument; ii) the Bonds meet the investment objectives of the potential investor; and iii) such potential investor is able to bear the investment and financial risks which result from investment in these Bonds.

- i. 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. There can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Nor can there be any assurance that an investor will be able to sell or otherwise trade in the Bonds at or above the Bond Issue Price or at all. A public trading market depends on a number of factors over which the Issuer has no control;
- iii. Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds;
- iv. A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference, if different;
- v. 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;
- vi. Even after the Bonds are admitted to trading on the MSE, the Issuer is required to remain in compliance with certain requirements relating, *inter alia*, to the free transferability, clearance and settlement of the Bonds in order to remain a listed company in good standing. Moreover, the Listing Authority has the authority to suspend trading or listing of the Bonds if, *inter alia*, it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The Listing Authority may discontinue the listing of the Bonds on the MSE. Any such trading suspensions or listing revocations / discontinuations could have a material adverse effect on the liquidity and value of the Bonds;
- vii. The Terms and Conditions of the Bond Issue are based on the requirements of the Listing Rules of the Listing Authority, the Act and the Commission Regulation EC No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council in effect as at the date of the Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of the Prospectus;
- viii. In the event that the Issuer wishes to amend any of the Terms and Conditions of the Bond Issue it shall call a meeting of Bondholders. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority;
- ix. The Issuer has the option to redeem the Bonds, in whole, at a price of €100 per Bond, on any of the Early Redemption Dates, together with any unpaid interest until the time of redemption. This optional redemption feature may have a negative impact on the market value of the Bonds. During a period when the Issuer may opt to redeem the Bonds, the market value may not rise considerably above the price at which the Bond will be redeemed. Should the Issuer decide to redeem the Bonds on any of the Early Redemption Dates, the Bondholder may not be able to re-invest the proceeds from the redemption at yields that would have been received on the Bonds had they not been redeemed;
- x. Both the Issuer and the Guarantors may incur additional borrowings or indebtedness and may create or permit to

- subsist security interests upon the whole or any part of its present or further undertakings, assets or revenues;
- xi. 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;
 - xii. The Bonds, as and when issued and allotted, shall constitute the general, direct, unsecured 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 Guarantors jointly and severally. The Bonds shall at all times rank *pari passu* without any priority or preference among themselves and, in respect of the Guarantors, they shall rank without any priority or preference over all their respective unsecured indebtedness, if any. In view of the fact that the Bonds are being guaranteed by the Guarantors on a joint and several basis, the Bondholders shall be entitled to request the Guarantors 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 also entitles the Bondholders to take action against the Guarantors without having to first take action against the Issuer. The strength of this undertaking on the part of the Guarantors and therefore, the level of recoverability by the Bondholders from the Guarantors of any amounts due under any of the Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantors.

SECTION E

OFFER

E.2b The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €24,550,000, will be on-lent by the Issuer to PML pursuant to the Inter-Company Loan Agreement and shall be utilised by PML for the following purposes, in the amounts and order of priority set out below:

- i. an amount of €17,837,566 will be used to re-finance the Teramy Secured Loan, which will have the effect of reducing PML's financing cost, and a further amount of €1,662,434 will be used to refinance the Teramy Unsecured Loan, accordingly settling all amounts owing by PML to Teramy. Moreover, as a result, all hypothecary rights granted by PML to Teramy in security of the Teramy Secured Loan will be cancelled; and
- ii. an amount of €4,000,000 will be used to part re-finance outstanding BOV Bank Facilities.

The remaining balance of the net Bond Issue proceeds in the amount of €1,050,000 shall be used for the Group's general corporate funding requirements, including operational costs.

E.3 The Issuer has reserved the full amount of the Bond Issue for subscription by Authorised Financial Intermediaries through placement agreements, whereby the Issuer will bind itself to allocate the Bonds to such Authorised Financial Intermediaries in accordance with the terms of such placement agreements. The Authorised Financial Intermediaries will in turn bind themselves to subscribe to a specified amount of Bonds subject to, and conditional upon, the Bonds being admitted to the Official List of the MSE.

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 form, without interest coupons, in denominations of any integral multiple of €100 provided that on subscription the Bonds will be issued for a minimum of €2,000 per individual Bondholder. Authorised Financial Intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 to each underlying client. Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Bonds may be transferred as provided in the Securities Note.
- ii. **Interest:** Details of interest payable on the Bonds are provided in Element C.9 of this Summary Note.
- iii. **Status of the Bonds:** The Bonds, as and when issued and allotted, shall constitute the general, direct, unsecured 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 Guarantors jointly and severally. The Bonds shall at all times rank *pari passu* without any priority or preference among themselves and, in respect of the Guarantors, they shall rank without any priority or preference over all their respective unsecured indebtedness, if any.
- iv. **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. Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business 15 days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time. Such payment shall be effected within seven days of the Interest Payment Date.

- v. **Redemption:** Unless previously purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued up to the date fixed for redemption) on 15 December 2028 provided that the Issuer reserves the right to redeem all the Bonds on any one of the Early Redemption Dates, that is, 15 December 2023, 15 December 2024, 15 December 2025, 15 December 2026 or 15 December 2027, subject to the Issuer giving at least 60 days' notice in writing to all Bondholders of its intention to effect such earlier redemption.
- vi. **Events of Default:** The Bonds shall become immediately due and repayable at their principal amount together with any accrued interest, if any of the following events shall occur:
 - a. the Issuer shall fail to pay any interest on any Bond when due and such failure shall continue for 30 days after written notice thereof shall have been given to the Issuer by any Bondholder; or
 - b. the Issuer shall fail duly to perform or shall otherwise be in breach of any other material obligation contained in the Terms and Conditions of the Bonds and such failure shall continue for 60 days after written notice thereof shall have been given to the Issuer by any Bondholder; or
 - c. an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer and/or the Guarantors; or
 - d. the Issuer stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or cease to carry on its business or a substantial part of its business; or
 - e. the Issuer is unable, or admits in writing, its inability to pay its debts as they fall due or otherwise becomes insolvent; or
 - f. there shall have been entered against the Issuer and/or the Guarantors a final judgment by a court of competent jurisdiction from which no appeal may be or is made for the payment of money in excess of €2,500,000 or its equivalent and 90 days shall have passed since the date of entry of such judgment without it having been satisfied or stayed; or
 - g. any default occurs and continues for 90 days under any contract or document relating to any Financial Indebtedness of the Issuer and/or the Guarantors in excess of €2,500,000 or its equivalent at any time.
- vii. **Transferability of the Bonds:** The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole (that is, in multiples of €100) 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. 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.
- ix. **Further Issues:** Subject to the negative pledge clause, 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.
- x. **Meetings of Bondholders:** The Terms and Conditions of the Bonds may be amended or waived with the approval of the Bondholders at a meeting called for that purpose by the Issuer.
- xi. **Governing Law and Jurisdiction:** The Bonds shall be governed by and shall be construed in accordance with Maltese law. Any legal action, suit, or proceedings against the Issuer and/or the Guarantors arising out of or in connection with the Bonds and/or the Prospectus shall be brought exclusively before the Maltese courts.

E.4 Save for the subscription for Bonds by Authorised Financial Intermediaries (which include the Sponsor and Manager & Registrar), and any fees payable in connection with the Bond Issue to Curmi & Partners Ltd, as Sponsor, and Bank of Valletta p.l.c. as Manager & Registrar, so far as the Issuer is aware no person involved in the Bond Issue has an interest material to the Bond Issue.

E.7 Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €450,000.

EXPECTED TIMETABLE OF THE BOND ISSUE

1. Placement date	26 November 2018
2. Offer Period	26 November 2018 to 28 November 2018
3. Commencement of interest on the Bonds	12 December 2018
4. Expected date of notification of registration	12 December 2018
5. Expected date of admission of the securities to listing	12 December 2018
6. Expected date of commencement of trading in the securities	14 December 2018



REGISTRATION DOCUMENT

DATED 15 NOVEMBER 2018

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. This Registration Document is issued pursuant to the requirements of Listing Rule 4.13 of the Listing Rules and contains information about Phoenicia Finance Company p.l.c.

Issue of €25,000,000 4.15% Unsecured Bonds 2023-2028

by

PHOENICIA FINANCE COMPANY P.L.C.

a public limited liability company registered in Malta
with company registration number C 88958

(Due 15 December 2028, subject to early redemption at the option of the Issuer
on any Early Redemption Date)

with the joint and several Guarantee* of

Phoenicia Malta Limited

a private limited liability company registered in Malta with company registration number C 41576
and

Phoenicia Hotel Company Limited

a private limited company registered in the United Kingdom and registered
as an overseas company in Malta with registration number OC1

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

Sponsor

**CURMI &
PARTNERS**

Manager & Registrar

BOV
Bank of Valletta

Legal Counsel

**Refalo &
Zammit Pace**
ADVOCATES

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 OF INVESTING IN THE SAID INSTRUMENT AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENT.

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

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

THESE SECURITIES ARE COMPLEX FINANCIAL INSTRUMENTS AND MAY NOT BE SUITABLE FOR ALL TYPES OF INVESTORS. A PROSPECTIVE INVESTOR SHOULD NOT INVEST IN THESE SECURITIES UNLESS: (I) HE/SHE HAS THE NECESSARY KNOWLEDGE AND EXPERIENCE TO UNDERSTAND THE RISKS RELATING TO THIS TYPE OF FINANCIAL INSTRUMENT; (II) THE SECURITIES MEET THE INVESTMENT OBJECTIVES OF THE PROSPECTIVE INVESTOR; AND (III) THE PROSPECTIVE INVESTOR IS ABLE TO BEAR THE INVESTMENT AND FINANCIAL RISKS RESULTING FROM INVESTING IN THESE SECURITIES.



IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION ON PHOENICIA FINANCE COMPANY P.L.C. IN ITS CAPACITY AS ISSUER AND PHOENICIA MALTA LIMITED AND PHOENICIA HOTEL COMPANY LIMITED AS GUARANTORS 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, THE GUARANTORS OR THEIR RESPECTIVE DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF SECURITIES OF THE ISSUER OTHER THAN THOSE CONTAINED IN THIS 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, THE GUARANTORS OR THEIR RESPECTIVE DIRECTORS OR ADVISORS.

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

THE DIRECTORS OF THE ISSUER, AS IDENTIFIED UNDER THE HEADING "DIRECTORS OF THE ISSUER" IN SECTION 3.1 OF THIS REGISTRATION DOCUMENT, ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS OF THE ISSUER (WHO HAVE ALL TAKEN REASONABLE CARE TO ENSURE SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. THE DIRECTORS OF THE ISSUER ACCEPT RESPONSIBILITY ACCORDINGLY.

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 (I) SUCH OFFER OR INVITATION IS NOT AUTHORISED; OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR (III) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THE PROSPECTUS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND, ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

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

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

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

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 4 NOVEMBER 2003 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING OR WHICH, PENDING SUCH IMPLEMENTATION, APPLIES ARTICLE 3.2 OF SAID DIRECTIVE, THE SECURITIES CAN ONLY BE OFFERED TO "QUALIFIED

INVESTORS" (AS DEFINED IN SAID DIRECTIVE) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF SAID DIRECTIVE.

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

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

ALL THE ADVISORS TO THE ISSUER AND THE GUARANTORS NAMED IN THIS REGISTRATION DOCUMENT UNDER THE HEADING "ADVISORS" IN SECTION 3.3 OF THIS REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER AND THE GUARANTORS, AS THE CASE MAY BE, 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 ANY WEBSITE OF THE ISSUER OR OF THE GUARANTORS OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO ANY WEBSITE OF THE ISSUER OR OF THE GUARANTORS DO NOT FORM PART OF THIS PROSPECTUS. ACCORDINGLY, NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE BONDS.

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



CONTENTS

1	DEFINITIONS	26
2	RISK FACTORS	28
3	IDENTITY OF DIRECTORS, ADVISORS AND AUDITORS OF THE ISSUER AND THE GUARANTORS	35
4	INFORMATION ABOUT THE ISSUER, THE GUARANTORS AND THE PHOENICIA GROUP	37
5	TREND INFORMATION AND FINANCIAL REVIEW	41
6	BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT	48
7	BOARD PRACTICES	52
8	HISTORICAL FINANCIAL INFORMATION	53
9	LITIGATION	59
10	ADDITIONAL INFORMATION	60
11	MATERIAL CONTRACTS	63
12	PROPERTY VALUATION REPORT	66
13	THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF ANY INTEREST	66
14	DOCUMENTS AVAILABLE FOR INSPECTION	67

1. DEFINITIONS

In this Registration Document the following words and expressions shall bear the following meanings whenever such words and expressions are used in their capitalised form, except where the context otherwise requires:

Act	the Companies Act (Cap. 386 of the laws of Malta);
Bond(s)	a maximum of €25,000,000 unsecured bonds due on the Redemption Date having a nominal value of €100 per bond bearing interest at a rate of 4.15% per annum and redeemable at their nominal value, as detailed in the Securities Note. The Bonds are guaranteed jointly and severally by PML and PHCL;
Bond Issue	the issue of the Bonds;
Bondholder	a holder of Bonds to be issued by the Issuer in terms of the Prospectus;
Company or Issuer	Phoenicia Finance Company p.l.c., a public limited liability company registered under the laws of Malta with company registration number C 88958, and having its registered office at The Phoenicia Hotel, The Mall, Floriana, Malta;
Directors or Board	the directors of the Issuer whose names are set out under the heading “Directors of the Issuer” in Section 3.1 of this Registration Document;
Early Redemption Date	15 December 2023, 15 December 2024, 15 December 2025, 15 December 2026 and 15 December 2027, subject to the Issuer giving the Bondholders at least 60 days’ notice in writing;
EBITDA	an abbreviation used for earnings before interest, tax, depreciation and amortisation;
Financial Analysis Summary	the financial analysis summary prepared by Curmi & Partners Ltd in line with the applicable requirements of the Listing Authority policies and which is intended to summarise the key financial data set out in the Prospectus relating to the Issuer and the Guarantors, a copy of which is set out in Annex III of the Securities Note forming part of the Prospectus;
Group or Phoenicia Group	PML, PHCL, the Issuer, and their subsidiaries from time to time;
Guarantee	the joint and several guarantee dated 15 November 2018 granted by the Guarantors as security for the punctual performance of all the obligations undertaken by the Issuer under the Bond Issue. A copy of the Guarantee and description of the nature, scope and terms of the Guarantee are appended to the Securities Note as Annex II thereto;
Guarantors	PML and PHCL, each a Guarantor;
Listing Authority	the Board of Governors of the Malta Financial Services Authority, appointed as the Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
Listing Rules	the listing rules issued by the Listing Authority, as may be amended from time to time;
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Memorandum and Articles of Association	the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus;
Phoenicia Hotel or Hotel	the hotel operating as “The Phoenicia Malta”, which is operated by PHCL in terms of a lease agreement with PML, as fully described in Section 4.4.1 of this Registration Document;

PHCL	Phoenicia Hotel Company Limited, a private limited company registered in the United Kingdom, having its registered office at Eversheds House 70, Great Bridgewater Street, Manchester M1 5ES, United Kingdom, and registered as an overseas company in Malta with registration number OC1;
PHL	Phoenicia Hotel (Lux) S.à r.l., a company registered in Luxembourg, with registration number B178459, and having its registered address at 6, rue Eugène Ruppert, Luxembourg 2453, Luxembourg;
PML	Phoenicia Malta Limited, a private limited liability company registered in Malta with company registration number C 41576 and having its registered office at The Phoenicia Hotel, The Mall, Floriana, Malta;
Premises	the premises located at The Mall, Floriana, Malta as more fully described in Section 11 (“Material Contracts”) of this Registration Document, which includes the Phoenicia Hotel;
Prospectus	this Registration Document, the Securities Note and the Summary Note, all dated 15 November 2018;
Redemption Date	15 December 2028, or in the event of early redemption, at the Issuer’s sole discretion on any one of the relevant Early Redemption Dates;
Registration Document	this document dated 15 November 2018 in its entirety forming part of the Prospectus;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by: Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of supplements to the prospectus; and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of the prospectus and dissemination of advertisements;
Securities Note	the securities note issued by the Issuer dated 15 November 2018, forming part of the Prospectus;
Subsidiaries	all entities over which PHL as ultimate holding company has control and which as at the date of this Registration Document, include without limitation each of PML, PHCL and the Issuer. In terms of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), a group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity;
Summary Note	the summary note issued by the Issuer dated 15 November 2018, forming part of the Prospectus;
Teramy	Teramy Investments S.à r.l., a company registered in Luxembourg, with registration number B171015, and having its registered address at 6, rue Eugène Ruppert, 4, 2453, Luxembourg.

Unless it appears otherwise from the context:

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

2. RISK FACTORS

PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS, AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS, BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE ISSUER.

SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND NEITHER THE ISSUER NOR THE GUARANTORS ARE IN A POSITION TO EXPRESS ANY VIEWS ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING.

THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE ISSUER'S AND/OR GUARANTORS' FINANCIAL RESULTS AND TRADING PROSPECTS AND ON THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES TO BE ISSUED IN TERMS OF THE PROSPECTUS AND OF THE GUARANTORS TO HONOUR THEIR OBLIGATIONS UNDER THE GUARANTEE. THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AS SUCH BY THE DIRECTORS OF THE ISSUER AND THE GUARANTORS AS AT THE DATE OF THE PROSPECTUS, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE ISSUER AND THE GUARANTORS MAY FACE. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE ISSUER'S AND/OR GUARANTORS' DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL IMPACT ON THE FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE OF THE ISSUER AND/OR GUARANTORS.

NEITHER THE PROSPECTUS NOR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH SECURITIES ISSUED BY THE ISSUER: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION NOR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR THE SPONSOR OR AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS PROSPECTUS OR OF ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, SHOULD PURCHASE ANY SECURITIES 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 therein by reference or annexed thereto contain forward-looking statements that include, among others, statements concerning the Issuer's and Guarantors' strategies and plans relating to the attainment of their respective 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 Guarantors' directors include those risks identified under the heading "Risk Factors" and elsewhere in the Prospectus.

Important factors that could cause actual results to differ materially from the expectations of the Issuer's and Guarantors' directors include those risks identified under this Section 2 and elsewhere in the Prospectus. As mentioned above, if any of the risks described were to materialise, they could have a material effect on the Issuer's and Guarantors' financial results and trading prospects and the ability of the Issuer to fulfil its obligations under the securities to be issued in terms of the Prospectus and of the Guarantors to honour their obligations under the Guarantee.

Accordingly, the Issuer and Guarantors caution prospective investors that these forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied by such statements, that such statements do not bind the Issuer and Guarantors with respect to future results and no assurance is given that the projected future results or expectations covered by such forward-looking statements will be achieved. All forward-looking statements contained in the Prospectus are made only as at the date hereof. The Issuer, Guarantors and their respective directors expressly disclaim any obligations to update or revise any forward-looking statements 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.

Prospective investors are advised to read the Prospectus in its entirety and, in particular, the Sections entitled "Risk Factors", for an assessment of the factors that could affect the Issuer's and Guarantors' future performance. In the light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in the Prospectus may not occur.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds will be repayable in full upon maturity, unless the Bonds are previously re-purchased and cancelled. An investment in the Bonds involves certain risks, including those described below.

2.2. GENERAL

The Bonds are complex financial instruments and may not be suitable for all recipients of the Prospectus. Prospective investors are urged to consult an independent investment advisor licensed under the Investment Services Act (Cap. 370 of the laws of Malta) as to the suitability or otherwise of an investment in the Bonds before making an investment decision. 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 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 ISSUER'S RELIANCE ON THE GUARANTORS

The Issuer, a subsidiary of PML and forming part of the Phoenicia Group, was incorporated on 23 October 2018 and, accordingly, has no trading record or history of operations. Furthermore, the Issuer itself does not have any substantial assets and is a special purpose vehicle set up to act as a financing company solely for the Phoenicia Group's requirements, and, therefore, its assets are intended to consist primarily of loans issued to any company within the Phoenicia Group.

The Issuer is dependent on the business prospects of the Guarantors and, consequently, the operating results of the Guarantors have a direct effect on the Issuer's financial position and performance. Accordingly, the risks affecting the business and operations of the Guarantors have a direct effect on the ability of the Issuer and the Guarantors to meet their respective obligations in connection with the payment of interest on the Bonds and repayment of principal when due.

In particular, the Issuer is principally dependent on income derived from the interest payments and loan repayments from any company within the Phoenicia Group to which it may have granted any loan/s and this may affect, amongst other obligations, the Issuer's ability to service interest payments on the Bonds and the repayment of the principal amount when due.

The interest payments and loan repayments above-mentioned are subject to certain risks. More specifically, the ability of PML and, or PHCL to effect payments to the Issuer will depend on the cash flows and earnings of PML and, or PHCL, which may be impacted 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 and/or the Phoenicia Group. The occurrence of any such event could, in turn, negatively affect the ability of the Issuer and the Guarantors to meet their respective obligations in connection with the payment of interest on the Bonds and repayment of principal when due.

2.4. RISKS RELATING TO THE BUSINESS OF THE PHOENICIA GROUP

2.4.1. RISKS RELATING TO THE HOTEL INDUSTRY

The Phoenicia Group is subject to certain risks common to the hotel industry, some of which are beyond its control

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

- a downturn in international and, or regional market conditions or in the political, economic and, or market conditions in Malta and, or in the countries from which the Phoenicia Hotel's guests mainly originate, may negatively affect the demand for leisure and business travel and meeting, incentive and conference space;
- increased competition and periodic local oversupply of guest accommodation in Malta;
- changes in travel patterns, impediments to means of transportation (including airline strikes and border closures), any increase in or the imposition of new taxes on air travel and fuel, and cutbacks and stoppages on Malta-bound airline routes;
- seasonality, where Malta may experience varying levels of occupancy during different seasons;
- natural disasters, epidemics, industrial action, travel-related accidents, actual or threatened war, terrorist activity, political unrest, civil strife and other geopolitical uncertainty;
- changes in laws and regulations on employment, the preparation and sale of food and beverages, health and safety, alcohol licensing, environmental concerns, fiscal policies, zoning and development, and the related costs of compliance;

- increases in operation costs due to inflation, employment costs, workers' compensation and healthcare related costs, utility costs, increased taxes and insurance costs; and
- the termination, non-renewal and, or the renewal on less favourable terms of material contracts, as well as agreements entered into with tour operators.

The impact of any of these factors (or a combination of any of them) may adversely affect room rates and occupancy levels at the Phoenicia Hotel, or otherwise cause a reduction in the Phoenicia Group's income. Such factors (or a combination of any of them) may also adversely affect the value of the Phoenicia Hotel and in any such case would have a material adverse effect on the Phoenicia Group's business, financial condition and results of operations.

The Phoenicia Group is exposed to a variety of risks associated with safety, security, and crisis management

There is a constant need to protect the safety and security of Hotel guests, employees, and assets against natural and man-made threats. These include, but are not limited to, exceptional events such as weather conditions, civil or political unrest, violence and terrorism, serious and organised crime, fraud, employee dishonesty, cyber-crime, pandemics, fire and day-to-day accidents, incidents, and petty crime which impact the guest or employee experience, could cause loss of life, sickness or injury and result in compensation claims, fines from regulatory bodies, litigation and impact reputation. Serious incidents or a combination of events could escalate into a crisis which, if managed poorly, could further expose the Phoenicia Group to significant reputational damage.

The Phoenicia Group is exposed to the risks of the hotel industry supply-and-demand cycle

The future operating results of the Phoenicia Group could be adversely affected by industry overcapacity and weak demand, due in whole or in part, to the cyclical nature of the hotel industry or other differences between management assumptions and forecasts and actual operating conditions and results. These conditions could result in reductions in room rates and occupancy levels, which would adversely impact the financial performance of the Phoenicia Group.

The Phoenicia Group is subject to a competitive and changing industry

The Phoenicia Group operates in a competitive industry and must compete effectively against traditional competitors such as global hotel chains, local hotel companies and independent hotels to win the loyalty of guests and employees. A number of the local hotels form part of large corporate groups that could support their market position and financial soundness in different market conditions, whilst additionally some of the other local hotels represent very well recognised international brands. The competitive landscape also includes other types of businesses, such as web-based booking channels (which include online travel agents and intermediaries) and alternative sources of accommodation such as the growing boutique hotel market and short-term lets of private property. Failure to compete effectively in traditional and emerging areas of the business could impact the Phoenicia Group's market share, profitability, and relationships with guests.

The Phoenicia Group is exposed to increasing competition from online travel agents and intermediaries

A proportion of the Phoenicia Hotel's bookings originate from large multinational, regional, and local online travel agents and intermediaries with which the Phoenicia Group has contractual arrangements and to which it pays commissions. These websites offer a wide breadth of products, often across multiple brands, have growing booking and review capabilities, and may create the perception that they offer the lowest prices. Some of these online travel agents and intermediaries have strong marketing budgets and aim to create brand awareness and brand loyalty among customers and may seek to commoditise hotel brands through price and attribute comparison. Further, if these companies continue to gain market share, they could impact the Phoenicia Group's profitability, undermine the Phoenicia Group's own booking channels and customer loyalty and increase commission rates while reducing the Phoenicia Group's ability to negotiate more favourable contractual terms.

The Phoenicia Group requires the right people, skills and capability to manage growth and change

In order to remain competitive, the Phoenicia Group must employ the right people. This includes hiring and retaining highly skilled employees with particular expertise or leadership capability. The implementation of the Phoenicia Group's strategic business plan could be undermined by failure to build a resilient corporate culture, failure to recruit or retain key personnel, the unexpected loss of key senior employees, failures in the Phoenicia Group's succession planning and incentive plans, or a failure to invest in the development of key skills.

Environmental and/or health and safety compliance costs and liabilities may have a material adverse effect on the Phoenicia Group's financial condition and operations

As an owner and operator of the Phoenicia Hotel, PML and PHCL respectively, are subject to a variety of European Union and domestic laws and regulations concerning environmental and, or health and safety matters. The failure to comply with past, present or future environmental and, or health and safety laws and regulations could result in regulatory action, the imposition of fines or third-party claims, which could in turn have a material adverse effect on the Phoenicia Group's results of operations, its financial condition and, or its reputation. In addition, compliance with new environmental and, or health and safety laws and

regulations could require the Phoenicia Group to incur significant expenditure that could have a material adverse effect on the Phoenicia Group's results of operations, financial condition and/or its reputation.

Phoenicia Group companies may become liable for the costs of removal, investigation or remediation of any hazardous, toxic or chemical substances that may be located on or in, or which may have migrated from, the Premises, which costs may be substantial. Phoenicia Group companies may also be required to remove or remediate any hazardous, toxic or chemical substances that they may cause or knowingly permit at any property that they own or may in future own. Laws and regulations, which may be amended over time, may also impose liability for the presence of certain materials or substances or the leakage or discharge of certain contaminants into the air, land, water, or the migration of certain materials or substances from any property, including asbestos, and such presence, discharge or migration could form the basis for environmental liability or liability to third parties for personal injury or other damages. These liabilities, if realised, could have a material adverse effect on the Phoenicia Group's business, financial condition and results of operations.

Risks related to the food and beverage sector

The Phoenicia Group's revenues from the food and beverage business and the overall performance of the Group could be vulnerable to a number of risks that have an impact on the food and beverage industry. These include changes in economic market conditions, consumer confidence, consumer spending, increased competition, quality issues, health concerns and changes in the law. Shifts in such aspects could potentially result in a reduction of revenues or an increase in operating costs related to the food and beverage operations.

Risks related to the hotel management and similar agreements

In 2016, PHCL entered into a hotel management agreement with Campbell Gray Hotels Limited ("CGHL"), which will continue in force for an initial period of 15 years from April 2017, and is subject to automatic renewal for one or more periods of one year each annually thereafter, unless either party serves notice of non-renewal on the other not less than 3 months before the start of each renewal period, as further described in Section 4.4.1 of this Registration Document. The termination or non-renewal of PHCL's agreement with CGHL, or the entry into any similar agreements in the future on less favourable terms, could have a negative impact on the Group's business operations and financial results, or its future prospects. Further, there can be no assurance that in the event of non-renewal of the agreement with CGHL, PHCL will be able, within a short period of time, to enter into a management agreement with another global hotel management company of at least the same calibre as CGHL or alternatively to replace such external management expertise with management expertise from within the Phoenicia Group.

2.4.2. RISKS RELATING TO THE PREMISES

Property valuation and net realisable value

Since PML is a property holding company, the Group is exposed to fluctuations in the property and real estate markets. Property investments are subject to varying degrees of risks. Property and real estate values are affected (amongst other things) by changing demand, changes in general economic conditions, changing supply within a particular area of competing space and attractiveness of real estate relative to other investment choices. The capital value of the Premises may also be adversely affected as a result of other factors outside the Phoenicia Group's control, such as changes in regulatory requirements and applicable laws (including in relation to taxation, planning and the property market in general), political conditions, the conditions of the financial markets, interest and inflation rate fluctuations and higher accounting and control expenses. The value of the Premises may also fluctuate as a result of the operating and financial performance of the Hotel.

PML's, and as a result, the Phoenicia Group's financial profile, could be adversely affected by a decline in terms of capital values, particularly resulting in potential impairments in asset values or lack of re-saleability. The valuation of property and property-related assets is inherently subjective, due to, amongst other things, the individual nature of each property and the assumptions upon which valuations are carried out. Accordingly, there is no assurance that the valuation of the Premises will reflect actual market values that could be achieved upon a sale. Net realisable value may be materially different from any future values that may be expressed or implied by forward-looking statements set out in the relative valuation or anticipated on the basis of historical trends, as reality may not match such assumptions made.

Risks inherent in property valuations

In providing a market value of the Premises, the independent architects engaged by the Issuer for this purpose have made certain assumptions as a result of which actual values may be materially different from any values that may be expressed or implied on the basis of such assumptions or any historical trends or forward-looking statements which may not match reality. There can be no assurance that such valuation of the Premises will reflect actual market values.

Risk of termination of emphyteutical concession

The Premises are held by PHCL under title of perpetual emphyteusis and by PML under title of perpetual sub-emphyteusis. The breach of emphyteutical conditions may have significant consequences at law which may have a material impact on the Phoenicia Group's operations and financial position.

Real estate investments are relatively illiquid

Since the Phoenicia Group is, in part, a property holding organisation, coupled with the fact that property is a relatively illiquid asset, such illiquidity may affect the Phoenicia Group's ability to dispose of the Premises in a timely manner and at satisfactory prices in response to changes in economic, real estate, market or other conditions.

Risks relating to the on-going refurbishment of the Hotel

As at the date of this Prospectus, the Hotel is undergoing a major refurbishment programme, which is described in detail in Section 4.4.1. The completion of the refurbishment programme of the Hotel is dependent on various external factors and third parties who are tasked with completing the project within the anticipated timeframes and projected costs. Delays, cost overruns or failure to complete the refurbishment project, or any part thereof, may have an adverse impact on the revenue generation, cash flows, and financial performance of the Phoenicia Group. Furthermore, the positive impact of the refurbishment programme on the profitability of the Group is dependent on a number of factors, including market and economic conditions, which may result in fluctuations in occupancy rates and average daily rates at the Phoenicia Hotel.

Risks relating to existing or planned future development or improvement of current or new investments

The Phoenicia Group's ability to implement its business strategies is dependent upon, amongst other things, its ability to generate sufficient funds from its operations and to access external funding at acceptable costs. No assurance can be given that sufficient financing for its current and future investments, via internally generated cash flows, bank financing, capital markets, or other sources, will be available on commercially reasonable terms or within the timeframes required by the Phoenicia Group, also considering the need, from time to time, for the Premises to undergo renovation, refurbishment, or other improvements, including replacements of furniture, fixtures and equipment.

The Phoenicia Group's on-going and, or future development and construction activities (which are described in Section 4.4.1), as well as any capital improvements to be made to and, or on the Premises, may give rise to a number of risks, including the following significant risks:

- inability to obtain financing on favourable terms or at all for such activities;
- requirement to make significant current capital expenditures for the Phoenicia Hotel without receiving revenue therefrom until future periods;
- inability to complete development projects on schedule or within budget;
- delays in obtaining or refusals of all or any applications for necessary planning permits and other approvals and, or authorisations;
- possible structural and environmental issues and, or uncertainties;
- construction cost over-runs and/or delays;
- disruption in service and room availability causing reduced demand, occupancy and rates;
- uncertainties as to market demand or a loss of market demand after construction activities have begun;
- ordinary risks of construction that may hinder and, or delay the successful completion of any particular project;
- acts of nature, such as earthquakes and floods, that may damage the Premises or delay its development;
- disputes with contractors, suppliers, architects, and, or any other consultants regarding, inter alia, claims for payment which are contested by the Phoenicia Group and, or claims by the Phoenicia Group in relation to the timeliness, sufficiency and, or quality of works, services and, or supplies; and
- claims by third parties for personal injury owing to design and, or construction defects.

2.4.3. OTHER RISKS GENERALLY APPLICABLE TO THE PHOENICIA GROUP

The Phoenicia Group may be subject to increases in operating and other expenses

The Phoenicia Group's operating and other expenses could increase without a corresponding increase in turnover or revenue. The factors which would materially increase operating and other expenses include:

- increases in the rate of inflation, in particular where the income stream of the Phoenicia Group does not increase correspondingly;
- increases in payroll expenses;
- increases in interest rates, affecting financing rates;
- increases in taxes and other statutory charges;

- changes in laws, regulations or government policies;
- increases in insurance premia;
- unforeseen increases in the costs of maintaining properties; and
- unforeseen capital expenditure.

The Phoencia Group's indebtedness could adversely affect its financial position

The Phoencia Group funds and will continue to fund its projects partially through borrowings. The Phoencia Group has a material amount of debt and may incur additional debt in connection with its future growth. Substantial borrowings under credit facilities are at variable interest rates, which causes the Phoencia Group to be vulnerable to increases in interest rates. The agreements regulating the Phoencia Group's external financing impose and are likely to impose significant operating restrictions and financial covenants on the Phoencia Group companies. These restrictions and covenants could limit the Phoencia Group companies' ability to obtain future financing, make capital expenditure, withstand a future downturn in business or economic conditions generally or otherwise inhibit the ability to conduct necessary corporate activities.

A portion of the cash flow generated from the Phoencia Hotel is utilised to repay the Phoencia Group's debt obligations pursuant to financial covenants to which the relevant Phoencia Group company is subject. This gives rise to a reduction in the amount of cash available for distribution to the Issuer which would otherwise be available for funding of the Phoencia Group's working capital, capital expenditure, development costs, and other general corporate purposes.

The use of borrowings presents the risk that the Phoencia Group may be unable to service interest payments and principal repayments or comply with other requirements of its facility agreements. A substantial deterioration in operating cash flows and profitability could make it difficult for the Phoencia Group to service interest payments and principal repayments on its borrowings. Under the Phoencia Group's current financing arrangements, the Phoencia Group is at risk of default on the occurrence of certain unexpected events. In such an event, the Phoencia Group might be forced to sell some of its assets to meet such obligations or seek alternative finance to repay such borrowings. Borrowings may not be able to be refinanced or the terms of any refinancing may be less favourable than the existing terms of borrowing. Any failure to satisfy debt obligations could result in a default under the terms of current and future financing arrangements, thereby having a materially adverse effect on the Phoencia Group's financial condition.

Currency fluctuations may have a material adverse effect on the Phoencia Group's business, financial condition and results of operations

Fluctuations in international currencies in relation to the Euro may make Malta a less attractive holiday destination than other countries which ultimately can have an effect on the operating performance of the Phoencia Group. Unfavourable movements in exchange rates may also result in lower revenues or higher costs for the Group.

The Phoencia Group's reliance on non-proprietary software systems and third-party information technology providers

To varying degrees, the Phoencia Group is reliant on technologies and operating systems (including IT systems) developed by third parties for the running of its business and is exposed to the risk of failures of such systems and there can be no assurance that the service or systems will not be disrupted. Disruption to those technologies or systems and, or lack of resilience in operational availability could adversely affect the efficiency of the Phoencia Group's business, financial condition and, or operating results.

The Phoencia Group may rely on certain key relations in its normal course of business

During the normal course of its business and in the implementation of its business strategies, including capital projects, the Phoencia Group engages with a number of counterparties, some of which may be key to the successful operations of the business. Such counterparties could include key suppliers, contractors, sub-contractors, distribution channels, service providers and consultants. Any disruptions to such relations could potentially have a negative impact on the Group's business operations and financial results, or its future prospects.

The Phoencia Group is exposed to risks related to information security and data privacy

The Phoencia Group is increasingly dependent upon the availability, integrity and confidentiality of information, including, but not limited to, guest and employee personal data including financial information. The information is sometimes held in different formats such as digital, paper, voice recordings and video, and could be stored in many places, including facilities managed by third-party service providers. The threats towards the Phoencia Group's information are dynamic, including cyber-attacks, fraudulent use, loss, or misuse.

The legal and regulatory environment around data privacy and requirements set out by the payment-card industry surrounding information security are constantly evolving. Particularly, the Phoencia Group is subject to Regulation (EU) 2016/679 on the protection of physical persons with regard to the processing of personal data, as well as the free circulation of this data, which came into force on 25 May 2018 ("GDPR"). The GDPR introduced more restrictive and onerous obligations on data controllers and

processors as far as the processing of personal data is concerned. The Phoencia Group is exposed to the risk that data collected could be damaged or lost, disclosed or processed for purposes other than as permitted in the GDPR. The changes to the Phoencia Group's procedures and policies could adversely impact the Phoencia Group's business owing to the increase in its operational and compliance costs. Further, there is a risk that the measures may have not been implemented correctly or that individuals within the business may not be fully compliant with the new procedures. If there are breaches of these measures, the Phoencia Group could face significant administrative and monetary sanctions as well as reputational damage which may have a material adverse effect on its operations, financial condition and prospects.

Reliance on key senior personnel and management

The Phoencia Group's growth since inception is, in part, attributable to the efforts and abilities of the members of the executive management team and other key personnel of PML and PCHL. If one or more of the members of this team were unable or unwilling to continue in their present position, they may not be replaceable with equally skilled personnel within the short term, which could have a material adverse effect on the Phoencia Group's business, financial condition and results of operations.

In common within many businesses, the Phoencia Group will be relying heavily on the expertise of its senior management teams and other key personnel. Although no single person is solely instrumental in fulfilling the Phoencia Group's business objectives, corporate and management structures so far have been centred around a relatively small team. The expected growth in the scale of the Phoencia Group's operations could require a shift in management and control structures. The strength of the corporate structures in place, in addition to the ability of management to adapt to such developments could have an impact on Group's business operations and financial results. There is no guarantee that these objectives will be achieved to the degree expected following the possible loss of key personnel. The loss of the services of any of the key personnel could have, in the short term, a material adverse effect on the Phoencia Group's business.

Change of control

The Phoencia Group, including the Issuer and both the Guarantors, is owned and controlled by Mr Mark D Shaw via Phoencia Hotel (LUX) S.à.r.l. A potential change in ownership or control of the Group may potentially have a negative impact on the Group's business operations and financial results, or its future prospects. New shareholders or a new majority shareholder may be in a position to change the business and financial strategy in way that has a negative impact on the operations, the financial performance or the financial profile of the Group, or in a way that ultimately conflicts with the interest of the Bondholders.

The Phoencia Group is exposed to the risk of litigation from its guests, customers, actual and potential partners, suppliers, contractors, service providers, consultants, employees, and regulatory authorities

The Phoencia Group is exposed to the risk of litigation from its guests, customers, actual and potential partners, suppliers, contractors, service providers, consultants, employees and regulatory authorities. As stated in Section 9 ("Litigation") of this Registration Document, PML is presently subject to threatened legal proceedings. Unfavourable outcomes of claims and proceedings could have a material adverse effect on the Phoencia Group's operations, results, cash flow and, or financial position. Exposure to litigation or fines imposed by regulatory authorities may affect the Phoencia Group's reputation even though the monetary consequences may not be significant.

The Phoencia Group's insurance policies

Historically, the Phoencia Group has maintained insurance at levels determined by the Phoencia Group to be appropriate in the light of the cost of cover and the risk profiles of the business in which the Phoencia Group operates. With respect to losses for which the Phoencia Group is covered by its policies, it may be difficult and may take time to recover such losses from insurers. In addition, the Phoencia Group may not be able to recover the full amount from the insurer. No assurance can be given that the Phoencia Group's current insurance coverage would be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage would always be available at acceptable commercial rates.

Risks relating to changes in laws and regulations

Changes in laws and regulations relevant to the Phoencia Group's business and operations could have an adverse impact on its business, results of operations, financial condition or prospects.

Limited operating history post major refurbishment

The Hotel is presently undergoing a major refurbishment programme. Whilst the Hotel has a long-established operating history, within the context of its current and potential future scale, the operating history on which it may be evaluated could be considered relatively limited. The risks impacting a recently reorganised business or one with a limited operating history in its current form could have an impact when assessing the ability to meet its obligations in respect of the repayment of the principal and interest payments.

Risks related to forecasts

This Prospectus and the Financial Analysis Summary contain projected financial statements of the Issuer and of the Guarantors. Forecasts are inherently subject to the risk of unexpected events which may affect the operating and financial performance of the Phoenicia Group. These forecasts are dependent on a number of assumptions on future events and conditions, which may not occur as expected and therefore actual results may differ materially from those included in the projected financial information. Such variances may have a material negative effect on the operations and financial results of the Phoenicia Group.

2.5. RISKS RELATING TO THE GUARANTEE

The Bonds, as and when issued and allotted, shall constitute the general, direct, unsecured 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 Guarantors. The Bonds shall at all times rank *pari passu* without any priority or preference among themselves and, in respect of the Guarantors, they shall rank without any priority or preference over all their unsecured indebtedness, if any. In view of the fact that the Bonds are being guaranteed by the Guarantors on a joint and several basis, the Bondholders shall be entitled to request the Guarantors 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 also entitles the Bondholders to take action against the Guarantors without having to first take action against the Issuer. The strength of this undertaking on the part of the Guarantors and therefore, the level of recoverability by the Bondholders from the Guarantors of any amounts due under any of the Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantors.

3.

IDENTITY OF DIRECTORS, ADVISORS AND AUDITORS OF THE ISSUER AND THE GUARANTORS

3.1. 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:

Mark D. Shaw (British passport: 511285533)	Chairman
Jean Pierre Ellul Castaldi (ID number: 550858M)	Executive Director
Mario P. Galea (ID number: 522554M)	Non-Executive Director
Benjamin Muscat (ID number: 447054M)	Non-Executive Director
Etienne Borg Cardona (ID number: 235562M)	Non-Executive Director

The business address of the Directors is Phoenicia Hotel, The Mall, Floriana, Malta.

Dr. Jennifer Shaw, holder of ID card number 251188M, is the company secretary of the Issuer.

THE DIRECTORS OF THE ISSUER ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS OF THE ISSUER (WHO HAVE ALL TAKEN REASONABLE CARE TO ENSURE SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. THE DIRECTORS ACCEPT RESPONSIBILITY ACCORDINGLY.

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

3.2. DIRECTORS OF THE GUARANTORS

3.2.1. PML

As at the date of this Registration Document, the board of directors of PML is constituted by the following persons:

Mark D. Shaw Chairman
(British passport: 511285533)

Jean Pierre Ellul Castaldi Executive Director
(ID number: 550858M)

The business address of the directors of PML is Phoenicia Hotel, The Mall, Floriana, Malta.

3.2.2. PHCL

As at the date of this Registration Document, the board of directors of PHCL is constituted by the following persons:

Mark D. Shaw Chairman
(British passport: 511285533)

Jean Pierre Ellul Castaldi Executive Director
(ID number: 550858M)

The business address of the directors of PHCL is Phoenicia Hotel, The Mall, Floriana, Malta.

3.3. ADVISORS

Legal Counsel

Name: Refalo & Zammit Pace Advocates
Address: 61, St Paul Street,
Valletta VLT 1212 - MALTA

Sponsor

Name: Curmi & Partners Ltd
Address: Finance House, Princess Elizabeth Street,
Ta' Xbiex XBX 1102 - MALTA

Manager & Registrar

Name: Bank of Valletta p.l.c.
Address: BOV Centre, Cannon Road,
Santa Venera SVR 9030 - MALTA

As at the date of the Prospectus the advisors named under this sub-heading have no beneficial interest in the share capital of the Issuer or the Guarantors. Additionally, save for the terms of engagement relative to their respective services provided in connection with the preparation of the Prospectus, no material transactions have been entered into by the Issuer or Guarantors with any of the advisors referred to above.

3.4. INDEPENDENT AUDITORS

Name: Ernst & Young Malta Limited
Address: Regional Business Centre, Achille Ferris Street,
Msida MSD 1751 - MALTA

No audited financial statements of the Issuer have been prepared since its incorporation to the date of this Registration Document.

The annual combined financial statements of PML and PHCL as of 31 December 2016 and 31 December 2017, and for the years then ended, have been audited by Ernst & Young Malta Limited, independent auditors, as stated in their reports.

Ernst & Young Malta Limited, with registered office at Regional Business Centre, Achille Ferris Street, Msida MSD 1751, is a limited liability Company registered in Malta with registered number C30252 and is a member firm of Ernst & Young Global Limited.

3.5. INDEPENDENT AUDITORS OF THE GUARANTORS

3.5.1. PML

The annual statutory financial statements of PML as of 31 December 2016 and 31 December 2017, and for the years then ended, have been audited by Ernst & Young Malta Limited, independent auditors, as stated in their reports.

Ernst & Young Malta Limited with registered office at Regional Business Centre, Achille Ferris Street, Msida MSD 1751, is a limited liability Company registered in Malta with registered number C30252 and is a member firm of Ernst & Young Global Limited.

3.5.2. PHCL

The annual statutory financial statements of PHCL as of 31 December 2016 and 31 December 2017, and for the years then ended, have been audited by Ernst & Young LLC, independent auditors, as stated in their reports.

Ernst & Young LLC, with registered office at G1 Building, 5 George Square, Glasgow G2 IDY, United Kingdom, is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

4. INFORMATION ABOUT THE ISSUER, THE GUARANTORS AND THE PHOENICIA GROUP

4.1. INTRODUCTION

4.1.1. THE ISSUER

Full Legal and Commercial Name of the Issuer:	Phoenicia Finance Company p.l.c.
Registered Address:	The Phoenicia Hotel, The Mall, Floriana, Malta
Place of Registration and Domicile:	Malta
Registration Number:	C 88958
Date of Registration:	23 October 2018
Legal Form:	The Issuer is lawfully existing and registered as a public limited liability company in terms of the Act
Telephone Number:	+356 2122 5241
Fax:	+356 2122 4296
Email:	investor.relations@phoeniciamalta.com
Website:	www.phoeniciafinance.com

The Issuer was established on 23 October 2018 as a wholly-owned Subsidiary of PML. The Issuer, which was set up to act as a finance company, has as at the date hereof an authorised and issued share capital of €250,000 divided into 250,000 ordinary shares of €1 each, all fully paid up. The shares in the Issuer are subscribed to and held as indicated in Section 10 of this Registration Document.

The principal object of the Issuer is to carry on the business of a finance company in connection with the ownership, development, operation, and financing of hotels, resorts, leisure facilities, tourism related activities as may from time to time be ancillary or complimentary to the forgoing whether in Malta or overseas. The issue of bonds falls within the objects of the Issuer.

The Issuer's intended purpose is to raise finance for the business of the Phoenicia Group which is carried out through the Guarantors. In this respect, the Issuer is mainly dependent on the business prospects of the Guarantors. The Issuer operates exclusively in and from Malta.

The Issuer has entered into a loan agreement dated 15 November 2018 with PML (the "Inter-Company Loan Agreement") pursuant to which the Issuer agreed to advance to PML the amount of €24,550,000 (the "Inter-Company Loan") from the net proceeds of the Bond Issue. In terms of the Inter-Company Loan Agreement, interest on the principal amount of the loan is payable for the interest period ending on 15 December annually in advance on 30 November of the same year at the rate of 4.76% per annum. The terms and conditions of the Inter-Company Loan are set out in the Inter-Company Loan Agreement which is available for inspection as indicated in Section 14 below.

4.1.2. PML

Full Legal and Commercial Name of PML:	Phoenicia Malta Limited
Registered Address:	The Phoenicia Hotel, The Mall, Floriana, Malta
Place of Registration and Domicile:	Malta
Registration Number:	C 41576

Date of Registration: 8 June 2007
 Legal Form: PML is lawfully existing and registered as a private limited liability company in terms of the Act
 Telephone Number: +356 2122 5241
 Fax: +356 2122 4296
 Email: investor.relations@phoeniciamalta.com
 Website: <https://www.campbellgrayhotels.com/the-phoenicia-malta/>

PML was established on 8 June 2007 as a private limited liability company. It changed its name from ‘Cuffe (Malta) Limited’ to ‘Phoenicia Malta Limited’ on 28 September 2018. PML principally acts as the property holding company of the Phoenicia Group, which holds the Premises over which the Phoenicia Hotel is built under title of perpetual sub-emphyteusis as further detailed in Section 11 (“Material Contracts”). In terms of its memorandum of association, PML is empowered to secure and guarantee any debt, liability, or obligation of any third party.

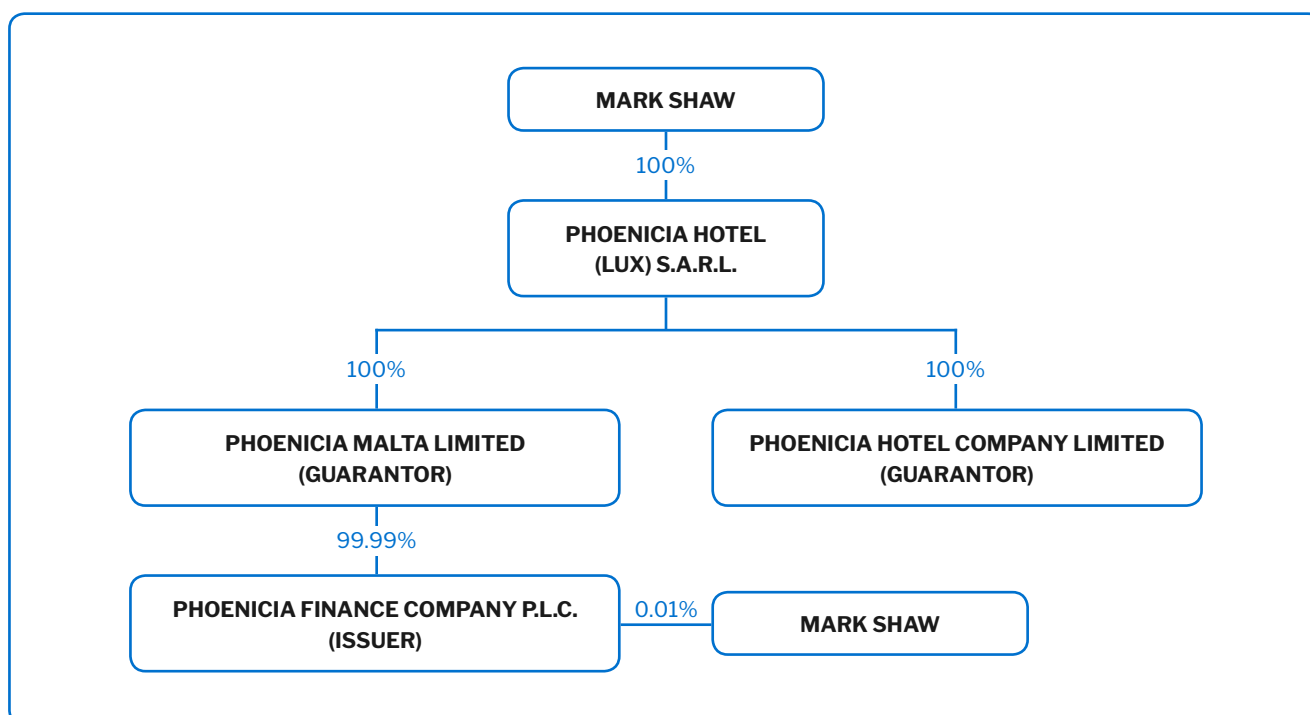
4.1.3. PHCL

Full Legal and Commercial Name of PHCL: Phoenicia Hotel Company Limited
 Registered Address: Eversheds House 70, Great Bridgewater Street, Manchester M1 5ES, United Kingdom
 Registered Address of Malta Branch: The Phoenicia Hotel, The Mall, Floriana, Malta
 Place of Registration and Domicile: United Kingdom
 Registration Number of Malta Branch: OC1 (UK Registration Number: 00305858)
 Date of Registration as an overseas company in Malta: 21 April 1965
 Legal Form: PHCL is lawfully existing and registered as a private limited liability company in terms of the UK Companies Act 2006
 Telephone Number: +356 2122 5241
 Fax: +356 2122 4296
 Email: investor.relations@phoeniciamalta.com
 Website: <https://www.campbellgrayhotels.com/the-phoenicia-malta/>

PHCL was established as a private limited company in the United Kingdom on 10 October 1935 and is operated through a branch which was registered in Malta as an overseas company on 21 April 1965, with registration number OC 1. PHCL changed its name from ‘Malta Hotels Company Limited’ to ‘Phoenicia Hotel Company Limited’ on 31 December 1978. The principal activity of PHCL is the operation of the Phoenicia Hotel. As further detailed in Section 4.4.1 hereunder, PHCL leases the Premises from PML by virtue of a lease agreement dated 05 January 2018. In terms of its memorandum of association, PHCL is empowered to secure and guarantee any debt, liability, or obligation of any third party.

4.2. ORGANISATIONAL STRUCTURE OF THE PHOENICIA GROUP

The diagram below illustrates the structure of the Phoenicia Group and its ultimate ownership and the position within the said group of the Issuer and the Guarantors:



As stated above, the Issuer is a special purpose vehicle set up to act as a financing company for the Phoenicia Group and, it is therefore dependent on the business prospects and operating results of the Guarantors, namely PML and PHCL.

4.3. IMPORTANT EVENTS IN THE DEVELOPMENT OF THE PHOENICIA GROUP'S BUSINESS

The following table sets out highlights of the Phoenicia Group's historical milestones:

YEAR	EVENT
1935	PHCL (previously known as "Malta Hotels Company Limited") was incorporated in the United Kingdom for the purpose of acquiring by emphyteutical title the land over which the Premises was subsequently constructed.
1947	The Phoenicia Hotel celebrated its official opening in 1947.
1961	PHCL granted the Premises on sub-emphyteusis to Ms Agnes Graham.
1965	PHCL was registered as an oversea company in Malta.
1966	Ms Agnes Graham transferred the sub-emphyteusis over the Premises to Holtours Limited.
1997	The Phoenicia Hotel was renamed "Le Méridien Phoenicia".
2007	PML (previously known as Cuffe (Malta) Limited) was incorporated on 8 June 2007, for the purpose of acquiring the sub-emphyteusis over the Premises from Holtours Limited. The Hotel was renamed as "The Phoenicia Malta".
2013	Acquisition of the Phoenicia Group by PHL.
2016	The Phoenicia Hotel was closed for refurbishment in November 2015 up to April 2017.
2017	The Phoenicia Hotel was re-opened for business on 15 April 2017.

4.4. BUSINESS OVERVIEW OF THE PHOENICIA GROUP

4.4.1. PRINCIPAL ACTIVITIES

The business of the Phoenicia Group relates to the ownership, management and operation of the iconic five-star Phoenicia Hotel.

Overview of the Phoenicia Hotel

The Phoenicia Hotel consists of 136 newly refurbished elegant guest rooms, including 8 luxurious suites. The Hotel comprises a wide range of facilities, including three restaurants, two bars, an outdoor heated pool, six meeting/conference rooms and event rooms, a ballroom, a hairdressing salon, and seven-and-a-half-acres of landscaped gardens.

Over the course of the years, the Phoenicia Hotel has undergone numerous enhancement programmes, most recently the extensive restoration and refurbishment project, which commenced in 2016 and is presently in the process of being completed with an estimated investment of circa €29.4 million. The refurbishment project comprises a complete refurbishment of all guest bedrooms and hotel corridors, and replacement of all guest bathrooms, the construction of a new outdoor heated swimming pool, pool deck, and pool building, the restoration of the façade of the Phoenicia Hotel, the addition of balconies to the fourth floor rooms, the soft refurbishing of all public areas on the ground floor, the refurbishment of the grand ballroom, and the replacement of most of the mechanical, electrical, air-conditioning and ventilation infrastructure with new, efficient, and environmentally friendly plant and equipment.

As at the date of this Registration Document, some parts of the refurbishment project are still ongoing, including the building of a new gymnasium, indoor swimming pool and spa facilities completion of which is envisaged to occur in 2019.

Operation of the Phoenicia Hotel

PHCL leases the Premises from PML by virtue of a lease agreement dated 05 January 2018 (the "Lease Agreement"). The Lease Agreement is for a period of one year from 01 January 2018, renewable for a further period/s of one year each up to a maximum period of 15 years in the aggregate. In terms of the Lease Agreement, PHCL currently pays an annual rent of €2,500,000 (excluding VAT) to PML, revisable every three years in accordance with its terms, which rent is due in equal monthly instalments in advance. The Lease Agreement may be terminated by PML in the event that PHCL is in default of any of its material obligations thereunder, including the

payment of any one monthly instalment of rent within 30 days from its due date, and fails to remedy such default within 30 days from receipt of a judicial letter to that effect. The Lease Agreement may be terminated by PML on the following grounds, without prejudice to the right of PML to pursue any right or remedy available to it at law, namely if:

- PHCL fails to pay any instalment of rent when it falls due, remains in default for a period of 30 days, and fails to remedy such default within 30 days from notification of a judicial letter to that effect;
- PHCL assigns, sub-leases, transfers, or makes over the lease (other than by way of a management agreement in favour of a hotel operator);
- PHCL breaches any one of the terms and conditions of the Lease Agreement and remains in default for a period of 30 days from notification of a judicial letter specifying the breach claimed to have taken place and requiring PHCL to rectify the breach;
- PHCL is unable to pay its debts as they fall due, or an order is made or an effective resolution is passed or any similar proceedings are taken for the winding up of PHCL, or any proceedings are taken for a declaration of insolvency in relation to PHCL.

The Lease Agreement may also be terminated by PHCL by giving three months' notice to PML to that effect prior to the expiry of its original term or of any renewed term thereafter.

Accommodation/lodging

The primary source of income of the Phoenicia Hotel is accommodation, with room revenue accounting for circa 68% of total revenue during 2017.

The Phoenicia Hotel has re-opened for business in April 2017.

The Hotel's customer base comprises a mixture of leisure and business guests. Reservations are generated through various channels, including online bookings made on the Hotel official website, global distribution systems, and online travel agents. During the financial year ended 2017, the Hotel achieved a revenue per available room ("RevPAR") of €157 and an occupancy rate of 74%, despite the part-closure of the Hotel from January to mid-April of the same year. In addition, during the financial year ended 2018, the Hotel has already achieved higher room rates, occupancy rates and growth rates than those achieved in the previous year.

In addition, during the period January to July 2018, the Hotel achieved a RevPAR of €178.12 and an occupancy rate of 77% which exceed both comparable metrics for 2017. The directors of PHCL anticipate that the RevPAR and occupancy levels for 2018 will reach €184.53 and 78.7% respectively on the basis of latest management budgets.

Food and beverage operations

Sales of food and beverage are an important revenue stream for the Group, accounting for approximately 18.8% of the Group's total revenues in the year ended 31 December 2017. A large part of this revenue comes from food and beverages sales to conference guests and banqueting. In addition, food and beverage revenues also stem from operations of the restaurants and bars situated within the Hotel, as well as room service.

Conferencing and banqueting

The Phoenicia Hotel's extensive and unique conference rooms and landscaped gardens allow for all types of events, from small meetings to large conferences, weddings and banquets.

Since its re-opening, the Hotel has been a popular venue for weddings, with various location options situated around the Hotel property, including the pool area, the grand ballroom, and the garden, as well as the possibility of hosting banquet style weddings located in one of the Hotel's six event rooms. Further, the Hotel has notably been a popular venue for meetings and corporate events, particularly owing to its well-appointed conference rooms and extensive facilities.

Accordingly, conference and banqueting events have accounted for approximately 11.5% of the Group's revenue in 2017.

Strong distribution networks and memberships

On 14 June 2016, PHCL entered into a hotel management agreement in respect of the Phoenicia Hotel with Campbell Gray Hotel Limited ("CGHL") in terms of which CGHL agreed to assist PHCL in the refurbishment, extension and repositioning of the Phoenicia Hotel, and to operate, market, manage and supervise the Phoenicia Hotel after its re-opening (the "Hotel Management Agreement"). The Hotel Management Agreement was entered into for an initial period of fifteen (15) years from the re-opening of the Premises on 15 April 2017, and is subject to automatic renewal for one or more periods of one year each annually thereafter, unless either party serves notice of non-renewal on the other not less than 3 months before the start of each renewal period. The Hotel Management Agreement includes provisions whereby PHCL may terminate the agreement in the event of CGHL failing to meet certain performance criteria in accordance with the terms and conditions thereof. Furthermore, either party may terminate the Hotel Management Agreement in the event of a default by the other party under the terms and conditions of the said agreement. As further set out in Section 5.1.6, the Group's relationship with CGHL provides the Phoenicia Hotel with access to CGHL's large-scale reservation and distribution system, which allows the Group to benefit from CGHL's extensive operating experience and marketing opportunities.

On 01 December 2015, PHCL entered into a hotel membership agreement (“Hotel Membership Agreement”) with LHW Services GmbH (“LHWS”) whereby the Phoenicia Hotel became a member of “The Leading Hotels of the World”. By virtue of the Hotel Membership Agreement, LHWS provides PHCL with a number of services and a non-exclusive sub-licence to use the trademarks of LHWS in connection with the services provided. The Hotel Membership Agreement was entered into for a period expiring on 30 November 2020 and is subject to automatic renewal for one or more periods of five years each thereafter, unless either party serves notice of non-renewal on the other at least 6 months before the end of its initial term or any renewal term. Furthermore, LHWS may terminate the Hotel Management Agreement in the event of a default by PHCL under the terms and conditions of the said agreement. The Phoenicia Hotel’s membership in “The Leading Hotels of the World” reinforces the Phoenicia Hotel’s position in the luxury accommodation segment on an international level. The Phoenicia Hotel also has access to global loyalty programmes, namely the American Express Travel’s Fine Hotels and Resorts, and is presently the only local hotel to be given this prestigious accolade.

4.4.2. PRINCIPAL MARKETS

The Phoenicia Group operates exclusively in and from Malta.

4.4.3. PRINCIPAL INVESTMENTS

With the exception of any capital costs required up to the completion of the Hotel’s refurbishment, the Phoenicia Group 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 each of the Guarantors.

4.4.4. BUSINESS DEVELOPMENT STRATEGY

The Phoenicia Group’s primary objective is to retain its current position as a leading luxury five-star hotel in the local hospitality sector. The Phoenicia Hotel’s management team aims to achieve the above objective through the implementation of business strategies for growth, which seek to leverage the Group’s existing strengths by:

- maintaining and strengthening its operational efficiency;
- improving occupancy and average room rates;
- driving top line growth;
- continuing to target niche markets in Malta and overseas; and
- continuing to identify itself as a leading, prestigious hotel in Malta.

5. TREND INFORMATION AND FINANCIAL REVIEW

5.1. TREND INFORMATION

5.1.1. MALTA TOURISM INDUSTRY

According to the World Travel and Tourism Council (“WTTC”) – Economic Impact 2018 for Malta, Malta’s tourism industry is estimated to contribute c. 15% of GDP in 2018, and is expected to reach c. 17% of GDP by 2028. According to WTTC, travel and tourism investment in Malta amounted to €255.7 million in 2017, equivalent to 11.2% of the total investment in the Maltese islands. This is expected to grow by 4.4% in 2018, and by c. 4.8% per annum over the next ten years to €426.4 million in 2028.

5.1.2. INBOUND TOURISM

According to the Malta Tourism Authority’s Statistical Report 2018, inbound tourism in Malta has experienced year-on-year records, reaching 2.3 million guests in 2017 and with c. 86.1% of all inbound visitors coming from EU Member States. The majority of tourists (c. 85.2%) visit Malta for leisure purposes, whilst the remaining visitors are evenly split between those visiting for business and other purposes, such as education, religion, or health.

Total tourism expenditure between 2013 and 2017 is estimated by the Malta Tourism Authority at c. €800-€900 per visitor. Although the percentage of tourists visiting for leisure as opposed to business purposes remained stable over the past 10-year period, business tourism spending has experienced an increase, indicating a higher spend by business tourists.

5.1.3. MALTA’S FIVE-STAR HOTEL MARKET

According to the National Statistics Office’s “Collective Accommodation Establishments 2017” release, there are currently 15 five-star hotels spread around Malta and Gozo, with a total of c. 7,000 beds.

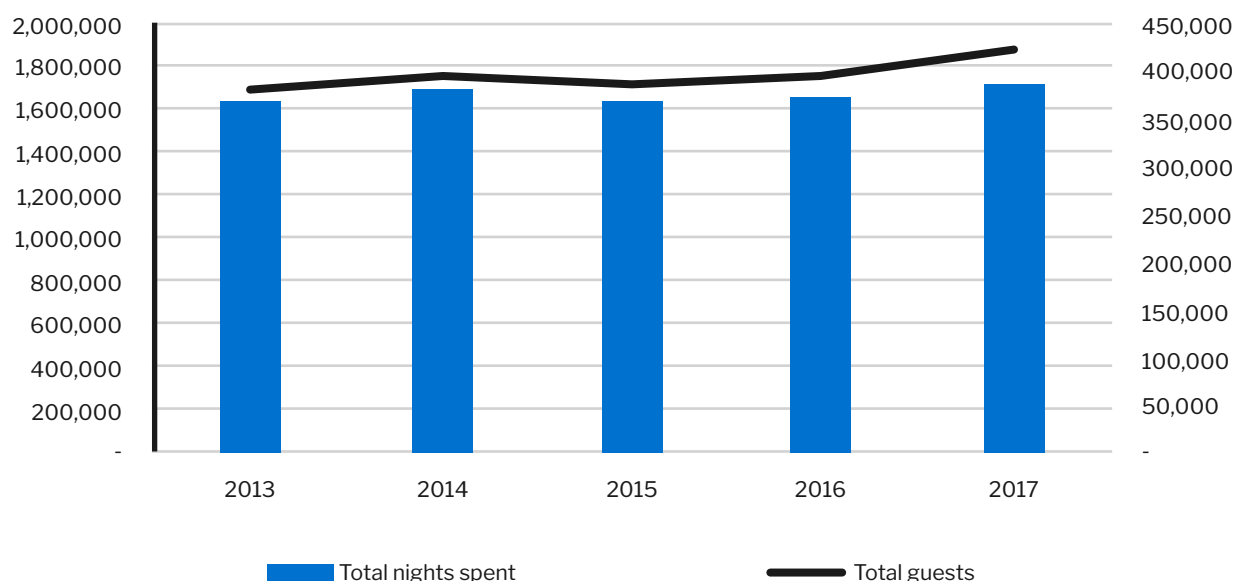
The industry experienced year-on-year increases in the number of total tourists opting to stay at five-star hotels over the past ten years, and these reached c. 421,000 visitors in 2017 (2007: c. 286,000), representing c. 18.5% of total inbound tourists for the year.

INBOUND TOURISM METRICS: 2017

	5* HOTEL	TOTAL TOURIST ACCOMMODATION
Units	15	3,298
Beds	7,284	52,080
Guests	421,514	1,829,534
Nights	1,727,733	9,581,785
Average occupancy rate	69%	65%

NSO: Collective Accommodation Establishments: NR033/2018

5 STAR HOTEL ACCOMMODATION



National Statistics Office: Collective Accommodation Establishments: 2013-2017

5.1.4. THE ISSUER

The Issuer was registered and incorporated on 23 October 2018 and as such 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. The Issuer is dependent on the business prospects of the Guarantors and, therefore, the trend information relating to the Guarantors has a material effect on its financial position and prospects.

5.1.5. PML

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

The ongoing performance of the Hotel and relative food and beverage business is expected to grow further in the coming years. Further, it is also anticipated that the development of the spa and health club will be completed in the first quarter of 2019, which will improve the overall facilities of the Phoenicia Hotel for both guests and visitors.

PML holds the perpetual sub-emphyteusis of the Premises, upon which the Hotel is situated. The Hotel is leased by PML to PHCL pursuant to the Lease Agreement described in Section 4.4.1 above, and revenue is generated through rental income arising from the lease of the Hotel. The contracted level of rental income has been based on the assessment of the directors of PML on current market rates.

The Premises on which the Hotel is built supports further growth potential in terms of room capacity. PML has permits in hand for the further development of 42 rooms in the area of the Premises known as St. John's Ditch.

5.1.6. PHCL

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

As described in Section 4.4.1 above, PHCL manages and operates the Phoenicia Hotel by virtue of the Lease Agreement. Further, PHCL has entered into a Hotel Management Agreement with CGHL in respect of the Hotel. The Phoenicia Hotel is a leading hotel in Malta, which has outperformed the Maltese five-star hotel industry in terms of RevPAR, occupancy levels and average room rates over the last ten years.¹

PHCL registered total revenue of €6.8m in the financial year ended 31 December 2017 (“FY17A”), on the basis of less than nine months of operations during FY17A. The Hotel achieved a higher RevPAR of €157 in FY17A compared to its historical performance driven by a higher average room rate.

The Phoenicia Hotel is situated right at the entrance of Malta’s capital city, Valletta, a UNESCO World Heritage Site and the European City of Culture for 2018. Valletta hosts the Island’s retail, commercial and financial hubs. The city has several building restrictions emanating from the Development Control Design Policy, Guidance and Standards issued by the Planning Authority. In addition, Valletta is classified as an urban conservation area and is subject to various building restrictions due to its status as a UNESCO World Heritage Site.

Apart from development restrictions, there are limited identifiable sites within or on the outskirts of Valletta which enjoy the same footprint as the Phoenicia Hotel and which may be converted easily into a hospitality establishment, which underscores the prime location of the Phoenicia Hotel.

5.2. FINANCIAL REVIEW

5.2.1. THE ISSUER

The Issuer was registered and incorporated on 23 October 2018 as a special purpose vehicle to act as a finance company for the Guarantors and the Phoenicia Group. The Issuer has, to date, not conducted any business, and has no trading record. Accordingly, there were no significant changes to the financial or trading position of the Issuer since incorporation to the date of this Registration Document.

5.2.2. COMBINED FINANCIAL INFORMATION FOR PML AND PHCL

The Group does not have a statutory requirement to prepare consolidated financial statements. This notwithstanding, management prepared combined financial statements for the financial years ended 31 December 2016 and 2017 as general purpose financial statements under International Financial Reporting Standards (“IFRS”) and applied all consolidation procedures under IFRS. The Forecasted Combined Financial information was prepared on the basis of management forecasts for each of the issuer, PML and PHCL standalone, taking into account applicable consolidation adjustments.

5.2.3. BASIS FOR PROFIT FORECASTS/ESTIMATES

PHCL management prepared a budget for the financial year ending 31 December 2018 (“FY18B”) based on partly achieved results in the course of the year to July 2018, together with estimates related to the remainder of the period up to December 2018. PHCL management periodically prepares rolling budgets based on a “bottom up” approach which incorporate backward looking trends and assumptions, adjusted in line with pipeline visibility for room reservations, expected market conditions and seasonality.

The FY18B figures have also been used as a basis for the preparation of a forecast for the financial year ending 31 December 2019 (“FY19F”) which similarly takes into account the current reservations pipeline to the extent possible, as well as other seasonal and market driven movements which are being anticipated by PHCL management. The FY19F projections also assume the completion of the spa and health club which is expected to result in improved performance on ancillary related services of the Hotel.

Both FY18B and FY19F have been prepared on a combined basis in line with the historical combined financial information for the financial years ending 31 December 2015 (“FY15A”) to FY17A for both PML and PHCL.

The combined financial information for FY15A to FY17A have been based on the audited historical results of both PML and PHCL. The annual combined financial statements of PML and PHCL (the “Reporting entity”) as of 31 December 2016 and for 31 December 2017, and for the years then ended, have been audited by Ernst & Young Malta Limited, independent auditors.

Reference is made to the qualified opinion in the Independent Auditor’s report of Ernst & Young Malta Limited (“EY”) in respect of the combined financial statements of PML and PHCL as at 31 December 2016 and 31 December 2017, and for the years then ended. The basis for the foregoing qualified opinion set out in the Independent Auditor’s report 2016 and 2017 is reproduced below in its entirety:

1 Industry metrics for the 5-star hotel industry obtained from the annual MHRA hospitality surveys between 2007 and 2017.

‘2017

As disclosed in note 3.1, the accounting policy of the Reporting entity is to carry its Land and buildings within Property, plant and equipment at the revalued amount with changes recognized in other comprehensive income for the period. As at 31 December 2016, the Reporting entity was undergoing a development project and the carrying value of its Land and buildings was not re-assessed using valuation techniques provided in IFRS 13 Fair Value Measurement which caused us to qualify our auditor’s opinion on the combined financial statements for the year ended 31 December 2016.

As detailed in note 9, the Directors re-assessed the revalued amount of the Land and buildings as at 31 December 2017 based on independent architect valuation resulting in an increase in the revalued amount of EUR45m recognized in other comprehensive income for 2017. Since the opening value of the Land and buildings, affects the determination of the effect of the changes in the revalued amount and depreciation for the year we were unable to determine whether adjustments to the reported changes in revalued amount and depreciation for 2017 as well as to the opening retained earnings, revaluation reserve and Land and building as of 1 January 2017 might be necessary.

2016

As disclosed in note 3.1, the accounting policy of the Reporting entity is to carry its Land and buildings within Property, plant and equipment at the revalued amount with changes recognized in other comprehensive income for the year. As at 31 December 2015 and 2016, the Reporting entity was undergoing a development project and the carrying value of its Land and Buildings was not re-assessed using valuation techniques provided in IFRS 13 Fair Value Measurement.

As detailed in note 9, the Directors had resolved to re-assess the revalued amount upon completion of this development and accordingly, we were unable to determine whether adjustments to the revalued amount, changes thereof and depreciation for 2016 as well as to the opening retained earnings, revaluation reserve, and Land and buildings as of 1 January 2016 might be necessary.”

The key assumptions used in the preparation of the combined financial information for FY18B and FY19F include the following:

FORECAST ITEM	FY18B	FY19F	RISK ASSUMPTIONS
Revenue per available room (“RevPAR”)	PHCL Management expects RevPAR to increase by 17.6% between FY17A and FY18B as a result of market trends in the Maltese hospitality sector, and full room capacity with the Hotel being operational throughout FY18B resulting in overall improved performance over FY17A.	An increase in RevPAR of 12.5% is estimated between FY18B and FY19F, partly driven by the anticipated impact of the spa on operations, and further growth in average room rate (“ARR”).	While RevPAR growth is partly dependent on the decisions and control of PHCL management over the ARR, occupancy levels, which directly affect RevPAR are largely market driven and outside the control of PHCL.
Occupancy rates	PHCL management expects occupancy levels to increase from 74% in FY17A to 79% in FY18B.	PHCL management expects occupancy levels to increase from 79% in FY18B to 82% in FY19F.	Occupancy levels are deemed to be largely market driven and outside of PHCL’s direct control.
Direct labour	Estimated to increase by c. €542,000 in FY18B over FY17A mainly as a result of headcount increases in both the room and catering divisions.	An increase of c. €332,500 is assumed in FY19F over FY18B due to additional full-time equivalent employees in the room division.	PHCL management considers labour expenses to be semi-fixed in nature, and being partly controllable in terms of headcount changes. Average labour costs are considered to be partly influenced by the broader labour market in Malta.
General cost inflation	The overheads for FY18B have been estimated on the basis of FY17A figures, adjusted for a full year operation, and allowing for cost inflation.	A 2% increase in key overheads ² is estimated in FY19F over FY18B to account for ongoing cost inflationary pressures.	Cost inflation is largely considered non-controllable by PHCL.

² Including administrative and general expenses, sales and marketing payroll, sales and marketing expenses, property maintenance, and insurance expenses. LHW contributions, energy expenses and management service fees have been projected on the basis of contractual requirements, and specific cost increase assumptions driven by the level of business activity

FORECAST ITEM	FY18B	FY19F	RISK ASSUMPTIONS
Property valuation	No further property revaluation movements have been assumed up to FY18B, and the overall property value is deemed to remain in line, subject to depreciation charges, as per FY17A.	No further property revaluation movements have been assumed up to FY19F, and the overall property value is deemed to remain in line, subject to depreciation charges, as per FY17A.	The market value of the property is deemed to be largely outside of the control of PHCL.
Additional development	Further development on the spa and health club is contemplated in FY18B. No further room capacity is assumed in FY18B.	While the surrounding site potentially allows further room capacity expansion (besides the ditch development mentioned above), the figures as at FY19F do not contemplate any additional room capacity over current figures. The spa completion is assumed to be operational in the first quarter of FY19F.	Further room capacity development can be considered partly within PHCL control subject to permitting processes, which are exogenous factors.
Debtor days	Management does not grant formal credit terms, and invoices are due upon receipt. In view of this, Management assumed 16 debtor days to allow for receipt and payment of invoices.	Management does not grant formal credit terms, and invoices are due upon receipt. In view of this, Management assumed 16 debtor days to allow for receipt and payment of invoices.	Credit terms are considered within the control of PHCL. However, debtor days are deemed to be largely outside of the control of PHCL.
Creditor days	Management assumed an average of 93 creditor days.	Management assumed 87 creditor days.	Credit terms granted by the suppliers are largely out of the control of PHCL. However, creditor days are deemed to be within PHCL's control.

5.2.4. REVIEW OF SELECTED FINANCIAL INFORMATION

The combined statement of comprehensive income of the Guarantors for FY17A indicates an EBITDA of €0.9m, reflecting the achieved performance based on the Hotel's re-opening in April 2017 with partial room capacity. Nonetheless, the Hotel achieved a RevPAR of €157 in FY17A which represented the highest revenue per available room in the Hotel's history up to 31 December 2017.

Room revenue accounted for 68% of total revenues in FY17A which in turn resulted in a gross contribution of 72%, compared to an overall contribution margin of 48% for all operations.

Operating expenses include administrative costs, sales and marketing, property maintenance and energy related expenses for the year. On the other hand, other fixed charges mainly relate to insurance and management service fees payable to CGHL.

Other comprehensive income in FY17A was largely impacted by the Hotel's revaluation which resulted in an increase in the revalued amount of €45m less a €6.5m deferred tax adjustment on the corresponding increase in the revalued amount.

In FY18B, the Hotel's revenue increased by €6.5m on account of the Hotel operating at full room availability, as well as improved RevPAR and occupancy levels compared to FY17A. This resulted in an improvement in the EBITDA margin to 37.3% in FY18B compared to 13.6% in FY17A. It is also noted that a one-off break free of €3,315,836 payable to Teramy is included in the figures for FY18B. The Hotel's profit before tax prior to the break fee is €0.8m.

PHCL management's figures for FY19F include the forecast performance with the spa and health club & health club service offering. FY19F revenue is expected to increase by €2m as a result of the spa operations, together with further increases in RevPAR and anticipated occupancy rates during the year. The EBITDA margin in FY19F is expected to increase to 39.2%.

The combined forecasted financial information for FY18B and FY19F includes information regarding the estimated future impact of transactions and events that are expected to occur. Actual results may differ materially from the forecast because events and circumstances frequently do not occur as expected.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

CURRENCY: € 000	DERIVED FROM AUDITED		
	FINANCIAL STATEMENTS FY17A	UNAUDITED FY18B	UNAUDITED FY19F
Revenue	6,777	13,245	15,214
Cost of sales	(3,516)	(5,204)	(5,945)
Gross contribution	3,261	8,041	9,269
Operating expenses	(2,001)	(2,542)	(2,713)
Gross operating profit	1,260	5,499	6,556
Other fixed charges	(341)	(552)	(586)
EBITDA	919	4,947	5,970
Depreciation	(1,545)	(2,486)	(2,635)
Interest payable	(1,458)	(5,019)	(1,725)
(Loss) / Profit before tax	(2,084)	(2,558)	1,610
Taxation	2,203	(160)	(748)
Profit / (Loss) after tax	119	(2,718)	862
OTHER COMPREHENSIVE INCOME:			
Revaluation of property, plant and equipment	38,418	-	-
Total comprehensive income for the year	38,537	(2,718)	862

As noted earlier, the combined balance sheet of the Guarantors was largely impacted in FY17A due to the property revaluation which resulted in an increase in the revalued amount of property, plant and equipment, and a corresponding movement in the underlying revaluation reserve.

The Hotel is largely cash intensive with limited scope for customer credit balances. In view of this, the Hotel operated a negative trade working capital position excluding cash. Trade and other payables of €8.6m as at Dec17A also included capital related payables of €2.4m as at that date.

Total borrowings include the Teramy Secured Loan, the Teramy Unsecured Loan (as defined respectively in Sections 11.4 and 11.5 of this Registration Document), and the Hotel's bank facility, with a combined balance of €38.7m including accrued interest as at Dec17A.

The combined balance sheet for Dec18B reflects the Bond Issue, together with related refinancing activities contemplated as part of the Bond Issue. The gearing ratio ³ in FY18B is 59% compared to 52% as at Dec17A and 58% as at Dec19F.

The key assumptions used in the preparation of the Dec18B and Dec19F balance sheets are broadly in line with the historical trends observed by PHCL management.

³ Gearing ratio is computed as total debt (including borrowings, bond proceeds and bank overdrafts) as a percentage of total debt and equity.

COMBINED STATEMENTS OF FINANCIAL POSITION

CURRENCY: € 000	DERIVED FROM AUDITED FINANCIAL STATEMENTS DEC17A	UNAUDITED DEC18B	UNAUDITED DEC19F
ASSETS			
Non-current assets			
Property, plant and equipment	86,726	89,703	87,525
Deferred tax asset	2,203	2,147	1,502
Other receivables	50	-	-
Total non-current assets	88,979	91,850	89,027
Current assets			
Inventories	210	178	204
Trade and other receivables	735	781	896
Cash and short-term deposits	10	2,358	3,269
Total current assets	955	3,317	4,369
TOTAL ASSETS	89,934	95,167	93,396
EQUITY AND LIABILITIES			
Equity			
Issued capital	13	13	13
Deferred shares	839	839	839
Revaluation reserve	34,584	34,627	34,671
Retained earnings	438	(2,222)	(1,300)
Total equity	35,874	33,257	34,223
Non-current liabilities			
Borrowings	36,923	21,870	20,108
10 year 4.15% Bond issue 2018-2028	-	24,550	24,595
Deferred tax liability	6,534	6,432	6,329
Total non-current liabilities	43,457	52,852	51,032
Current liabilities			
Borrowings	1,780	1,706	1,710
Trade and other payables	8,611	7,352	6,431
Bank overdraft	212	-	-
Total current liabilities	10,603	9,058	8,141
Total liabilities	54,060	61,910	59,173
TOTAL EQUITY AND LIABILITIES	89,934	95,167	93,396

The Hotel's closure in 2016 led to a significant decrease in cash and cash equivalents as at Dec17A, which was utilised to cover necessary expenses during the year of refurbishment.

Cash from operating activities were largely driven by the reopening of the Hotel in FY17A, together with increases in the trade and other payables.

The Hotel also incurred cash outflows of €6.2m in FY17A in relation to the refurbishment which were partly financed through additional net facilities of €5.7m.

The cash flows for FY18B reflect the various bond related movements including the refinancing of senior and secured facilities with BOV and Teramy, respectively. PHCL management expects that the Hotel will generate positive operating cash in both FY18B and FY19F, resulting in improving cash balances as at period end.

COMBINED STATEMENTS OF CASH FLOW

CURRENCY: € 000	DERIVED FROM AUDITED		
	FINANCIAL STATEMENTS FY17A	UNAUDITED FY18B	UNAUDITED FY19F
Profit before taxation	(2,084)	(2,558)	1,610
Adjustments:			
Depreciation	1,552	2,486	2,635
Interest expense	1,458	1,703	1,725
Teramy break fee	-	3,316	-
Working capital changes	1,127	453	379
Cash from operating activities	2,053	5,400	6,349
Taxation	(1)	-	(104)
Net cash from operating activities	2,052	5,400	6,245
Investing activities			
Purchase of property, plant and equipment	(6,156)	(5,540)	(1,918)
Net cash used in investing activities	(6,156)	(5,540)	(1,918)
Financing activities			
Proceeds from long-term borrowings	5,714	4,000	-
Proceeds from bond issue	-	25,000	-
Repayment of debt obligations	(10)	(19,583)	(1,721)
Interest paid	(1,103)	(2,951)	(1,695)
Repayment of Teramy break fee	-	(3,316)	-
Bond issue expenses	-	(450)	-
Net cash from / (used) in financing activities	4,601	2,700	(3,416)
Net cash flows for the period	497	2,560	911
Cash at beginning of period	(699)	(202)	2,358
Cash at end of period	(202)	2,358	3,269

6. BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

6.1. THE ISSUER

6.1.1. THE BOARD OF DIRECTORS OF THE ISSUER

The Issuer is currently managed by a board of five Directors entrusted with the overall direction and management of the Issuer. The Board currently consists of two Executive Directors and three Non-Executive Directors. The Board is entrusted with the overall direction and strategy of the Issuer. Its responsibilities include the oversight of the Issuer's internal control procedures and financial performance, and the review of the Issuer's business risks, thus ensuring such risks are adequately identified, evaluated, managed, and minimised. All the Directors have access to independent professional advice at the expense of the Issuer, should they so require. The business address of each Director is the registered office of the Issuer.

The Directors believe that the present organisational structure is adequate for the current activities of the Issuer. The Directors will maintain this structure under continuous review to ensure that it meets changing demands of the business and to strengthen the checks and balances necessary for better corporate governance.

Hereunder is a brief *curriculum vitae* of each of the current Directors of the Issuer:

Mark David Shaw

Mr. Mark D. Shaw, through his shareholding in PHL, acquired PML and PHCL on 01 July 2013. Mr. Shaw has been the driving force behind the refurbishment of the Phoenicia Hotel and has overseen its recent redevelopment and will continue to be fully involved in future phases of the development process of the Hotel. Mr Shaw is an entrepreneur and property developer with extensive experience in development, particularly within the leisure sector in Europe. Mr Shaw is the Chief Executive Officer of Hazledene Group Limited, a development company incorporated in 1998 and based in Edinburgh, which develops commercial and residential properties. The Hazledene Group has a number of residential development sites under its ownership and management, with its most recent venture being the creation of a new town situated at Stratton, Inverness, Scotland, involving the construction of 750 residential units at initial phase, having infrastructure of circa €8 million under construction. At completion stage, it is envisaged that the development will have in excess of 1,500 houses, retail, leisure, school and public health facilities. Mr Shaw became the Chief Executive of Recreation SRL, following his acquisition thereof in 2012, which company owned and operated The Prigelato Village Resort in the Italian Alps. In 2013, the resort was redeveloped and then leased for 15 years to a French listed company and is now Club Med's premier Alpine Village. Following its redevelopment, Mr Shaw sold the resort to HSBC Assurance. Further, Mr Shaw is the sole ultimate owner of The Park Inn by Radisson, located in Aberdeen, Scotland, which opened in 2010 as a 185-bed hotel. The hotel was constructed and completed together with adjoining offices which presently locate two major oil services companies' global headquarters. Mr Shaw is also a director of two Spanish companies that recently purchased over 300 hectares of land near Murcia, for the execution of a large leisure and residential development, which commenced in September 2018. Mr Shaw was also the Chief Executive of Urbicus Limited which managed the purchase and realisation of over €750 million of distressed banking assets in the UK, during the period 2011 to 2018. Urbicus' subsidiary Castle Capital lends development finance to third party developers, and has recently funded two successful hotel developments in Glasgow, Scotland, as well as other commercial projects. Prior to his property development career, Mr Shaw was a professional racing driver, in various categories. He has raced for TWR Arrows F1's Junior Team in British Formula 3, as well as the International and Italian Formula 3000, amongst others. Mr Shaw continues to race historic Formula Junior in the FIA Lurani championship, and has won several races in recent years in both Europe and the USA. Mr Shaw is also a member of the First Minister of Scotland's Sustainable Growth Commission.

Jean Pierre Ellul Castaldi

Mr. Ellul Castaldi has been instrumental in the development of the Phoenicia Hotel over the years. Mr Ellul Castaldi joined the Phoenicia Group in 1978 and became the Deputy Financial Controller thereof in 1985. In 1990, Mr Ellul Castaldi formed part of the Forte Hotels Group pre-opening management team for the Grand Hotel Palazzo della Fonte in Italy and was subsequently promoted to Hotel Financial Controller in 1992. Mr Ellul Castaldi had the role of acting Financial Controller at the Forte Hotel Eden in Rome in 1993, during the hotel's refurbishment and pre-opening period. Following his time in Italy, Mr Ellul Castaldi returned to Malta in 1994 as Director of Finance for Forte Hotels Malta which comprised, inter alia, the Phoenicia Hotel. During the period 1994 until 2003, Mr Ellul Castaldi was involved in various international projects relating to the development of the 'Le Méridien' brand, including projects located in Dubai, Hungary, London, and Paris. During the years 2003 to 2007, Mr Ellul Castaldi was the Malta Area Finance Director for Le Méridien Hotels, and formed part of the management team thereof. Since 2007, Mr Ellul Castaldi has been a director of each PML and PHCL and is the Director of Finance for the Phoenicia Hotel. Mr Ellul Castaldi is an associate member of the Hospitality Finance, Revenue and IT Professionals, and a member of the Malta Institute of Management.

Mario P. Galea

Mr. Mario P. Galea is a certified public accountant and auditor holding a warrant to practice both as an accountant and an auditor, currently practising as a consultant providing oversight and advisory services to businesses and corporations. Mr Galea serves on the board of directors of various companies in the financial and commercial sectors, including regulated companies, namely BNF Bank p.l.c (C 41030), GlobalCapital Life Insurance Limited (C 29086), GlobalCapital Health Insurance Agency Limited (C 6393) and Reed Insurance Limited (C 38345). Mr Galea also sits on the board of directors of a number of listed companies in Malta, namely Mediterranean Investments Holding p.l.c (C 37513), Corinthia Finance p.l.c. (C 25104) Santumas Shareholdings p.l.c. (C 35) and Exalco Finance p.l.c. (C 87384) 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. Mr Galea 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.

Benjamin Muscat

Mr. Benjamin Muscat is a Certified Public Accountant by profession (Fellow of the Association of Chartered and Certified Accountants – FCCA) with a long career in finance and management at senior executive positions. He has worked in various industry sectors, including switchgear manufacturing, food production, beer and soft drink brewing and production and bottling, international fast food

franchising, hospitality and timeshare, construction and real estate development, including marketing and selling luxury condominiums. In his capacity as Chief Executive Officer of MIDI plc, a Maltese listed company, Mr Muscat was key in the development of the Tigne' Point Project. Mr Muscat was also instrumental in the promotion of the re-generation of part of Malta's historical Grand Harbour, including the development of a cruise ship porting facility locally known as the Valletta Waterfront project. He also has extensive experience in raising project specific funding via banking facilities, third party investment, private placements, and issue of equity and debt instruments through retail offers subsequently listed on the Malta Stock Exchange. Mr Muscat is a founder council member of the Junior Achievement (Young Enterprise) Malta Foundation (JA-YE Malta), the local affiliate of an international voluntary and non-profit organisation which seeks to inspire and equip young people to learn and succeed through enterprise. Today Mr Muscat provides professional services as a freelance consultant and independent directorship services.

Etienne Borg Cardona

Mr. Etienne Borg Cardona is a certified public accountant and auditor by profession and holds a practicing warrant. He initially gained experience in the banking sector and in accountancy and audit practice, followed by a thirty-year career in leadership positions in the private sector. In this role he was active on corporate boards and board committees responsible for governance, investment portfolio management, mergers and acquisitions, joint ventures and projects. Currently he is the founding partner of Capital Advisory Limited, an independent consulting firm, and advises on corporate finance and financial management, business optimisation and company turnarounds, and corporate governance. Mr. Borg Cardona sits on the boards of a number of local and international companies in a non-executive capacity. Further, he serves on the board of directors of various companies in the financial and commercial sectors, including regulated and listed companies, namely Gasan Finance plc (C 16435), Main Street Complex plc (C 34767), APS Funds SICAV plc (SV 78), and Calamatta Cuschieri Finance plc (C 85280). Mr. Borg Cardona is an elected council member of the Malta Institute of Accountants, and a member of the Malta Chamber of Commerce, Enterprise and Industry's SME and Family Business Committee. A Fellow of the Chartered Association of Certified Accountants and the Malta Institute of Accountants, he holds a Masters' degree in Financial Services from the University of Malta and is currently reading a PhD in Leadership and Management at Cranfield Business School, Cranfield University, UK, specialising in corporate strategic leadership. He currently lectures at the University of Malta in the departments of accountancy, management and public policy within the Faculty of Economics, Management and Accountancy. He also lectures mature students on the history of finance, commerce and money in modern economies at the University of Malta's Centre for Liberal Arts and Sciences, and is a visiting lecturer at Cranfield Business School, Cranfield University, UK.

6.1.2. EMPLOYEES

As at the date of this Prospectus, the Issuer has no employees and is, therefore, reliant on the resources which are made available to it by other Group entities. As at 31 December 2017, the average number of persons employed by the Group amounted to 137 employees (2016: 77 employees).

6.2. PML

6.2.1. THE BOARD OF DIRECTORS OF PML

PML is managed by a board of directors, consisting of two directors, that is entrusted with responsibility for the direction and management of PML within the strategic parameters established by the board. The business address of each director of PML is the registered office of PML.

As at the date of this Registration Document, Mr. Mark D. Shaw and Mr. Jean Pierre Ellul Castaldi are the directors of PML. The *curriculum vitae* of each of the directors is included in Section 6.1.1 above.

6.3. PHCL

6.3.1. THE BOARD OF DIRECTORS OF PHCL

PHCL is managed by a board of directors, consisting of two directors, that is entrusted with the responsibility of the direction and management of PHCL within the strategic parameters established by the board. The business address of each director of PHCL is the registered office of PHCL.

As at the date of this Registration Document, Mr. Mark D. Shaw and Mr. Jean Pierre Ellul Castaldi are the directors of PHCL. The *curriculum vitae* of each of the directors is included in Section 6.1.1 above.

6.4. PHOENICIA GROUP MANAGEMENT STRUCTURE

6.4.1. GENERAL

The day-to-day management of the Phoenicia Group is entrusted to an executive management team (the "Executive Management Team"), which has extensive experience in the hotel sector and general commercial practice. The Executive Management Team comprises Mr Jean Pierre Ellul Castaldi and the other members of the senior management team listed in Section 6.4.2 below.

6.4.2. OTHER SENIOR MANAGEMENT

Charles Azzopardi	Phoenicia Hotel General Manager
Thomas Agius Ferrante	Phoenicia Hotel Manager

A brief *curriculum vitae* of Mr Charles Azzopardi and Mr Thomas Agius Ferrante is provided hereunder:

Mr Charles Azzopardi

Mr Azzopardi joined the Phoenicia Group in 1994, where he initially assumed the role of director of sales and marketing. Mr Azzopardi obtained a bachelors degree in Business Management in 1983, and over the years has held various management positions in the hospitality industry in Malta. Mr Azzopardi was appointed as the Hotel's General Manager in 2008, with overall responsibility for the operations of the Hotel.

Mr Thomas Agius Ferrante

Mr Agius Ferrante joined the Phoenicia Group in 2016 as the Hotel Manager. In 2007, Mr Agius Ferrante obtained a diploma in Hospitality Management from the Institute of Tourism Studies in Malta, and since then has held numerous management positions in the hotel and catering industries, both in Malta and overseas. During his time in London, Mr Agius Ferrante held managerial roles at two luxury five-star hotels, being promoted to Food and Beverage Operations Manager at one of the said hotels, where he was responsible for overseeing the strategic management of the food and beverage division. In 2011, Mr Agius Ferrante was the winner of the prestigious "HR in Hospitality Award for Leadership", awarded by HR in Hospitality (a UK Association for human resources professionals and other interested parties within the hospitality industry).

6.5. CONFLICTS OF INTEREST

As at the date of this Registration Document, in addition to being a director of the Issuer, Mr Mark D. Shaw is also a director of the Guarantors and PHL. Furthermore, Mr Mark D. Shaw is the controlling ultimate beneficial owner of the Phoenicia Group.

Mr Jean Pierre Ellul Castaldi is also a director of the Guarantors.

In view of the above, such directors are susceptible to conflicts between the potentially diverging interests of the Issuer and the Guarantors, as the case may be, in transactions entered into, or proposed to be entered into, between them. The Audit Committee of the Issuer has the task of ensuring that any potential conflicts of interest that may arise at any moment pursuant to these different roles held by the Directors are handled in the best interest of the Issuer and according to law. The fact that the Audit Committee is constituted in its majority by independent, non-executive Directors provides an effective measure to ensure that transactions vetted by the Audit Committee are determined on an arms-length basis.

Additionally, the Audit Committee has been granted express powers to be given access to the financial position of the Issuer, the Guarantors, and all other entities comprising the Phoenicia Group on a periodic basis. In this regard, the Issuer, the Guarantors, and all other entities comprising the Phoenicia Group are to submit to the Audit Committee bi-annual accounts, as well as at least quarterly comparisons of actuals against projections.

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

No private interests or duties unrelated to the Issuer have been disclosed by the members of the Executive Management Team which may or are likely to place any of them in conflict with any interests in, or duties towards, the Issuer.

6.6. DECLARATION

None of the Directors or any of the members of the Executive Management Team have been:

- a. convicted in relation to fraud or fraudulent conduct;
- b. made bankrupt or associated with any liquidation or insolvency caused by action of creditors;
- c. the subject of any official public incrimination or sanction by any statutory or regulatory authority; or
- d. disqualified by a court from acting as director or manager.

7.

BOARD PRACTICES

7.1. COMPLIANCE WITH THE CORPORATE GOVERNANCE REGIME

7.1.1. 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 Bond Issue and pursuant to 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.

In view of the reporting structure adopted by the Code, the Issuer shall, on an annual basis in its annual report, detail the level of the Issuer’s compliance with the principles of the Code, explaining the reasons for non-compliance, if any.

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

Principle 8

The Board considers that the size and operation of the Issuer does not warrant the setting up of nomination and remuneration committees. Given that the Issuer does not have any employees or officers, other than the Directors and the company secretary, it is not considered necessary for the Issuer to maintain a remuneration committee. Also, the Issuer will not be incorporating a nomination committee. Appointments to the Board are determined by the shareholders of the Issuer in accordance with the Issuer’s Memorandum and Articles of Association. The Issuer considers that the members of the Board possess the level of skill, knowledge and experience expected in terms of the Code.

7.1.2. THE GUARANTORS

Since the Guarantors are not public limited companies having securities listed on a regulated market, they are not bound by the provisions of the Code. Notwithstanding, the Audit Committee of the Issuer has been specifically tasked with ensuring that the rules regarding related party transactions carried out with each of the Guarantors are adhered to at all times, as set out in Section 6.5 above.

7.2. AUDIT COMMITTEE

The terms of reference of the Audit Committee of the Issuer consist of *inter alia* its support to the Board in its responsibilities in dealing with issues of risk, control, and governance, and associated assurance. The Board has set formal terms of establishment and the terms of reference of the Audit Committee that establish 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. The Audit Committee, which meets at least four times a year, is a sub-committee of the Board and is directly responsible and accountable to the Board. The Board reserves the right to change the Audit Committee’s terms of reference from time to time.

Succinctly, 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 independent auditors;
- c. facilitating the independence of the external audit process and addressing issues arising from the audit process; and
- d. preserving the company’s assets by understanding the company’s risk environment and determining how to deal with those risks.

Additionally, the Audit Committee has the role and function of considering and evaluating the arm’s length nature of any proposed transactions to be entered into by the Issuer and a related party, given the role and position of the Issuer within the Group, to ensure that the execution of any such transaction is, indeed, at arm’s length and on a sound commercial basis and, ultimately, in the best interests of the Issuer. In this regard, the Audit Committee of the Issuer has the task of ensuring that any potential abuse which may arise in consequence of the foregoing state of affairs is immediately identified and resolved.

All the Directors sitting on the Audit Committee are non-executive. The Audit Committee is presently composed of:

Mario P. Galea	Chairman
Benjamin Muscat	Member
Mark D. Shaw	Member

Mario P. Galea and Benjamin Muscat are independent of the Issuer and the Group. The Audit Committee is chaired by Mario P. Galea. In compliance with the Listing Rules, Mario P. Galea is the independent, non-executive Director who is competent in accounting and/or auditing matters. In his capacity as Chairman of the Audit Committee, Mario P. Galea holds meetings with the executive Directors as necessary to review the Issuer's accounts and operations. The Issuer considers that the members of the Audit Committee have the necessary experience, independence, and standing to hold office as members thereof.

8. HISTORICAL FINANCIAL INFORMATION

8.1. HISTORICAL FINANCIAL INFORMATION OF THE ISSUER

As indicated in Section 5.2.1 of this Registration Document, there is no historical financial information pertaining to the Issuer.

8.2. HISTORICAL FINANCIAL INFORMATION OF THE GUARANTORS

PML – Audited financial statements

PML acts as the property holding company of the Phoenicia Group, and holds the Premises by title of sub-empyteusis.

During FY17A, PML generated revenue of €1.75m and operating profit of €1.74m. Its revenue is generated from rental income from the lease of the Premises to PHCL. There are no third party revenues and all revenue is derived from related parties (principally PHCL). The increase in rental income during FY17A was a result of the lease renewal, which took place during in FY17A as a result of the partial completion of the Hotel's refurbishment, and re-opening for business.

Administrative expenses amounted to c. €14k during FY17A, and these mainly related to the auditor's remuneration, legal and professional fees. The decrease noted from FY16A is due to a decrease in legal and professional fees.

In FY16A, PML recorded a loan waiver of €4m which was granted by Teramy to support the Hotel in meeting its financial covenant requirements with BOV as part of the financing process of the Hotel's refurbishment.

The Issuer commissioned DeMicoli & Associates Architects to undertake a property valuation on the investment property held by PML, in order to revise the fair value as at 31 December 2017. The fair value determined on the basis of this independent valuation was €92m as at 31 December 2017, which also includes the estimated value of the underlying plant and equipment used in the ongoing operation of the Phoenicia Hotel, and which are utilised in the generation of income and the estimated costs to complete the development. The fair value increase attributable to the investment property in the books of PML amounted to €41.1m, resulting in a profit for the year of €34.9m.

PML - STATEMENTS OF COMPREHENSIVE INCOME

CURRENCY: € 000	DERIVED FROM AUDITED FINANCIAL STATEMENTS FY16A	DERIVED FROM AUDITED FINANCIAL STATEMENTS FY17A
Revenue	1,250	1,750
Administrative expenses	(19)	(14)
Operating profit	1,231	1,736
Waiver of loan	4,000	-
Increase in fair value of investment property	-	41,118
Finance costs	(1,100)	(1,412)
Profit before Tax	4,131	41,442
Income tax expense	-	(6,534)
Profit for the year	4,131	34,908

Total Assets as at 31 December 2017 amounted to €82.6m, which mainly related to the revalued investment property carried at €81.7m. The remaining €0.9m mainly related to receivables from related parties (€0.4m) and accrued income (€0.5m) in relation to rental income which had not been billed to related parties at the end of the year. Receivables from related parties are unsecured and interest-free and are payable on demand.

Total equity as at 31 December 2017 amounted to €35.6m, which consisted of the property revaluation reserve and retained earnings.

Interest-bearing loans and borrowings as at 31 December 2017 consisted of a secured loan facility from Teramy (subordinated to BOV) and four other senior facilities with BOV plc in respect of the hotel refurbishment and project development, amounting to €38.3m as at 31 December 2017.

Interest-bearing loans and borrowings as at 31 December 2017 consisted of a secured and unsecured loan facilities from Teramy (as described in Sections 11.4 and 11.5 of this Registration Document) and bank facilities with Bank of Valletta plc in respect of the hotel refurbishment and project development, amounting to €38.3m as at 31 December 2017.

PML - STATEMENTS OF FINANCIAL POSITION

CURRENCY: € 000	DERIVED FROM AUDITED FINANCIAL STATEMENTS DEC16A	DERIVED FROM AUDITED FINANCIAL STATEMENTS DEC17A
ASSETS		
Non-current assets		
Investment property	35,393	81,669
Other receivables	50	50
Total non-current assets	35,443	81,719
Current assets		
Trade and other receivables	-	927
Cash and short-term deposits	2	2
Total Current Assets	2	929
TOTAL ASSETS	35,445	82,648
EQUITY AND LIABILITIES		
Equity		
Issued capital	5	5
Other Reserves	-	34,584
Retained earnings	681	1,005
Total equity	686	35,594
Non-current liabilities		
Interest-bearing loans and borrowings	31,458	36,622
Deferred Tax liability	-	6,534
Total non-current liabilities	31,458	43,156
Current liabilities		
Interest-bearing loans and borrowings	657	1,719
Trade and other payables	2,644	2,179
Total current liabilities	3,301	3,898
Total liabilities	34,759	47,054
TOTAL EQUITY AND LIABILITIES	35,445	82,648

During FY17A PML generated €1.2m in cash from its operating activities. PML had a cash equivalent balance of €2k as at 31 December 2017.

PML - STATEMENTS OF CASH FLOW

CURRENCY: € 000	DERIVED FROM AUDITED FINANCIAL STATEMENTS FY16A	DERIVED FROM AUDITED FINANCIAL STATEMENTS FY17A
Profit before tax	4,131	41,442
Adjustments:		
Waiver of loan payable	(4,000)	-
Finance costs	1,100	1,412
Increase in fair value of immovable property	-	(41,118)
Working capital adjustments:		
Increase/(decrease) in trade and other payables	(378)	14
Increase in trade and other receivables	-	(500)
Income tax paid	(1)	(1)
Net cash flows generated from operating activities	852	1,249
Investing activities		
Purchase of investment property	(13,905)	(5,000)
Advances from related party	-	(1,156)
Net cash flows used in investing activities	(13,905)	(6,156)
Financing activities		
Proceeds from bank loan	19,432	5,714
Repayment of other loans	(4,414)	-
Advances (to)/from) related party	(1,279)	250
Interest paid	(686)	(1,057)
Net cash flows generated from/(used in) financing activities	13,053	4,907
Net movement in cash and cash equivalents	(0)	(0)
Cash and cash equivalents at 1 January	2	2
Cash and cash equivalents at 31 December	2	2

PHCL – Audited financial statements

PHCL leases the Premises from PML, and operates it as the Phoenicia Hotel. During the Hotel's closure, all full-time staff were retained on PHCL's payroll, and therefore staff costs continued to be incurred, as reflected in the financial information presented below.

Total revenue includes revenues from rooms, catering revenue and other ancillary revenue. PHCL generated €6.8m in total revenue during FY17A as a result of less than nine months' worth of operations during FY17A. During FY16A, the Hotel placed its existing reservations into other Hotels due to its closure, registering €348k revenue on net surplus over rebooked rates. During FY17A, the Phoenicia Hotel generated revenue per available room of €157.

Room revenue is the largest revenue segment of the Phoenicia Hotel, which accounted for c. 68% of total revenue in FY17A.

Cost of sales mainly relates to direct labour and direct expenses related to the running of the Phoenicia Hotel. Direct labour relates to the salaries of hotel room and food and beverage departments. Direct expenses relate to room and catering expenses, excluding labour costs. These costs include commissions on reservations, guest amenities, laundry, and food and beverage cost of sales.

Other indirect costs relate to administrative and selling and marketing expenses and mainly entail staff costs, the property lease on the Phoenicia Hotel, depreciation, utilities, and other expenses.

The total cost base of the Hotel (including direct costs), have increased during FY17A as a result of an increase in the number of staff, an increase in the rent of the Hotel, an increase in the management service fees, as well as a general increase in the costs of the Hotel

as a direct result of the re-opening of the Phoenicia Hotel. In addition, given that the Hotel signed a management agreement with CGHL (as defined in Section 4.4.1 of this Registration Document) during FY16A, the Hotel experienced a general one-time increase in its expenses as a direct result of the increase in the standard of guest amenities provided following the re-opening of the Hotel, in order to align with the LHWS standard and to support higher ARR's.

PHCL returned to profitable levels during FY17A, after registering a loss during FY16A, as a direct result of the Hotel closure.

PHCL - STATEMENTS OF COMPREHENSIVE INCOME

CURRENCY: € 000	DERIVED FROM AUDITED FINANCIAL STATEMENTS FY16A	DERIVED FROM AUDITED FINANCIAL STATEMENTS FY17A
Revenue	348	6,777
Cost of sales	(3,224)	(6,607)
Gross Loss/Profit	(2,876)	170
Administrative expenses	(848)	(1,248)
Selling and marketing expenses	(369)	(466)
Operating (loss)/profit	(4,093)	(1,544)
Finance costs	(29)	(46)
(Loss)/ Profit before tax	(4,122)	(1,590)
Income tax (expense)/income	-	2,203
(Loss)/ Profit after tax	(4,122)	613

Total assets as at 31 December 2017 amounted to c. €8.2m, and mainly related to property, plant and equipment (€5.1m) and a deferred tax asset (€2.2m). The increases noted in non-current assets during FY17A relate to additions in plant and machinery of c. €3.8m mainly consisting of plant, machinery and equipment, crockery, utensils and linen and assets under construction. The significant increase in property, plant and equipment to €5.1m in FY17A is mainly due to additions in plant and machinery by €3.8m during FY17A. During FY17A, PHCL recognised a deferred tax asset in relation to unutilised tax losses, and capital allowances in excess of depreciation.

Total equity as at 31 December 2017 amounted to €0.3m after registering negative equity as at 31 December 2016. This was largely a result of a decrease in the negative retained earnings of the business following the Hotel closure.

Total liabilities as at 31 December 2017 amounted to €7.9m, mainly due to an increase in trade and other payables. Trade and other payables include amounts due to related parties of €0.4m (FY16A: nil), which are unsecured and interest free. These amounts are repayable on demand. In addition, trade and other payables also includes accruals of €0.5m (FY16A: nil) relating to the rent expense which was not billed by related parties at the end of the year.

PHCL - STATEMENTS OF FINANCIAL POSITION

CURRENCY: € 000	DERIVED FROM AUDITED FINANCIAL STATEMENTS DEC16A	DERIVED FROM AUDITED FINANCIAL STATEMENTS DEC17A
ASSETS		
Non-current assets		
Property, plant and equipment	1,909	5,057
Deferred tax asset	-	2,203
Total non-current assets	1,909	7,260
Current assets		
Inventories	63	210
Trade and other receivables	831	735
Cash and cash equivalents	2	8
Total current assets	896	953
TOTAL ASSETS	2,805	8,213
EQUITY AND LIABILITIES		
Equity		
Issued capital	8	8
Deferred shares	839	839
Retained earnings	(1,180)	(567)
Total equity	(333)	280
Non-current liabilities		
Interest-bearing loans and borrowings	311	301
Current liabilities		
Trade and other payables	2,065	7,359
Interest-bearing loans and borrowings	60	61
Bank overdraft	702	212
Total current liabilities	2,827	7,632
Total liabilities	3,138	7,933
TOTAL EQUITY AND LIABILITIES	2,805	8,213

PHCL utilised its bank overdraft facilities during FY17A, when it closed off with a bank overdraft of €0.2m (negative cash and cash equivalents). This was largely a result of additional investment in plant and machinery during FY17A, as well as a higher bank overdraft at the beginning of the year. Overall, PHCL generated €0.5m in cash and cash equivalents during the year, mainly from positive operating and financing cash flows.

PHCL - STATEMENTS OF CASH FLOW

CURRENCY: € 000	DERIVED FROM AUDITED FINANCIAL STATEMENTS FY16A	DERIVED FROM AUDITED FINANCIAL STATEMENTS FY17A
(Loss) / profit before tax	(4,122)	(1,590)
Adjustments:		
Depreciation of property, plant and equipment	276	733
Amortisation of deferred income	(6)	(6)
Interest expense	29	46
Working capital adjustments:		
(Increase)/Decrease in trade and other receivables	14	(383)
(Increase)/Decrease in inventory	8	(147)
Increase in trade and other payables	669	2,149
	(3,132)	802
Interest paid	(25)	(46)
Net cash generate/(used in) from operating activities	(3,157)	756
Investing activities		
Purchase of property, plant and equipment	(334)	(1,156)
Advances from/(to) from related party	1,279	(250)
Net cash generated from/ (used in) investing activities	945	(1,406)
Financing activities		
Repayment of borrowings	(55)	(10)
Advances from related party	-	1,156
Net cash used in financing activities	(55)	1,146
Net increase/(decrease) in cash and cash equivalents	(2,267)	496
Cash and cash equivalents at 1 January	1,567	(700)
Cash and cash equivalents at 31 December	(700)	(204)

The historical financial information relating to PML and PHCL for the two years ended 31 December 2016 and 31 December 2017 have been extracted or derived from the annual statutory audited financial statements audited by Ernst & Young Malta Limited and Ernst & Young LLP, independent auditors, respectively, which are available for inspection as set out in Section 14 below. This Section 8.2 should be read along with the other information provided in the annual statutory financial statements and notes thereto.

8.2.1. INDEPENDENT AUDITOR'S REPORT DATED 28 JUNE 2017

Reference is made to the qualified opinion in the independent auditor's report of EY dated 28 June 2017 in respect of PML's financial statements for the year ended 31 December 2016 (the "Independent Auditor's Report 2017").

The basis for the foregoing qualified opinion set out in the Independent Auditor's Report 2017 is reproduced hereunder in its entirety:

"Basis for Qualified Opinion

As at 31 December 2016, the company was undergoing a development project on its Investment Property. As detailed in note 8, the Directors did not update the investment property valuation as at the year end and will update the valuation upon completion of this development. We have not been provided with sufficient evidence of the investment property's fair value".

8.2.2. INDEPENDENT AUDITOR'S REPORT DATED 12 SEPTEMBER 2018

Reference is made to the qualified opinion in the independent auditor's report of EY dated 12 September 2018 in respect of PML's financial statements for the year ended 31 December 2017 (the "Independent Auditor's Report 2018").

The basis for the foregoing qualified opinion set out in the Independent Auditor's Report 2018 is reproduced hereunder in its entirety:

"Basis for Qualified Opinion

As disclosed in note 3.3 the accounting policy of the Company is to carry its investment properties at fair value with changes in fair value being recognized in the Statement of comprehensive income for the period. As at 31 December 2016, the Company was undergoing a development project and the carrying value of its investment property was not re-assessed using valuation techniques provided for in IFRS 13 Fair Value Measurement, which caused us to qualify our auditor's opinion on the financial statements for the year ended 31 December 2016. As detailed in note 8, the Directors re-assessed the fair value of the investment property as at 31 December 2017 based on an independent architect valuation, resulting in the recognition of a fair value gain of EUR41 million in the Statement of comprehensive income for 2017. Since the opening value of the investment property affects the determination of the changes in fair value for the period, we were unable to determine whether adjustments to the reported amounts of fair value gain and profit for the year 2017, as well as to the opening retained earnings and investment property as of 1 January 2017, might be necessary".

8.2.3. FINANCIAL OR TRADING POSITION SINCE 31 DECEMBER 2017

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

Furthermore, the Issuer and the Guarantors hereby confirm that there has been no material change or recent development which could adversely affect potential investors' assessments in respect of the Bonds, other than the information contained and disclosed in the Prospectus.

9. LITIGATION

Save as stated hereunder, there have been no governmental, legal, or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer and/or the Guarantors are aware) during a period covering 12 months prior to the date of the Prospectus which may have, or have had, significant effects on the financial position or profitability of the Issuer and/or the Guarantors.

There is currently no litigation pending against the Guarantors. However, the following judicial letters were filed against PML (previously Cuffe (Malta) Limited) and PHCL respectively:

- a. On 16 October 2017 Mr. Richard Wall of 7, Chemin de Belliere, Vaud 1808, Switzerland, filed a judicial letter before the First Hall Civil Court of Malta against PML. In such letter it was alleged that Mr. Patrick Kelly of 52 Morehampton Road, Dublin, 2, Ireland (who previously held a 16.67% indirect shareholding interest in PML until its acquisition by PHL in 2013) was a creditor of PML in the sum of €332,566 and purported to give notice that he had acquired the said debt by assignment from Mr. Kelly. PML contested Mr. Wall's claims as unfounded at law and in fact and replied to the aforementioned letter by judicial letter on 11 December 2017 rebutting Mr. Wall's allegations in full and denying any liability to Mr. Wall.
- b. On 02 April 2018 Architecture Project ("AP") and Architecture Project Limited ("APL"), filed a judicial letter before the First Hall Civil Court against PHCL. In such letter AP and APL claimed payment of €733,295 for additional services rendered to PHCL under the agreement for the provision of consultancy services dated 23 November 2015. PHCL contested AP's and APL's claim as unfounded at law and in fact and replied to the aforementioned letter by judicial letter on the 16 April 2018, rebutting AP's and APL's allegations in full and claiming payment of damages suffered by PHCL as a result of the delays and additional expense caused by them through their negligence and lack of care in the execution of the services provided by them to PHCL.

There is disagreement between PHCL and Vassallo Builders Limited ("VBL") regarding certain differences between applications for payment made by VBL and amounts that have been certified as due by the engineer under the Works Contract referred to in Section 11.3 below. The process for the submission of applications for payment by VBL to the engineer for certification of amounts due in terms of the Works Contract is presently on-going. PHCL's assessment of costs in respect of the works under the Works Contract is based on the assessment of a professional cost consultancy firm engaged by PHCL since inception of the project. In addition, there is also disagreement regarding claims made by PHCL against VBL relating, principally, to the execution of certain works under the Works Contract. No litigation or arbitration proceedings have been instituted but correspondence has been exchanged and the parties are in discussion on these matters. In the event that the parties are unable to reach an agreement on all or any of these matters, such outstanding matter or matters may eventually be referred to a dispute adjudication board and, or arbitration in terms of the Works Contract.

10.

ADDITIONAL INFORMATION

10.1. MAJOR SHAREHOLDERS AND THE SHARE CAPITAL OF THE ISSUER

The authorised 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 €250,000 divided into 250,000 Ordinary Shares of a nominal value of €1.00 each, being 100 per cent paid up and subscribed for, allotted and taken up by PML, other than one share which is subscribed for, allotted and taken up by Mr Mark D. Shaw.

As at the date of this Registration Document, the shares in PML and PHCL are each wholly owned by PHL, which in turn is beneficially owned by Mr Mark D. Shaw. Accordingly, as set out in Section 10.2.2 below, since the Directors of the Issuer are appointed by means of an ordinary resolution in general meeting, PML has the power to appoint the Directors of the Issuer.

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

There are no classes of shares and 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 any shares during the next financial year, 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 with the rest of the Phoenicia Group and/or with the ultimate shareholders, are retained at arm's length, including, in respect of the Issuer, 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, which is constituted in its totality by non-executive Directors, a majority of whom are independent of the Issuer. The Audit Committee has the task of ensuring that any potential abuse is managed, controlled and resolved in the best interests of the Issuer. The composition of the Board, including the presence of three independent, non-executive Directors, effectively minimises the possibility of any abuse of control by any major shareholder. With particular reference to the relationship between the Issuer and the ultimate shareholders, the Memorandum and Articles of Association of the Issuer require any Director of the Issuer who in any way, whether directly or indirectly, has an interest in a contract, arrangement, transaction or proposal with the Issuer, to declare the nature of his interest to the Board of Directors of the Issuer. Furthermore, said Director shall not be permitted to vote at that meeting in respect of any contract, arrangement, transaction or any other proposal in which he has, either directly or indirectly, a personal material interest.

10.2. MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE ISSUER

10.2.1. OBJECTS

The principal object of the Issuer is to carry on the business of a finance company in connection with the ownership, development, operation, and financing of hotels, resorts, leisure facilities, tourism related activities as may from time to time be ancillary or complimentary to the forgoing whether in Malta or overseas.

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 as set out in Section 14 below.

10.2.2. APPOINTMENT OF DIRECTORS

In terms of the Memorandum and Articles of Association of the Issuer, the Directors shall be appointed by means of an ordinary resolution of the shareholders in general meeting. An election of Directors shall take place every year at the Company's annual general meeting. At each annual general meeting of the Company, all the Directors shall retire from office. A retiring Director shall be eligible for re-election or re-appointment. A Director may, unless he resigns, be removed by an ordinary resolution of the shareholders as provided by Article 140 of the Act.

10.2.3. POWERS OF THE DIRECTORS

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 transact all business of

whatever nature of the Issuer not expressly reserved by the Memorandum and Articles of Association to the shareholders in general meeting or by any provision contained in any law for the time being in force.

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.

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.

10.3. MAJOR SHAREHOLDERS AND SHARE CAPITAL OF THE GUARANTORS

10.3.1. SHARE CAPITAL OF PML

The authorised share capital of PML is €10,000 divided into 9,999 ordinary A shares of a nominal value of €1.00 each and one ordinary B share of a nominal value of €1.00 each.

The issued share capital of PML is €5,000, divided into 4,999 ordinary A shares of €1.00 fully paid-up and held by PHL and one ordinary B share of €1.00 fully-paid up and held by PHL.

Without prejudice to the provisions of the Act and of the memorandum and articles of association of PML relating to the rights of the holders of special classes of shares and to any changes or variation thereof, the shares in issue as well as in any increased capital may be divided into several classes as PML may from time to time determine by extraordinary resolution.

Each ordinary A share shall carry the right to one vote and the right to dividends and to participate in the distribution of assets on winding up and may be pledged by the holder/s thereof. The holders of ordinary A shares shall have the right to appoint directors to the board of directors of PML by simple notice in writing to the company.

Each ordinary B share shall carry the right to one vote but shall not carry the right to receive any dividends or participate in the distribution of assets on winding up and may not be pledged by the holder/s thereof. The holders of ordinary B shares shall not have the right to appoint directors to the Board.

All ordinary shares shall otherwise rank *pari passu* between themselves. Any share in PML may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the company may from time to time by ordinary resolution determine.

An increase or reduction in the authorised share capital shall take place through an extraordinary resolution. PML may by ordinary resolution issue any preference shares up to the amount that is authorised by the memorandum of association of PML. All classes of preference shares shall rank *pari passu* unless otherwise provided by their terms of issue.

10.3.2. SHARE CAPITAL OF PHCL

The authorised share capital of PHCL is £4,000 divided into 16,000 ordinary shares of a nominal value of £0.25 each. The issued share capital of PHCL is £3,600 divided into 14,400 ordinary shares of a nominal value of £0.25 each, being 100 per cent paid up and subscribed for, allotted and taken up by PHL. The Issuer has an authorised and issued deferred share capital of £360,000 divided into 1,440,000 deferred shares of £0.25 each.

There are no classes of shares and each ordinary share confers the right to one vote at general meetings of PHCL. All ordinary shares rank *pari passu* in all respects. Deferred shares are not entitled to dividends and carry no voting rights. On winding up, holders of deferred shares are entitled to repayment of capital, after the capital had been repaid in full to the holders of ordinary shares. Holders of deferred shares are not entitled to participate in any further surplus arising on winding up.

The shares shall be at the disposal of the directors, and they may allot, grant options over, or otherwise deal with or dispose of them to such persons at such time and generally on such terms and conditions as they think proper, subject always to the provisions of the said agreement as to the shares to be allotted in pursuance thereof, but so that no share shall be issued at a discount.

PHCL may, from time to time, by resolution of a general meeting, convert all or any of its paid-up shares into stock, and may from time to time, in like manner, re-convert any such stock into paid-up shares of any denomination.

PHCL may in general meetings increase its capital by the creation of new shares, such aggregate increase to be of such amount and to be divided into shares of such respective amounts as the general meeting resolving upon the creation thereof shall direct. Any shares in such increased capital may have attached thereto such special rights or privileges as the general meeting resolving upon the creation thereto shall direct, or failing such direction, as the directors shall by resolution determine. Any such shares may be issued with a preferential, deferred or qualified right to dividends or in the distribution of assets and with a special or without any right of voting.

PHCL may from time to time by special resolution reduce its share capital.

All or any of the rights or privileges attached to any class of shares forming part of the capital may be effected, modified, dealt with or abrogated in any manner with the sanction of an extraordinary resolution passed at a separate meeting of the members of that class.

10.4. MEMORANDUM AND ARTICLES OF ASSOCIATION OF PML

10.4.1. OBJECTS

The memorandum and articles of association are registered with the Registry of Companies. The main object of PML is to operate and run hotel business including the carrying on of a hospitality business, the operation of restaurants, spas, refreshment rooms, tea rooms, cafes, night clubs, bars and other amenities associated to the hotel business to promote the hospitality industry with travel agents, tour operators, companies and the general public on commercial terms. Clause 3 of the memorandum of association contains the full list of objects of PML.

A copy of the memorandum and articles of association of PML may be inspected during the lifetime of this Registration Document at the registered office of the Issuer as set out in Section 14 below.

10.4.2. APPOINTMENT OF DIRECTORS

At present, in terms of the memorandum and articles of association the board of directors shall consist of not less than one and not more than five directors.

Directors may be appointed by notice in writing to the Company by the holder or holders of ordinary shares in the company holding in the aggregate more than 50% in nominal value of the voting rights in the company.

10.4.3. POWERS OF THE DIRECTORS

The directors are vested with the management of PML and their powers of management and administration emanate directly from the memorandum and articles of association. The directors shall cause minutes to be made in books provided for purposes of all appointments of officers made by the directors, of the name of the directors present at each meeting of the directors and any committee of the directors and of all resolutions and proceedings at all meetings of PML, and of the directors, and of committees of directors.

No director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with PML or on behalf of PML in which any director or person connected with him is in any way interested. A director who is in any way interested shall declare to the other directors the nature of his interest and the profit, gain or advantage accruing to him therefrom at the earliest opportunity.

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

10.5. MEMORANDUM AND ARTICLES OF ASSOCIATION OF PHCL

10.5.1. OBJECTS

The memorandum and articles of association of PHCL are registered with the Registry of Companies. The main object of PHCL is to construct, build and equip hotels, restaurants or other places of refreshment, tennis courts, swimming baths, gardens and all amenities which may conveniently be attached to a hotel, and in particular to do all such acts and things in Malta. Clause 3 of the memorandum of association contains the full list of objects of PHCL.

A copy of the memorandum and articles of association of PHCL may be inspected during the lifetime of this Registration Document at the registered office of the Issuer as set out in Section 14 below.

10.5.2. APPOINTMENT OF DIRECTORS

At present, in terms of the memorandum and articles of association of PHCL, the board shall consist of not less than three and not more than eight directors.

The directors may from time to time appoint any other person to be a director, either to fill a casual vacancy or by way of addition to the board, but so that the maximum number of eight directors shall not be exceeded.

10.5.3. POWERS OF THE DIRECTORS

The directors are vested with the management of PHCL, and their powers of management and administration emanate directly from the memorandum and articles of association. The directors are empowered to act on behalf of PHCL and do such acts as may be exercised and done by PHCL and as are not by these articles required to be exercised or done by PHCL in the general meeting.

No director shall vote as a director in respect of any contract or arrangement in which he shall be interested, and if he does so his vote shall not be counted.

In terms of the memorandum and articles of association, the board of directors may exercise all powers of the company to borrow or raise from time to time for the purpose of the company or secure the payment of such sums as they think fit and may secure repayment or payment of any such sums by mortgage or charge upon all or any of the property or assets of the company, including its uncalled or unpaid capital, or by the issue of debentures or otherwise as they may deem fit.

There are no provisions in PHCL's memorandum and articles of association regulating the retirement or non-retirement of directors over an age limit. However, at the ordinary meeting, one third of the directors for the time being or if their number is not a multiple of three then the number nearest to but not exceeding one-third shall retire from office.

11. MATERIAL CONTRACTS

The following material contracts have been entered into otherwise than in the course of ordinary business by the Guarantors:

11.1. EMPHYTEUTICAL DEEDS

PML acquired the Premises from Holtours Limited by title of perpetual sub-emphyteusis in virtue of a deed in the records of Notary Marco Buttigieg of the 09 August 2007 (the "PML Title Deed"), a copy of which, together with the plan annexed thereto as 'Annex A' (the "Plan") is available for inspection as indicated in Section 14 below. The Premises is subject to an annual perpetual sub-ground rent of €815.28 (formerly Lm350) payable to the Government of Malta (the "Government") on the 15 June in each year in accordance with the deed of grant of perpetual sub-emphyteusis of the Premises in the records of Notary Paul Pullicino dated the 14 March 1961 entered into between PHCL (formerly "The Malta Hotels Company Limited") and Agnes Graham (the "Deed of Grant of Sub-Emphyteusis") a copy of which is also available for inspection as indicated in Section 14 below, and is subject to the terms and conditions of the Deed of Grant of Sub-Emphyteusis.

The Premises consist of the following seven sites/portions of land marked "A-G" on the Plan and five buildings/structures marked "I-V" on the Plan:

- a. "SITE A": The portion of Saint John Glacis outside Valletta limits of Floriana, measuring 112,142 sq. ft. (equivalent to c. 10,418.33 m²) shown coloured red and marked "A" on the Plan, which site includes the Hotel.
- b. "SITE B": the portion of Saint John's Glacis situated outside Valletta limits of Floriana, measuring 128,938 sq. ft. (equivalent to c. 11,978.73 m²) shown coloured red and marked "B" on the Plan;
- c. "SITE C": the portion of Saint John's Ditch situated outside Valletta within the limits of Floriana, measuring 51,900 sq. ft. (equivalent to c. 4,821.67 m²) shown coloured red and marked "C" on the Plan;
- d. "SITE D": the portion of Saint John's Ditch situated outside Valletta limits of Floriana, measuring 31,363 sq. ft. (equivalent to c. 2,913.72 m²) shown coloured red and marked "D" on the Plan;
- e. "SITE E" and "BUILDINGS/STRUCTURES I-V": the portion of Saint John's Ditch situated outside Valletta limits of Floriana, measuring 76,270 sq. ft. (equivalent to c. 7,085.71 m²) shown coloured green and marked "E" on the Plan;
- f. "SITE F": the portion of land at Sa Maison, limits of Floriana, measuring 28,192 sq. ft. (equivalent to c. 2,619.12 m²) shown coloured green and marked "F" on the Plan; and
- g. "SITE G": the portion of land dividing the sites marked "SITE C" and "SITE D" of the Plan and above described, situated outside Valletta limits of Floriana, measuring 3,740 sq. ft. (equivalent to c. 347.46 m²) shown in brown and marked "G" on the Plan.

The perpetual emphyteusis over the Premises is held by PHCL which acquired same from the Government as follows:

- i. in virtue of a deed in the records of Notary Giuseppe Grech dated the 17 August 1938 PHCL (formerly ‘*The Malta Hotels Company Limited*’) acquired SITE A, SITE B, SITE C and SITE D above mentioned by title of temporary emphyteusis for the period of 150 years commencing from the 30 June 1937;
- ii. in virtue of a deed in the records of Notary Carmelo Farrugia dated the 27 June 1939 PHCL acquired SITE E above mentioned by title of temporary emphyteusis for the period of 148 years commencing from the 30 June 1939;
- iii. in virtue of the said deed in the records of Notary Carmelo Farrugia dated the 27 June 1939 PHCL acquired BUILDINGS/STRUCTURES I and II above mentioned by title of temporary emphyteusis for the period of 106 years and 6 months commencing from 01 January 1981;
- iv. in virtue of a deed in the records of Notary Carmelo Farrugia dated the 21 July 1939 PHCL acquired SITE G above mentioned by title of temporary emphyteusis for the period of 148 years commencing from the 30 June 1939;
- v. in virtue of a deed in the records of Notary Carmelo Farrugia dated the 24 October 1947 PHCL acquired BUILDINGS/STRUCTURES marked III, IV and V above mentioned by title of temporary emphyteusis for the period to be reckoned from the 16 January 1946 up to the 29 June 2087;
- vi. in virtue of a deed in the records of Notary Victor Miller dated the 15 June 1960 the temporary emphyteutical concessions of the above mentioned sites and buildings/structures were extended to perpetuity from the date of the expiration of the respective temporary emphyteutical concessions; Furthermore, in virtue of the said deed in the records of Notary Victor Miller dated 15 June 1960, PHCL acquired SITE F by title of perpetual emphyteusis.

The emphyteutical deeds mentioned in paragraphs (i) to (vi) above (the “PHCL Title Deeds”) are available for inspection as set out in Section 14 of this Registration Document.

The emphyteutical concession of all the above mentioned sites and buildings/structures is governed, as from the date of the deed in the records of Notary Victor Miller of 15 June 1960, solely and indivisibly by the conditions mentioned in the said deed (which superseded all conditions stipulated in the deeds above mentioned) and by the provisions of the laws of Malta on emphyteusis.

The conditions imposed on PHCL by the deed in the records of Notary Victor Miller of 15 June 1960 include the conditions summarised hereunder:

- The Premises are to be used by the emphyteuta to carry on business as a first class hotel and restaurant, to carry on ancillary business and to provide amenities in conjunction with the business of a first class hotel and for no other purpose. Accommodation on the ground floor of the Hotel may be let by the emphyteuta to any firm, person or company for the purpose of carrying any such business as aforesaid, provided such business shall only be carried on during such period as the Hotel may be open to receive guests. Any of the amenities to be provided on the Premises as may be in excess of the immediate requirements of the guests for the time being in the Hotel may, from time to time, be hired out provided that the emphyteuta shall at all times retain full and complete control over the said amenities as part of the Hotel business;
- The emphyteuta shall be entitled to lay out gardens and construct tennis courts, squash courts, swimming pools and such other amenities as may be advantageously provided for use in conjunction with the Hotel upon certain sites specified in the said deed, subject to certain building restrictions over other sites specified in the said deed;
- Restrictions on the erection of buildings and/or other structures and/or alterations of existing structures on certain sites designated in the said deed;
- Requirement to develop certain sites and buildings as indicated, and subject to the conditions mentioned, in the said deed;
- Requirement to operate the Hotel for a minimum period of four months in every calendar year, subject to waiver of this condition by the Government upon good cause being shown; Hotel rooms not to fall below accommodation in respect of 125 - 150 guests;
- Requirement to maintain all buildings and permanent works constructed or to be constructed on the Premises in a constant state of good repair according to the laws of Malta governing emphyteusis and to give up the Premises with all improvements thereon in the event of the termination of the emphyteusis for any cause whatsoever;
- Requirement to insure the Premises;
- Requirement to give immediate notice to the Accountant General of any find of local geological, archaeological, antiquarian or artistic importance it may come across on the Premises (any such find becoming the property of the Government);
- Requirement for the whole business and affairs of the emphyteuta, except such formal acts required by the Statutes to be transacted by the registered office in the United Kingdom, to be managed, conducted and carried on by the board of directors from the emphyteuta’s offices in Malta. No meeting of directors or of any committee of directors to be held, under any circumstances, in the United Kingdom and no such meeting or purported meeting held in the United Kingdom shall be valid. All meetings of directors as well as general meetings of the emphyteuta and meeting of classes of shareholders to be held in Malta and not elsewhere;
- Restriction on the assignment by the emphyteuta of its interest under the emphyteusis with respect to a part only (as opposed to the whole) of the Premises, saving the right of the emphyteuta to let the whole or any part of the emphyteutical lands or any building thereon for any purpose within the terms of the emphyteutical concession.

The above summary is not exhaustive and reference is made to the deed in the records of Notary Victor Miller of 15 June 1960, a copy of which is available for inspection as set out in Section 14 of this Registration Document, for a full and complete list of the conditions therein mentioned. In virtue of the same deed, in the event of the breach by PHCL of any of the conditions therein mentioned, the Government of Malta shall be at liberty forthwith to terminate the said emphyteutical concession provided that the forfeiture of the emphyteusis shall not be enforceable before two months' notice shall have been given to PHCL of the Government of Malta's intention to enforce its power of forfeiture and reasonable time given to remedy the default.

11.2. AGREEMENT FOR THE PROVISION OF CONSULTANCY SERVICES WITH ARCHITECTURE PROJECT

On the 23 November 2015, PHCL entered into an Agreement for the provision of consultancy services with Architecture Project (the "Agreement for the Provision of Consultancy Services") whereby PHCL appointed Architecture Project as consultants on the refurbishment project of the Premises. The obligations of PHCL under the Agreement for the Provision of Consultancy Services are guaranteed by PML. The amounts paid and expected to be payable to Architecture Project are included within the estimated investment of the refurbishment project indicated under Section 4.4.1 of this Registration Document.

11.3. WORKS CONTRACT WITH VASSALLO BUILDERS LIMITED

On the 27 November 2015 PHCL entered into an agreement with Vassallo Builders Limited ("VBL") for the execution of works comprising the refurbishment project of the Premises (the "Works Contract"). The obligations of PHCL as the employer under the Works Contract are guaranteed by PML. On 09 April 2018, Architecture Project as the engineer under the Works Contract certified that practical completion of the majority of works regarding the Hotel and the pool area (but excluding the spa and health club) was achieved on 30 November 2017. The amounts paid and expected to be payable to VBL are included within the estimated investment of the refurbishment project indicated under Section 4.4.1 of this Registration Document.

11.4. TERAMY SECURED LOAN

On the 09 August 2007, a loan in the aggregate amount of €21 million was granted by Irish Nationwide Building Society of Dublin, Ireland to PML (prior to the acquisition of PML by PHL in 2013) as to the sum of €16,200,000 to finance the purchase of the Premises including the Phoenicia Hotel and as to the sum of €4,800,000 for the payment of fees, costs, taxes, duties and other expenses in connection with the acquisition as well as for the purpose of renovation works. The said loan was secured, *inter alia*, by a general hypothec on the property of PML and a special hypothec over the Premises for the sum of €21 million and relative interest accruing thereon and a special privilege for the sum of €16,200,000 and relative interest accruing thereon over the Premises.

On the 02 July 2010, the said loan was acquired by National Asset Loan Management Limited, a company incorporated in Ireland as a subsidiary of the National Asset Management Agency (NAMA) of Ireland in terms of Irish law and European Community law by virtue of the NAMA Act.

The said loan including the related security was subsequently assigned and transferred to Teramy pursuant to a deed of assignment of debt with security in the records of Notary Pierre Attard of 28 November 2012 (the "Teramy Secured Loan").

The Teramy Secured Loan was reduced in 2016 by a loan waiver of €4 million by Teramy and a repayment of principal by PML in the sum of €5 million. The Teramy Secured Loan accrued interest at the rate of 5.25% per annum until September 2016 and continues to accrue interest at the rate of 8% per annum thereafter. The Teramy Secured Loan is subordinated to the BOV Bank Facilities and the BOV Loan Facility (as defined in Section 11.6 below).

Subsequently on 30 September 2018 Teramy and PML entered into an amended and restated loan agreement ("Amended and Restated Loan Agreement") in respect of the Teramy Secured Loan by virtue of which the parties confirmed the principal amount of the loan of €12,266,110 and interest accrued thereon of €2,008,281.48 as at 30 September 2018. The Teramy Secured Loan is repayable in full on the 31 December 2033 (the "Final Repayment Date"). The Amended and Restated Loan Agreement provides, *inter alia*, that: (i) interest on the principal sum of the Teramy Secured Loan is payable monthly subject to PML's available free cash flows from its operations following payment of principal and interest on banking facilities, capital creditors, the funding of PML's working capital requirements and fixed asset replacements and subject to any restrictions on permitted payments under PML's banking facilities ("Available Free Cash Flows"); (ii) in the event that PML shall not have Available Free Cash Flows in any interest period the interest calculated and otherwise payable in respect of such interest period shall accrue and be payable in any subsequent interest period in which PML shall have Available Free Cash Flows to pay such accrued interest and any balance of such interest accrued that remains unpaid shall continue to be accrued and payable in any subsequent interest period in which PML shall have Available Free Cash Flows; (iii) any interest accrued but unpaid in respect of any interest period/s as at the Final Repayment Date shall be payable in full on the Final Repayment Date together with the principal sum of the Teramy Secured Loan; and (iv) a break fee of €3,315,836 is payable by PML to Teramy in the event of the pre-payment of the Teramy Secured Loan on or before the 31 March 2019 (which break fee reduces rateably, annually thereafter over the period ending on 31 March 2033, such that no break fee is payable in the event that the Teramy Secured Loan is prepaid in the period between 01 April 2033 and 31 December 2033).

11.5. TERAMY UNSECURED LOAN

On 1 July 2013, Teramy acquired the unsecured advances of €1,662,434 made by certain parties, previously having an indirect shareholding interest in PML until its acquisition by PHL in 2013, to cover working capital requirements and administrative expenses of PML (the “Teramy Unsecured Loan”). The Teramy Unsecured Loan is unsecured, non-interest bearing and has no fixed date of repayment.

11.6. BOV FACILITIES

PML has outstanding bank loan facilities with Bank of Valletta p.l.c. (the “BOV Bank Facilities”) of €24,800,016, as at 31 October 2018, bearing an average interest rate of 2.80% (minimum rate) plus 3 months Euribor per annum. The BOV Bank Facilities are secured by a general hypothec over all the assets of PML, a special hypothec granted by PML over the Premises, and by a general hypothecary guarantee by PHCL, for the sum of €22 million and relative interest accruing thereon, and a special privilege over the Premises for the sum of €16 million and relative interest accruing thereon.

PHCL has outstanding bank loan facilities with Bank of Valletta p.l.c. (the “BOV Loan Facility”) in the principal amount of €311,334, as at 31 October 2018, bearing interest at a rate of 5.80% per annum. The BOV Loan Facility granted to PHCL is secured by a general hypothec over all the assets of PHCL and by a general hypothecary guarantee by PML, for the sum of €600,000 and relative interest accruing thereon. As at 31 October 2018, PHCL also has an unutilised overdraft facility with Bank of Valletta p.l.c. (the “BOV Overdraft Facility”) of €600,000, at an interest rate of 4.65%. The BOV Overdraft Facility granted to PHCL is secured by a general hypothec over all the assets of PHCL for the sum of €600,000 and relative interest accruing thereon.

Save for the above, each of the Issuer and the Guarantors has not entered into any material contracts which are not in the ordinary course of their respective business which could result in any member of the Phoenicia Group being under an obligation or entitlement that is material to the Issuer’s or each Guarantors’ ability to meet its obligations to security holders in respect of the securities being issued pursuant to, and described in, the Securities Note.

12.

PROPERTY VALUATION REPORT

In connection with the issue of the Bonds in accordance with the terms of the Prospectus, the Issuer commissioned DeMicoli & Associates Architects to issue a property valuation report in relation to the Premises owned by the Group and referred to in Section 4.1.1 of this Registration Document.

The following are the details of the said independent valuer:

Name: DeMicoli & Associates Architects
Business address: Capital Business Centre, Entrance A, Level 2, Triq taz-Zwejt, San Gwann SGN 3000, Malta

Listing Rule 7.4.3 provides that a property valuation which is to be included in a prospectus must not be dated (or be effective from) more than 60 days prior to the date of publication of the prospectus in question. Accordingly, the property valuation report referred to herein is dated 29 October 2018. A copy of the property valuation report dated 29 October 2018 and compiled by DeMicoli & Associates Architects in respect to the Premises, the value of which has been estimated at circa €92,000,000, is set out in Annex I to this Registration Document.

13.

THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF ANY INTEREST

Save for the Financial Analysis Summary set out as Annex III to the Securities Note and the architects’ property valuation report referred to in Section 12, the Prospectus does not contain any statement or report attributed to any person as an expert.

The Financial Analysis Summary dated 15 November 2018 has been included in the form and context in which it appears with the authorisation of Curmi & Partners Ltd, that has given and has not withdrawn its consent to the inclusion of its report herein.

The architects' property valuation report dated 29 October 2018, has been included in Annex I of this Registration Document in the form and context in which it appears with the authorisation of DeMicoli & Associates Architects of Capital Business Centre, Entrance A, Level 2, Triq taz-Zwejt, San Gwann SGN 3000, Malta, which has given and has not withdrawn its consent to the inclusion of the said report herein.

Neither of the foregoing experts have any beneficial interest in the Issuer or the Guarantors. The Issuer confirms that the Financial Analysis Summary, the architects' property valuation report, the sourced information contained in Section 5.1.3, and any other information sourced from third parties and contained and referred to in this Prospectus have been accurately reproduced 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.

14.

DOCUMENTS AVAILABLE FOR INSPECTION

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

- a. Memorandum and Articles of Association of the Issuer and the Guarantors;
- b. Audited annual financial statements of PML for the financial years ended 31 December 2016 to 2017;
- c. Audited annual financial statements of PHCL for the financial years ended 31 December 2016 and 2017;
- d. Unaudited combined financial statements of the Guarantors for the financial year ended 31 December 2015;
- e. Audited combined financial statements of the Guarantors for the financial years ended 31 December 2016 and 31 December 2017
- f. Financial Analysis Summary dated 15 November 2018 and prepared by Curmi & Partners Ltd;
- g. The PML Deed, the Deed of Grant of Sub-Emphyteusis and the PHCL title Deeds;
- h. The Guarantee;
- i. The architects' property valuation report dated 29 October 2018 and prepared by DeMicoli & Associates Architects;
- j. The Inter-Company Loan Agreement dated 15 November 2018, entered into between the Issuer and PML;
- k. Forecast and estimates and the Accountant's report thereon; and
- l. Confirmation letter issued by Ernst & Young Malta Limited

The Memorandum and Articles of Association of the Issuer are also available for inspection in electronic form on the Issuer's website www.phoeniciafinance.com



ANNEX

ANNEX I
PROPERTY VALUATION REPORT



DeMicoli & Associates
Architects

Postal Address: Capital Business Centre | Entrance A, Level 2, Triq taz-Zwejt | San Gwann SGN 3000 | Malta
Tel: +356 2138 1500 | **Fax:** +356 2138 1600 | **Email:** info@danda.com.mt | **Website:** www.danda.com.mt

VALUATION OF PROPERTY

ADDRESS:

**THE PHOENICIA HOTEL
THE MALL
FLORIANA
FRN 1478**

VALUE:

PROPERTY AS OF TODAY: €92,000,000



DeMicoli & Associates
Architects

Effective date of Valuation: 29th October 2018

Party Requesting Valuation: Phoenicia Malta Limited

Address of Property Valued:
The Phoenicia Hotel
The Mall
Floriana
FRN 1478

Purpose of Valuation: This valuation is to be used for the purpose of an offer to the public of €25,000,000 bonds.

Object: To value the property comprising The Phoenicia Hotel and its surrounding grounds, held by Phoenicia Malta Limited under title of perpetual sub-emphyteusis (the "Property") including to conduct a site inspection of the Property, taking into account all technical, economic, visual and environment aspects in valuing the Property.

Site inspection date: 4th October 2018

Source of information: The information was supplied to us by the client and their consultants.



DeMicoli & Associates
Architects

Compliance:

We confirm that the independent valuation has been prepared in accordance with the appropriate sections of the Valuation Standards contained in the RICS Valuation – Professional Standards. There has been no departure from the above mentioned standards.

As per MFS listing rule LR7.3, we, the valuers confirm that we are independent from the Phoenixia Finance Company p.l.c.

The Property has been inspected and valued by DeMicoli and Associates, who are qualified for the purpose of the valuation in accordance with the RICS valuation standards. *“Valuers are independent and their work cannot be affected by any side”*.

We have been engaged to provide and independent valuation for the Property based on Market Value. Market Value is defined by RICS Valuation – Professional Standards as:

‘The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.’

Basis of Valuation:

This basis of value describes an exchange between parties that are unconnected and operating freely in the market place and ignores any price distortions caused by special value or synergistic value.



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Basis of Valuation:

The Phoenicia Hotel and grounds are types of asset classes known as “trade related property for existing use” and as such, we have taken into account the future trading potential when assessing the market value excluding goodwill. This means we have reviewed the previous, current and forecast trading performance and taken into account the following in order to arrive at our opinion of market value:

- Land and buildings
- Trade fixtures, fittings, furniture and equipment
- The market’s perception of the trading potential together with an assumed ability to obtain or renew existing licenses, consents and certifications.

In light of the fact that the conversion of the stables and coach house buildings into 42 additional rooms for the hotel has not yet commenced, we will be providing a valuation of the Property in its present state without reference to the completion of the extension.

Tenure:

Following several amendments over the years, the present title is “perpetual sub-emptyeusis of approximately €1,000 per annum, otherwise free and unencumbered, together with all its rights and appurtenances, free of any liabilities, hypothecs, levies, charges, privileges, taxes, servitudes and from any other burden, save for the hypothecary and privileged rights referred to elsewhere in this valuation report. The Property is leased to a related party, Phoenicia Hotel Company Limited. Accordingly, the valuation provided herein is based on the value of the Property with vacant possession.

Location:

The Phoenicia Hotel is located right on the edge of Valletta’s fortified walls and main entrance, bordering Floriana and overlooking the Marsamxett Harbour to the North and the Grand Harbour to the South.



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Architects

Physical Properties:

The Property comprises of land of approximately 40,000 s.m. This area can be zoned as follows:

1. Phoenicia Hotel Building : 1,888 s.m
2. Gardens and Protected Glacis: 30,820 s.m
3. Pool and related facilities: 1,635 s.m
4. Old Stables within St. John's ditch: 1,855 s.m
5. Laundry Building: 1,770 s.m
6. St. Rocco Baths: 2,200 s.m

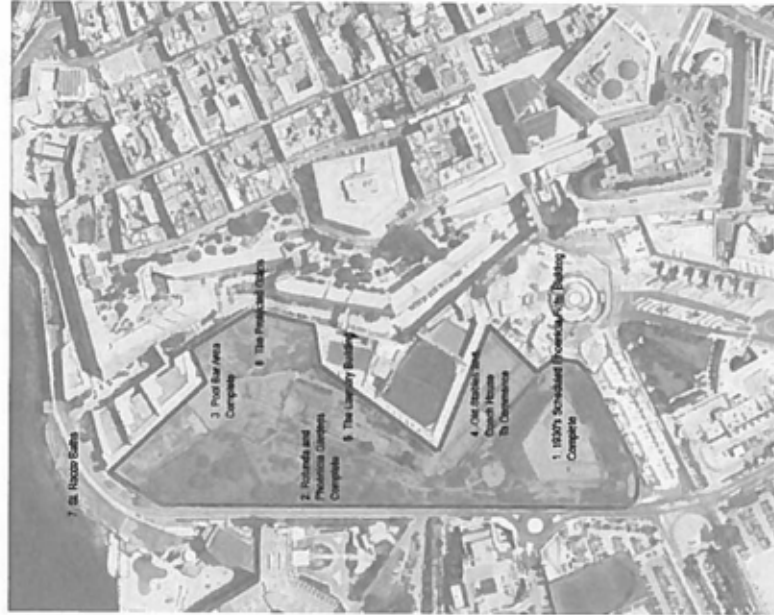
The property is bordered by two roads, namely Vjal Ir-Re Dwardu VII where the property fronts on to, as well as Triq L-Assedju L-Kbir.

We have been provided with numerous documents which include details of the number of bedrooms within the hotel, the different facilities, the amenities, the number of car spaces etc. For the purpose of this valuation we have relied upon this information. If any of this information is later found to be incorrect we may need to amend our opinion of the value.



DeMicoli & Associates
Architects

Property Map:





DeMicoli & Associates
Architects

Company structure:

The ultimate owner is Mr Mark David Shaw who is the Owner of Phoenicia Hotel (Lux) SARL which owns 100% of Phoenicia Malta Ltd and 100% of Phoenicia Hotel Company Ltd.

Zoning and Building Permits:

The location of the Property under consideration is zoned within the "Retention of Existing or more Environmentally Friendly Uses" in the Floriana Inset Map within the Grand Harbour Local Plan published by the Planning Authority.

The construction of the original hotel pre-dates 1967 and therefore assumes a valid permit. We have researched the Planning Authority website for the relevant planning permissions related to The Phoenicia Hotel and found the following:

Case Number	Description of Works	Decision	Decision Date
PA/03270/04	Construction of two ramps to improve accessibility within/into building	Approved	03/08/04
PA/07941/05	Replacement and repairs of damaged balconies	Approved	28/03/06
PA/05816/08	Minor alterations - removal of internal walls/openings/doorways	Approved	21/04/09
PA/05753/09	An extension of bedrooms accompanied by upgrading of existing hotel, the restoration and rehabilitation of nearby stables to accommodate bedrooms as well as upgrading of St. John's Ditch and nearby hotel gardens.	Approved	02/09/2010
PA/02925/15	Renewal of PA/05753/09	Approved	19/11/15
PA/04613/15	Amendments to PA/05753/09 including internal minor alterations and a change of use of structures at roof level form suites to service area.	Approved	23/11/17
PA/02926/15	Demolition of existing pool structures, including the two separate buildings housing pool facilities and construction of a new pool with new facilities integrated with the landscape.	Approved	19/11/15



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Zoning and Building Permits cont:

We are relying on the PA website to determine whether there is an illegality on the site, but please note that the PA website does not list unreported illegalities, apart from the fact that it is not always updated on time, and sometimes it is also inaccurate. With regard to permits therefore, we are basing our information for valuation purposes on the above information, and if this is found to be incorrect at a later stage, we may have to adjust the valuation accordingly.

Description:

The Phoenicia Hotel is located on the borders of Floriana and the entrance to Valletta and partially sits on some of the outer fortifications of the Valletta land front. It is accessed from Triq L'Assedju L-Kbir which connects the roads surrounding the perimeter of Valletta. This area attracts a large number of tourists annually.

The area surrounding the hotel is largely marked on the Local Plan as areas of open space that should be retained. To the North-West of the property there is a cluster of Government offices and The Grand Hotel Excelsior. A short 5 minute walk from the hotel brings you to the entrance of Valletta where a mixture of commercial shops, bars, restaurants and tourist attractions can be found. Located here also, is the main bus terminus providing good connections to the rest of the Island. Located close-by, on the shoreline, there are ferry terminals that connect Valletta to Sliema or The Three Cities.

In recent years tourism accommodation in Valletta has seen a significant increase with the development of several boutique hotels and holiday apartments, with many tourists favouring to stay in the capital. Overall, the hotel is in a favourable location, close to amenities which are frequented by locals and tourists alike.



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Description cont:

The Phoenicia Hotel is an established 5* rated hotel that has been in operation for around 90 years. The site covers over 40,000 s.m and is therefore best divided into zones as shown in the map above.

Due to the location, recently refurbished garden, the pool area and wealth of history this hotel stores, it has been featured on “The Leading Hotels of the World”, a worldwide known website known for its collection of authentic and uncommon luxury hotels.

“its architectural beauty is classed as one of the sights of Malta”

1. The 1930’s Scheduled Phoenicia Hotel Building:

The site’s location gave way to the buildings particular “chevron” shape. The building is constructed over five floors from limestone and a mortar mix of limestone and lime. Floors are comprised of ceramic and marble tiles, carpet and parquet, whilst extensive ironwork is used for balcony and staircase railings, chandeliers, gates etc. and finished with paint or enamel.

In recent years, under PA 02925/15, the hotel underwent extensive renovation and upgrading works, including the extension of rooms. Throughout the interior of the hotel, the grand ballroom, restaurants and lobby area have been refurbished. The hotel’s existing 136 rooms have been upgraded with a fresh classic, modern look and The Phoenicia’s classic façade has been restored. The hotel offers an extensive array of amenities to serve its guests.



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Description cont:



Fig: 1-2 Façade of 1930's Phoenicia Hotel Building





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Description cont:



Fig: 3-5 Façade of 1930's Phoenicia Hotel Building





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Description cont:

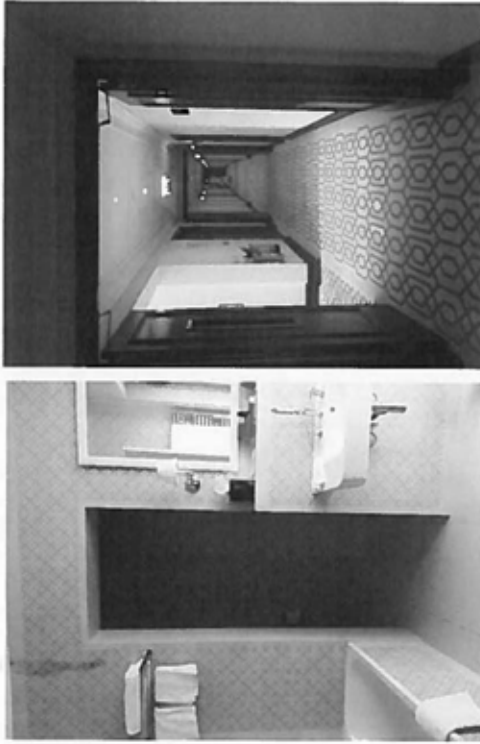


Fig: 6-9 Typical Hotel Suite and Corridor

At ground floor, guests enter into the main entrance roofed with a coffered ceiling reminiscent of local Maltese architecture. To the left one can find the reception and waiting area, well-lit from a skylight above, and ahead an imposing lobby bar.



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Description cont:



Fig: 10 Picture showing waiting area. Figure: 11 Picture showing lobby bar.





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Description cont:

The dining area is located at the back of the property and features a large terrace that overlooks the extensive gardens. At the front of the property there is a bistro restaurant with a terrace overlooking the Triton fountain and City Gate.



Fig: 12-13. Pictures showing dining area at the rear of the property



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Description cont:



Fig: 14-15. Pictures showing Bistro Restaurant and terrace at front of the property.



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Description cont:

At ground floor there is also a large ballroom and entertainment space, with a series of interconnecting rooms that lead onto the gardens at the rear of the property. As part of the upgrading works, new parquet flooring was laid and the AC system was upgraded.

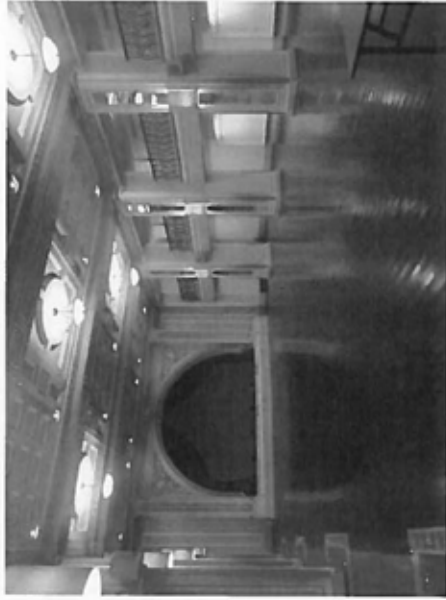


Fig: 16-17. Pictures showing Ballroom and adjoining function space.



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Description cont:

Lastly, at ground floor level there are three large interconnecting conference/meeting rooms that can be hired out.



Fig: 18-20 Conference rooms :



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Description cont:

In the coming months the hotel will also open a new highly finished, state-of-the-art salon and spa.

The Rotunda and Phoenicia Gardens.

The Rotunda and Phoenicia Gardens connect the back of the hotel to the pool area. This 7.5 acre garden has recently been upgraded under PA 02925/15 and provides a great asset for guests of the hotel. This area combined with the pool has also become a very attractive wedding venue.



Fig: 21-22. The Rotunda and Phoenicia Gardens.



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Description cont:

The Pool and Related Facilities

As part of the refurbishment works, PA 02926/15, an infinity pool and terrace has been built at the rear of the site. Flanked on one side by the bastions and on the other by the gardens, the infinity pool enjoys impressive views over the Marsaxmett Harbour. There is also a pool bar serving snacks and drinks.

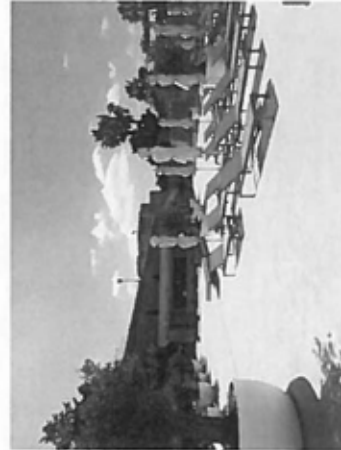


Fig: 23-25 Pool Bar Area



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Description cont:

The Old Stables within St. John's Ditch

Located within the Phoenicia Gardens in the outerwork ditch, to the East of the hotel, are two historic colonial buildings known as the stables and coach house. The ditch has been extensively modified throughout the years and the buildings are condemned and derelict.

Although currently not complete, this area falls under part of the refurbishment and upgrading works under PA 02925/15. It is intended to eventually convert the stables and coach house into 42 new rooms providing additional accommodation as part of the hotel. As at reporting date, the upgrading of the ditch has not yet begun.

At present, the rooms within the 1930's Phoenicia Hotel look down onto this derelict ditch, whilst the ditch is also disconnected from the hotel and garden grounds. As part of the works, a green podium is being proposed, acting as a "belvedere" towards the bastion and providing a bridge to connect these areas and create an efficient operation.



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Description cont:



Fig: 26 Present condition of outerwork ditch to be upgraded#



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Description cont:



Fig: 27 Present condition of outerwork ditch to be upgraded



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Description cont:

Future potential of laundry area:

The area currently known and used as the laundry and dry-cleaning area could be easily converted to accommodate further hotel rooms or duplex suites. The area is currently in a rundown state, but has promising potential to become part of the luxury hotel. It is found between the gardens which lead to the pool area and the bastions.

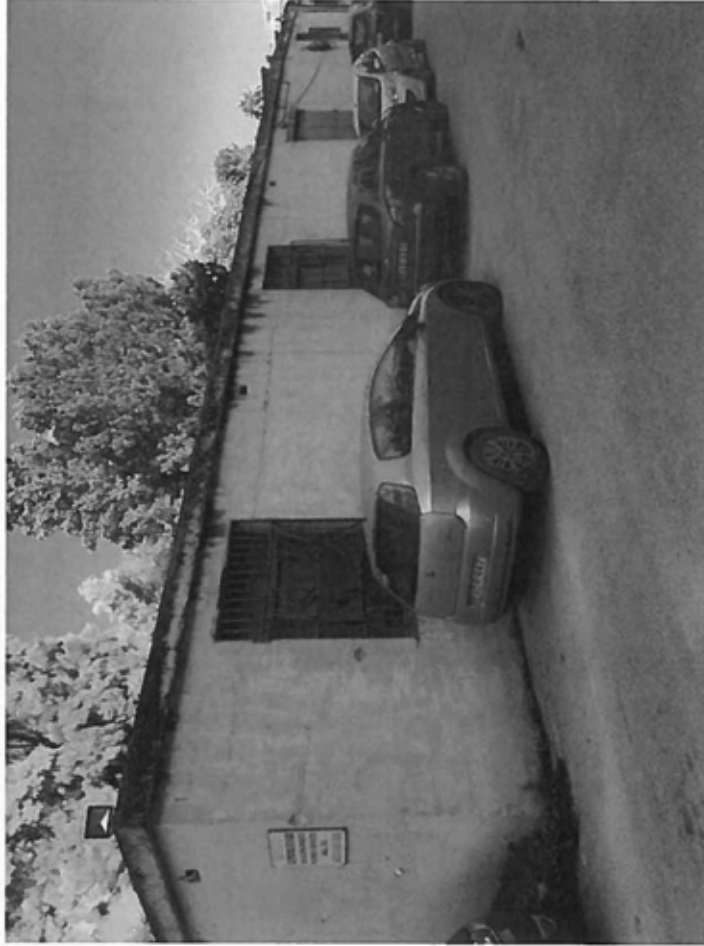


Fig: 28 Present condition of Laundry Area



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Description cont:



Fig: 29 Present condition of Laundry Area



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Services:

We assume that the following services are in place:

- The bedrooms and public areas have air conditioning units
- There is also a stand by generator
- There are numerous gas, heat and fire detectors which are checked and certified each year complying with the necessary regulations
- A sprinkler firefighting system is installed on all floors complying with regulations. In addition, there are numerous fire hoses strategically located, the fire detection units are controlled centrally and there are fire drills taking place in order to comply with health and safety laws.
- The passenger and service lifts are in working condition and certified complying with the necessary regulations.

Assumptions:

We have made the following assumptions in the preparation of our Report:

- The buildings are in a good state of repair;
- There are no defects of any significance;
- All building services and any associated controls or software are in working order and free from defect;
- The properties are not contaminated and no contaminative or potentially contaminative uses have ever been carried out on it;
- There are no abnormal ground conditions present which might adversely affect the present or future occupation, development or value of the property;
- The buildings have been erected in accordance with planning permissions and have the benefit of permanent planning consents or existing use rights for their current use;



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Assumptions cont. :

- The Property complies with all the applicable laws and regulations, including those related to health and safety especially passenger and goods lift which are periodically certified as safe by independent mechanical engineers;
- The property's structure is certified as safe by independent structural engineers;
- We have relied upon sources of information provided to us by Phoenicia Malta Limited and their representatives including the number of rooms within the hotel, the number of car parking spaces etc; and
- All areas quoted within this report are approximate.

Discussion:

As stated above, the valuation method being adopted here is the 'trade related' one. The capital value of the asset is obtained by analysing the recently audited accounts and the projected income, based on the expected room rates for this recently refurbished class of hotel.

Documentation provided by the client stated a range of expected EBIDTA (Earnings Before Interest, Depreciation, Tax and Amortisation). We carried out a test of reasonableness of these values and conservatively, pegged our capitalization to a value slightly higher than the lower figure provided.

It takes into consideration the hotel's particularly favourable and unique location, together with all the ancillary amenities and facilities which attract a reasonably high income to support guests operations.

The tourist climate is good and future trends in the tourist industry for the foreseeable future is assumed to be fairly safe and secure, with potential for future increase in the number of rooms and in occupancy rates resulting from the recent refurbishment.



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Discussion cont.:

The market value being assessed herewith is based on the existing hotel of 136 rooms and amenities, including but not limited to, the broad spectrum of facilities like the ballroom, the swimming pool, the extensive gardens, the spa, the conference rooms, restaurants and bars, room service and all of the amenities usually associated with five star hotels.

Listing rules:

A. Listing Rule 7.4.1.8: “main terms of tenants’ leases or sub-leases (including repairing obligations)”;

Phoenicia Hotel Company Limited (“PHCL”) leases the Premises from Phoenicia Malta Limited (“PML”) by virtue of a lease agreement dated 05 January 2018 (the “Lease Agreement”). The Lease Agreement is for a period of one year from 01 January 2018, renewable for a further period/s of one year each up to a maximum period of fifteen years in the aggregate. In terms of the Lease Agreement, PHCL currently pays an annual rent of €2,500,000 (excluding VAT) to PML, revisable every three years in accordance with its terms, which rent is due in equal monthly instalments in advance. The Lease Agreement may be terminated by PML in the event that PHCL is in default of any of its material obligations thereunder, including the payment of any one monthly instalment of rent within thirty days from its due date, and fails to remedy such default within 30 days from receipt of a judicial letter to that effect. The lease may be terminated by PML on the following grounds, without prejudice to the right of PML to pursue any right or remedy available to it at law, namely if:

- PHCL fails to pay any instalment of rent when it falls due, remains in default for a period of thirty (30) days, and fails to remedy such default within thirty (30) days from notification of a judicial letter to that effect;
- PHCL assigns, sub-leases, transfers, or makes over the lease (other than by way of a management agreement in favour of a hotel operator);



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Listing rules cont.:

- PHCL breaches any one of the terms and conditions of the Lease Agreement and remains in default for a period of thirty (30) days from notification of a judicial letter specifying the breach claimed to have taken place and requiring PHCL to rectify the breach;
- PHCL is unable to pay its debts as they fall due, or an order is made or an effective resolution is passed or any similar proceedings are taken for the winding up of PHCL, or any proceedings are taken for a declaration of insolvency in relation to PHCL.

The Lease Agreement may also be terminated by PHCL by giving three months' notice to PML to that effect prior to the expiry of its original term or of any renewed term thereafter.

B. Listing Rule 7.4.1.11: "terms of any intra-Group lease on Property occupied by the Group (identifying the Properties) to the extent that such leases are taken into account in the valuation":

Kindly refer to above lease agreement.

PHCL and PML are related parties since they are both owned by Phoenicia Hotel (Lux) S.a r.l. Accordingly, the lease referred to above qualifies as an intra-group lease for the purposes of Listing Rule 7.4.1.11.

C. Listing Rule 7.4.1.12: "any other matters which materially affect the value (including any assumptions and information on contamination, if any)":

Refer to assumptions above.



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Listing rules cont.:

D. Listing Rule 7.4.1.14: “details of registered mortgages and privileges and other charges, real rights thereon including details of emphyteutical concessions, easements and other burdens”:

-Info re. Security (i.e. mortgages and privileges and other charges) over the Property:

The borrowings listed below are secured by privileges and hypothecs, and therefore the indebtedness being created by the Bonds, together with other unsecured debt, ranks after all these borrowings. In addition, the Bonds would also rank after any future debts that may be secured by a cause of preference such as a privilege and/or a hypothec.

Facility	Purpose	Counterparty	Date taken	Term (years)	Principal Balance (Jun 18)	Interest Balance (Jun 18)	Secured by
Teramy Secured Loan	Acquisition finance	"Investments S.a r.l. (acquired by assignment on 28 November 2012)"	09 August 2007	26	€12.27m	€1.76m	General Hypothec, Special Hypothec and Special Privilege
Loan facility	Loan granted to Phoenicia Hotel Company Limited for business purposes and secured by Phoenicia Malta Limited	BOV	04 April 2014	10	€0.33m	NIL	Special Hypothec
Loan I	Project development	BOV	09 August 2016	15	€15.47m	€0.11m	General Hypothec, Special Hypothec and Special Privilege
Loan II	Teramy partial payment; part funding of additional development	BOV	09 August 2016	15	€5.87m	€0.04m	General Hypothec and Special Hypothec



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Listing rules cont.:

-Emphyteutical Deeds:

PML acquired the Premises from Holtours Limited by title of perpetual sub-emphyteusis in virtue of a deed in the records of Notary Marco Buttigieg of the 09 August 2007 (the "PML Title Deed"). The Premises is subject to an annual perpetual sub-ground rent of €815.28 (formerly Lm350) payable to the Government of Malta (the "Government") on the 15 June in each year in accordance with the deed of grant of perpetual sub-emphyteusis of the Premises in the records of Notary Paul Pullicino dated the 14 March 1961 entered into between PHCL (formerly The Malta Hotels Company Limited) and Agnes Mary Violet Graham (the "Deed of Grant of Sub-Emphyteusis"), and is subject to the terms and conditions of the Deed of Grant of Sub-Emphyteusis.

The Premises consist of the following seven (7) sites/portions of land marked "A-G" on the Plan and five (5) buildings/structures marked "I-V" on the Plan (**See appendix E for Map**):

- (a) "SITE A": The portion of Saint John Glacis outside Valletta limits of Floriana, measuring 112,142 sq. ft. (equivalent to circa 10,418.33 m²) shown coloured red and marked "A" on the Plan, which site includes the Hotel.
- (b) "SITE B": the portion of Saint John's Glacis situated outside Valletta limits of Floriana, measuring 128,938 sq. ft. (equivalent to circa 11,978.73 m²) shown coloured red and marked "B" on the Plan;
- (c) "SITE C": the portion of Saint John's Ditch situated outside Valletta within the limits of Floriana, measuring 51,900 sq. ft. (equivalent to circa 4,821.67 m²) shown coloured red and marked "C" on the Plan;



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Listing rules cont.:

- (d) "SITE D": the portion of Saint John's Ditch situated outside Valletta limits of Floriana, measuring 31,363 sq. ft. (equivalent to circa 2,913.72 m²) shown coloured red and marked "D" on the Plan;
- (e) "SITE E" and "BUILDINGS/STRUCTURES I-V": the portion of Saint John's Ditch situated outside Valletta limits of Floriana, measuring 76,270 sq. ft. (equivalent to circa 7,085.71 m²) shown coloured green and marked "E" on the Plan;
- (f) "SITE F": the portion of land at Sa Maison, limits of Floriana, measuring 28,192 sq. ft. (equivalent to circa 2,619.12 m²) shown coloured green and marked "F" on the Plan; and
- (g) "SITE G": the portion of land dividing the sites marked "SITE C" and "SITE D" of the Plan and above described, situated outside Valletta limits of Floriana, measuring 3,740 sq. ft. (equivalent to circa 347.46 m²) shown in brown and marked "G" on the Plan.

The perpetual emphyteusis over the Premises is held by PHCL which acquired same from the Government as follows:

- (h) in virtue of a deed in the records of Notary Giuseppe Grech dated the 17 August 1938 PHCL (formerly The Malta Hotels Company Limited) acquired SITE A, SITE B, SITE C and SITE D above mentioned by title of temporary emphyteusis for the period of 150 years commencing from the 30 June 1937;



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Listing rules cont.:

- (ii) in virtue of a deed in the records of Notary Carmelo Farrugia dated the 27 June 1939 PHCL acquired SITE E above mentioned by title of temporary emphyteusis for the period of 148 years commencing from the 30 June 1939;
- (iii) in virtue of the said deed in the records of Notary Carmelo Farrugia dated the 27 June 1939 PHCL acquired BUILDINGS/STRUCTURES I and II above mentioned by title of temporary emphyteusis for the period of 106 years and 6 months commencing from 01 January 1981;
- (iv) in virtue of a deed in the records of Notary Carmelo Farrugia dated the 21 July 1939 PHCL acquired SITE G above mentioned by title of temporary emphyteusis for the period of 148 years commencing from the 30 June 1939;
- (v) in virtue of a deed in the records of Notary Carmelo Farrugia dated the 24 October 1947 PHCL acquired BUILDINGS/STRUCTURES marked III, IV and V above mentioned by title of temporary emphyteusis for the period to be reckoned from the 16 January 1946 up to the 29 June 2087;
- (vi) in virtue of a deed in the records of Notary Victor Miller dated the 15 June 1960 the temporary emphyteutical concessions of the above mentioned sites and buildings/structures were extended to perpetuity from the date of the expiration of the respective temporary emphyteutical concessions; Furthermore, in virtue of the said deed in the records of Notary Victor Miller dated 15 June 1960, PHCL acquired SITE F by title of perpetual emphyteusis.



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Listing rules cont.:

The emphyteutical deeds mentioned in paragraphs (i) to (vi) above are referred to as the “PHCL Title Deeds”.

The emphyteutical concession of all the above mentioned sites and buildings/structures is governed, as from the date of the deed in the records of Notary Victor Miller of 15 June 1960, solely and indivisibly by the conditions mentioned in the said deed (which superceded all conditions stipulated in the deeds above mentioned) and by the provisions of the laws of Malta on emphyteusis.

The conditions imposed on PHCL by the deed in the records of Notary Victor Miller of 15 June 1960 include the conditions summarised hereunder:

- The Property is to be used by the emphyteuta to carry on business as a first class hotel and restaurant, to carry on ancillary business and to provide amenities in conjunction with the business of a first class hotel and for no other purpose. Accommodation on the ground floor of the Hotel may be let by the emphyteuta to any firm, person or company for the purpose of carrying any such business as aforesaid, provided such business shall only be carried on during such period as the Hotel may be open to receive guests. Any of the amenities to be provided on the Property as may be in excess of the immediate requirements of the guests for the time being in the Hotel may, from time to time, be hired out provided that the emphyteuta shall at all times retain full and complete control over the said amenities as part of the Hotel business;
- The emphyteuta shall be entitled to lay out gardens and construct tennis courts, squash courts, swimming pools and such other amenities as may be advantageously provided for use in conjunction with the Hotel upon certain sites specified in the said deed, subject to certain building restrictions over other sites specified in the said deed;



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Listing rules cont.:

- Restrictions on the erection of buildings and, or other structures and, or alterations of existing structures on certain sites designated in the said deed;
- Requirement to develop certain sites and buildings as indicated, and subject to the conditions mentioned, in the said deed;
- Requirement to operate the Hotel for a minimum period of 4 months in every calendar year, subject to waiver of this condition by the Government upon good cause being shown; Hotel rooms not to fall below accommodation in respect of 125 - 150 guests;
- Requirement to maintain all buildings and permanent works constructed or to be constructed on the Property in a constant state of good repair according to the laws of Malta governing emphyteusis and to give up the Property with all improvements thereon in the event of the termination of the emphyteusis for any cause whatsoever;
- Requirement to insure the Property;
- Requirement to give immediate notice to the Accountant General of any kind of local geological, archaeological, antiquarian or artistic importance it may come across on the Property (any such find becoming the property of the Government);
- Requirement for the whole business and affairs of the emphyteuta, except such formal acts required by the Statutes to be transacted by the registered office in the United Kingdom, to be managed, conducted and carried on by the board of directors from the emphyteuta's offices in Malta. No meeting of directors or of any committee of directors to be held, under any circumstances, in the United Kingdom and no such meeting or purported meeting held in the United Kingdom shall be valid. All meetings of directors as well as general meetings of the emphyteuta and meeting of classes of shareholders to be held in Malta and not elsewhere;



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Listing rules cont.:

- Restriction on the assignment by the emphyteuta of its interest under the emphyteusis with respect to a part only (as opposed to the whole) of the Premises, saving the right of the emphyteuta to let the whole or any part of the emphyteutical lands or any building thereon for any purpose within the terms of the emphyteutical concession.

The above summary is not exhaustive and reference is made to the deed in the records of Notary Victor Miller of 15 June 1960, for a full and complete list of the conditions therein mentioned. In virtue of the same deed, in the event of the breach by PHCL of any of the conditions therein mentioned, the Government of Malta shall be at liberty forthwith to terminate the said emphyteutical concession provided that the forfeiture of the emphyteusis shall not be enforceable before two (2) months' notice shall have been given to PHCL of the Government of Malta's intention to enforce its power of forfeiture and reasonable time given to remedy the default.

E. Listing Rule 7.4.3: "be dated and state the effective date of valuation for each Property which, unless otherwise agreed by the Listing Authority, must not be more than sixty (60) days prior to the date of publication of the Prospectus or Circular"

Effective date : 29th October 2018

F. Listing Rule 7.4.7: "where the Directors have required a valuation of the benefit or detriment of contractual arrangements in respect of Property or where there is thought to be benefit in any options held, show such valuations separately and include a reconciliation of the costs and values"

This listing rule is not applicable.



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Listing rules cont.:

G. Listing Rule 7.4.8: “in those cases where Directors or promoters have had an interest in any acquisitions or disposals (of the type referred to in Listing Rule 6.18.6) of any of the Properties during the two (2) years preceding the valuation, contain details of the nature and extent of such interests and the date of the transactions and the prices paid or received or other terms on which the transactions were effected. In such cases, the information required must be provided by the Directors to the valuer for this purpose. Alternatively, the information on interests of Directors or promoters may be given elsewhere in the Prospectus or Circular”.

This listing rule is not applicable.

H. Listing Rule 7.4.9: “identify any other matter which the valuer considers relevant for the purposes of the valuation”

There is currently an approved permit in hand to convert the old stables within ST. Johns Ditch measuring 1,855s.m to be converted into 42 Rooms. Construction of this development has not yet begun, and accordingly the future revenues that the extra 42 rooms may generate has not been calculated and included in this valuation.

There is also the laundry area measuring 1,770s.m that could be converted to further accommodation in the future, however there is no current planning application or permit for the development of further accommodation.



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Other:

We wish to point out that there exists a significant degree of judgement involved in selecting methods and basis for valuation and a significant number of items which may be subjectively considered when arriving at such valuation, including growth in future earnings and related free cash flows. It follows that valuations are not a prediction of price or a guarantee of value and, whilst our valuation is one which we consider to be both reasonable and defensible, others may arrive at a different conclusion. Furthermore, since the projections of free cash flows which underpin the valuation, and the assumptions on which these projections are based relate to the future they may be affected by unforeseen events. The variation between projected and actual results may be material and such variation may materially affect the value of the property.

Unless otherwise specifically stated, the analysis set out in this document takes into account all the information known and made available to us up to 29th October 2018 and is therefore current as at that date.



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Valuation:

In the light of the above, we estimate that the market value on an open market basis as of today is:

€92,000,000
(Ninety Two Million Euro)

Confidentiality:

We have taken all reasonable care to ensure that the information is correct, and to the best of our knowledge is in accordance with the facts as given to us, and contains no omission likely to affect its import.

There are no other matters which we consider as relevant for the purposes of the valuation.


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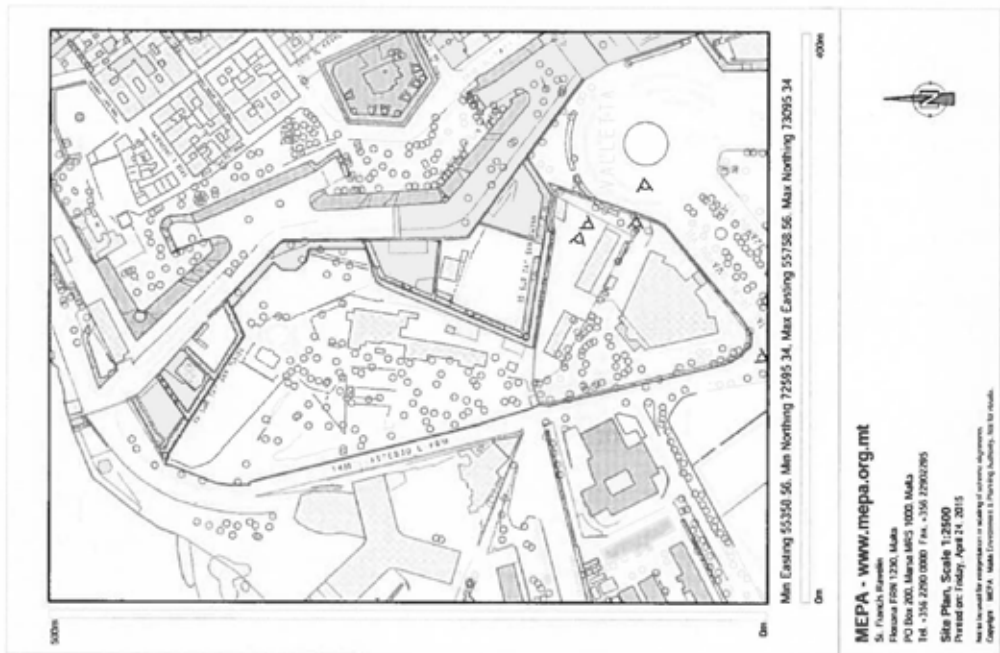
Appendices:

- **Appendix A:**
Site Plan
- **Appendix B:**
Hotel Plans provided by Phoenicia Malta Limited
- **Appendix C:**
Phoenicia Hotel Masterplan and Proposal provided by Phoenicia Malta Limited
- **Appendix D:**
Restoration Method Statement provided by Phoenicia Malta Limited
- **Appendix E:**
Map originally attached to deed of property



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Appendix A: Site Plan



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**- Appendix B:
Hotel Plans provided
by Phoenicia Malta
Limited**



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SECURITIES NOTE

DATED 15 NOVEMBER 2018

This Securities 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. This Securities Note is issued pursuant to the requirements of Listing Rule 4.14 of the Listing Rules and contains information about the Bonds being issued by Phoenicia Finance Company p.l.c. The Listing Authority has approved the admission to listing of the Bonds on the Official List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the admission to listing and trading of the Bonds on its Official List. This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about Phoenicia Finance Company p.l.c.

Issue of €25,000,000 4.15% Unsecured Bonds 2023-2028
of a nominal value of €100 per Bond issued at par

(due 15 December 2028, subject to early redemption at the option of the Issuer
on any Early Redemption Date)
by

PHOENICIA FINANCE COMPANY P.L.C.

a public limited liability company registered in Malta
with company registration number C 88958

with the joint and several Guarantee* of
Phoenicia Malta Limited

a private limited liability company registered in Malta with company registration number C 41576
and

Phoenicia Hotel Company Limited

a private limited liability company registered in the United Kingdom and registered
as an oversea company in Malta with registration number OC1

ISIN: MT0002081207

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

Sponsor

**CURMI &
PARTNERS**

Manager & Registrar

BOV
Bank of Valletta

Legal Counsel

**Refalo &
Zammit Pace**
ADVOCATES

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 OF INVESTING IN THE SAID INSTRUMENT AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENT.

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

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

THESE BONDS ARE COMPLEX FINANCIAL INSTRUMENTS AND MAY NOT BE SUITABLE FOR ALL TYPES OF INVESTORS. A PROSPECTIVE INVESTOR SHOULD NOT INVEST IN THESE BONDS UNLESS: (I) HE/SHE HAS THE NECESSARY KNOWLEDGE AND EXPERIENCE TO UNDERSTAND THE RISKS RELATING TO THIS TYPE OF FINANCIAL INSTRUMENT; (II) THE BONDS MEET THE INVESTMENT OBJECTIVES OF THE PROSPECTIVE INVESTOR; AND (III) THE PROSPECTIVE INVESTOR IS ABLE TO BEAR THE INVESTMENT AND FINANCIAL RISKS RESULTING FROM INVESTING IN THESE BONDS.



IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY PHOENICIA FINANCE COMPANY P.L.C. (THE "ISSUER") OF €25,000,000 UNSECURED BONDS 2023-2028 OF A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 4.15% PER ANNUM PAYABLE ANNUALLY ON 15 DECEMBER OF EACH YEAR UNTIL THE REDEMPTION DATE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON THE REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION OR UNLESS OTHERWISE PREVIOUSLY REDEEMED AT THE OPTION OF THE ISSUER ON ANY OF THE EARLY REDEMPTION DATES (THE "BONDS"). THE BOND ISSUE IS GUARANTEED BY PHOENICIA MALTA LIMITED AND PHOENICIA HOTEL COMPANY LIMITED (THE "GUARANTORS").

AUTHORISED FINANCIAL INTERMEDIARIES MUST UNDERTAKE AN APPROPRIATENESS TEST AND, WHEN PROVIDING ADVICE IN RESPECT OF A PURCHASE OF THE BONDS, A SUITABILITY TEST, ON PROSPECTIVE BONDHOLDERS IN ORDER TO BE SATISFIED THAT THE BONDS ARE A SUITABLE INVESTMENT FOR THE RESPECTIVE CLIENT, PRIOR TO EXECUTING A PURCHASE OF THE BONDS.

THIS SECURITIES NOTE:

- A. CONTAINS INFORMATION ABOUT THE ISSUER, THE GUARANTORS 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 FORMING PART OF THE PROSPECTUS; AND
- B. SETS OUT THE CONTRACTUAL TERMS UNDER WHICH THE BONDS ARE ISSUED BY THE ISSUER AND ACQUIRED BY A BONDHOLDER WHICH TERMS SHALL REMAIN BINDING UNTIL THE REDEMPTION DATE OF THE BONDS UNLESS THEY ARE OTHERWISE CHANGED IN ACCORDANCE WITH THIS SECURITIES NOTE.

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

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

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR BONDS BY ANY PERSON IN ANY JURISDICTION: (I) IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED; OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR (III) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THE PROSPECTUS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND, ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT LEGAL ADVISORS, ACCOUNTANTS AND/OR OTHER FINANCIAL ADVISORS AS TO LEGAL, TAX, INVESTMENT OR ANY OTHER RELATED MATTERS CONCERNING THE BONDS AND THE PROSPECTUS.

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

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

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 4 NOVEMBER 2003 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING OR WHICH, PENDING SUCH

IMPLEMENTATION, APPLIES ARTICLE 3.2 OF SAID DIRECTIVE, THE BONDS CAN ONLY BE OFFERED TO “QUALIFIED INVESTORS” (AS DEFINED IN SAID DIRECTIVE) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF SAID DIRECTIVE.

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

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

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

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

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

ALL THE ADVISORS TO THE ISSUER AND THE GUARANTORS NAMED IN THE PROSPECTUS UNDER THE HEADING “ADVISORS” UNDER SECTION 3.3 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER AND THE GUARANTORS IN RELATION TO THIS ISSUE AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

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



CONTENTS

1	DEFINITIONS	122
2	RISK FACTORS	125
3	PERSONS RESPONSIBLE	127
4	KEY INFORMATION	128
5	INFORMATION CONCERNING THE SECURITIES TO BE ISSUED AND ADMITTED TO TRADING	130
6	TAXATION	136
7	TERMS AND CONDITIONS OF THE BOND ISSUE	138
	ANNEX I - APPLICATION FORM	146
	ANNEX II - GUARANTEE	149
	ANNEX III - FINANCIAL ANALYSIS SUMMARY	153

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

Act	the Companies Act (Cap. 386 of the laws of Malta);
Applicant/s	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
Application/s	the application/s to subscribe for Bonds made by an Applicant/s by completing an Application Form/s and delivering same to any of the Authorised Financial Intermediaries;
Application Form	the form of application of subscription for Bonds, a specimen of which is contained in Annex I of this Securities Note;
Appropriateness Test	shall have the meaning set out in Section 7.2.14 of this Securities Note;
Authorised Financial Intermediaries	the financial intermediaries whose details appear in Section 7.4 of this Securities Note;
Bond(s)	a maximum of €25,000,000 unsecured bonds due on the Redemption Date having a nominal value of €100 per bond bearing interest at a rate of 4.15% per annum and redeemable at their nominal value, as detailed in this Securities Note. The Bonds are guaranteed jointly and severally by PML and PHCL;
Bond Issue	the issue of the Bonds;
Bondholder	a holder of Bonds to be issued by the Issuer in terms of the Prospectus;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
Combined Financial Statements	the financial statements of the Guarantors prepared as general purpose financial statements which comply with the requirements of International Financial Reporting Standards as adopted by the EU. The Guarantors are under common control and they have historically operated as combined entities. The combined financial statements have been drawn up on the basis of the financial statements of PML and PHCL. All significant intercompany accounts and transactions between PML and PHCL have been eliminated in the combined financial statements;
Company or Issuer	Phoenicia Finance Company p.l.c., a public limited liability company registered under the laws of Malta with company registration number C 88958, and having its registered office at The Phoenicia Hotel, The Mall, Floriana, Malta;
CSD	the Central Securities Depository of the Malta Stock Exchange having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063, Malta;
Debt-to-Total Capital Ratio	the ratio of the total Financial Indebtedness to the sum of Total Equity + Financial Indebtedness;
Directors or Board	the directors of the Issuer whose names are set out under the heading “Directors” in Section 3.1 of the Registration Document;

Early Redemption Date	15 December 2023, 15 December 2024, 15 December 2025, 15 December 2026 or 15 December 2027 subject to the Issuer giving the Bondholders at least 60 days' notice in writing;
Euro (€)	the lawful currency of the Republic of Malta;
Financial Analysis Summary	the financial analysis summary prepared by Curmi & Partners Ltd in line with the applicable requirements of the Listing Authority policies and which is intended to summarise the key financial data set out in the Prospectus relating to the Issuer and the Guarantors, a copy of which is set out in Annex III of this Securities Note forming part of the Prospectus;
Financial Indebtedness	shall have the meaning ascribed to the term in Section 5.7 of this Securities Note;
Group or Phoenicia Group	PML, PHCL, the Issuer, and their subsidiaries from time to time;
Guarantee	the joint and several guarantee dated 15 November 2018 granted by the Guarantors as security for the punctual performance of all the obligations undertaken by the Issuer under the Bond Issue. A copy of the Guarantee and description of the nature, scope and terms of the Guarantee are appended to this Securities Note as Annex II thereto;
Guarantors	PML and PHCL, each a Guarantor;
Intercompany Loan Agreement	the intercompany loan agreement dated 15 November 2018, entered into between the Issuer and PML, as further described in Section 4.1.1 of the Registration Document;
Interest Cover Ratio	the ratio of EBITDA to total interest costs for the given period;
Interest Payment Date	15 December of each year between and including each of the years 2019 and the year 2028 (or in the event of early redemption at the option of the Issuer, 15 December of each year between and including each of the years 2019 and the relevant Early Redemption Date), provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Issue Date	expected on 12 December 2018;
Listing Authority	the Board of Governors of the Malta Financial Services Authority, appointed as the Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
Listing Rules	the listing rules issued by the Listing Authority, as may be amended from time to time;
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Manager and Registrar	Bank of Valletta p.l.c., a company registered under the Laws of Malta with company registration number C 2833 and having its registered office at 58, Zachary Street, Valletta VLT 1130, Malta;
MiFIR	Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments;
Offer Period	the period between 26 November 2018 and 28 November 2018, during which the Bonds are on offer;
Official List	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
Phoenicia Hotel or Hotel	the hotel operating as "The Phoenicia Malta", which is operated by PHCL in terms of a lease agreement with PML, as fully described in Section 4.4.1 of the Registration Document;

PHCL	Phoenicia Hotel Company Limited, a private limited liability company registered in the United Kingdom, having its registered office at Eversheds House 70, Great Bridgewater Street, Manchester M1 5ES, United Kingdom, and registered as an overseas company in Malta with registration number OC1;
PHL	Phoenicia Hotel (Lux) S.à r.l., a company registered in Luxembourg, with registration number B178459, and having its registered address at 6, rue Eugène Ruppert, Luxembourg 2453, Luxembourg;
PML	Phoenicia Malta Limited, a private limited liability company registered in Malta with company registration number C 41576 and having its registered office at The Phoenicia Hotel, The Mall, Floriana, Malta;
Prospectus	the Summary Note, the Registration Document, and this Securities Note, all dated 15 November 2018;
Redemption Date	15 December 2028, or in the event of early redemption at the Issuer's sole discretion on any one of the relevant Early Redemption Dates;
Redemption Value	the nominal value of each Bond (€100 per Bond);
Registration Document	the registration document issued by the Issuer dated 15 November 2018 forming part of the Prospectus;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by: Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of supplements to the prospectus; and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of the prospectus and dissemination of advertisements;
Securities Note	this document dated 15 November 2018, in its entirety forming part of the Prospectus;
Sponsor	Curmi & Partners Ltd, an authorised financial intermediary licensed by the Malta Financial Services Authority, a member of the MSE and a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 3909 and having its registered office at Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102, Malta;
Subsidiaries	all entities over which PHL as ultimate holding company has control and which as at the date of this Registration Document include, without limitation, each of PML, PHCL and the Issuer. In terms of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), a group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity;
Suitability Test	shall have the meaning set out in Section 7.2.14 of this Securities Note;
Summary Note	the summary note issued by the Issuer dated 15 November 2018, forming part of the Prospectus;

Terms and Conditions	the terms and conditions of issue of the Bonds, set out in Section 4.3, Section 5 and Section 7 of this Securities Note;
Teramy	Teramy Investments S.à r.l., a company registered in Luxembourg, with registration number B171015, and having its registered address at 6, rue Eugène Ruppert, 4, 2453, Luxembourg;
Total Equity	the residual interest in the assets of the entity after deducting all its liabilities, and includes funds contributed by shareholders, retained earnings, reserves representing appropriations of retained earnings and reserves representing capital maintenance adjustments.

Unless it appears otherwise from the context:

- words importing the singular shall include the plural and vice-versa;
- words importing the masculine gender shall include the feminine gender and vice-versa;
- 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 REPURCHASED AND CANCELLED, OR UNLESS THE BONDS ARE OTHERWISE PREVIOUSLY REDEEMED AT THE OPTION OF THE ISSUER ON ANY OF THE EARLY REDEMPTION DATES AT THEIR NOMINAL VALUE AS THE ISSUER MAY DETERMINE BY GIVING NOT LESS THAN 60 DAYS' NOTICE IN WRITING TO BONDHOLDERS.

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

THE BONDS ARE COMPLEX FINANCIAL INSTRUMENTS AND MAY NOT BE SUITABLE FOR ALL TYPES OF RETAIL INVESTORS. A POTENTIAL INVESTOR SHOULD NOT INVEST IN THE BONDS UNLESS: I) HE/SHE HAS THE NECESSARY KNOWLEDGE AND EXPERIENCE TO UNDERSTAND THE RISKS RELATING TO THIS TYPE OF FINANCIAL INSTRUMENT; II) THE BONDS MEET THE INVESTMENT OBJECTIVES OF THE POTENTIAL INVESTOR; AND III) SUCH POTENTIAL INVESTOR IS ABLE TO BEAR THE INVESTMENT AND FINANCIAL RISKS WHICH RESULT FROM INVESTMENT IN THESE BONDS.

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

2.2. SUITABILITY OF INVESTMENT

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

No prior market

Prior to the Bond Issue, there has been no public market nor trading record of 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.

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.

Interest rate risk

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

Currency risk

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

Changes in circumstances

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

Continuing compliance obligations

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

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 Commission Regulation EC No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament

and of the Council in effect as at the date of the Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of the Prospectus.

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 in accordance with the provisions of Section 5.14 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.

Early redemption

The Issuer has the option to redeem the Bonds, in whole, at a price of €100 per Bond, on any of the Early Redemption Dates (in accordance with the provisions of Section 5.10 of this Securities Note), together with any unpaid interest until the time of redemption.

This optional redemption feature may have a negative impact on the market value of the Bonds. During a period when the Issuer may opt to redeem the Bonds, the market value may not rise considerably above the price at which the Bond will be redeemed.

Should the Issuer decide to redeem the Bonds on any of the Early Redemption Dates, the Bondholder may not be able to re-invest the proceeds from the redemption at yields that would have been received on the Bonds had they not been redeemed.

Additional indebtedness and security

Both the Issuer and the Guarantors may incur additional borrowings or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or further undertakings, assets or revenues.

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.

2.4. RISKS RELATING TO RANKING

The Bonds, as and when issued and allotted, shall constitute the general, direct, unsecured 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 Guarantors jointly and severally. The Bonds shall at all times rank *pari passu* without any priority or preference among themselves and, in respect of the Guarantors, they shall rank without any priority or preference over all their respective unsecured indebtedness, if any.

2.5. RISKS RELATING TO THE GUARANTEE

The joint and several Guarantee entitles the Bondholders to take action against the Guarantors without having to first take action against the Issuer 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 strength of this undertaking on the part of the Guarantors and therefore, the level of recoverability by the Bondholders from the Guarantors of any amounts due under any of the Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantors.

3. PERSONS RESPONSIBLE

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

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

4.

KEY 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 €24,550,000, will be on-lent by the Issuer to PML pursuant to the Inter-Company Loan Agreement (as defined in Section 4.1.1 of the Registration Document) and shall be utilised by PML for the following purposes, in the amounts and order of priority set out below:

- i. an amount of €17,837,566 will be used to re-finance the Teramy Secured Loan (details of which are set out in Section 11.4 of the Registration Document), which will have the effect of reducing PML's financing cost, and a further amount of €1,662,434 will be used to refinance the Teramy Unsecured Loan (details of which are set out in Section 11.5 of the Registration Document), accordingly settling all amounts owing by PML to Teramy (as defined in Section 11 of the Registration Document). Moreover, as a result, all hypothecary rights granted by PML to Teramy in security of the Teramy Secured Loan will be cancelled; and
- ii. an amount of €4,000,000 will be used to part re-finance outstanding BOV Bank Facilities (details of which are set out in Section 11.6 of the Registration Document).

The remaining balance of the net Bond Issue proceeds in the amount of €1,050,000 shall be used for the Group's general corporate funding requirements, including operational costs.

4.2. EXPENSES

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €450,000 and will be deducted from the proceeds of the Issue. There is no particular order of priority with respect to such expenses.

4.3. ISSUE STATISTICS

Amount	€25,000,000;
Form	the Bonds will be issued in a fully registered and dematerialised form and will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD;
Denomination	Euro (€);
ISIN	MT0002081207;
Minimum amount per subscription	minimum of €2,000 and multiples of €100 thereafter;
Redemption Date	15 December 2028;
Early Redemption Dates	means 15 December 2023, 15 December 2024, 15 December 2025, 15 December 2026 and 15 December 2027 subject to the Issuer giving the Bondholders at least 60 days' notice in writing;
Redemption Value	at par (€100 per Bond);
Plan of distribution	the Bonds are open for subscription by Authorised Financial Intermediaries, either for their own account or for the account of their underlying customers;
Bond Issue Price	at par (€100 per Bond);
Status of the Bonds	the Bonds, as and when issued and allotted, shall constitute the general, direct, unsecured 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 Guarantors jointly and severally. The Bonds shall at all times rank <i>pari passu</i> without any priority or preference among themselves and, in respect of the Guarantors, they shall rank without any priority or preference over all their unsecured indebtedness, if any;

Listing	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;
Placement Agreements	the Issuer intends to enter into placement agreements for the full amount of the Bond Issue with the Authorised Financial Intermediaries. Completed and signed placement agreements shall be submitted by Authorised Financial Intermediaries by latest 12:00 hours on 26 November 2018 as further detailed in Section 7.4 of this Securities Note;
Offer Period	26 November 2018 to 28 November 2018, both days included;
Interest	4.15% per annum;
Interest Payment Date(s)	annually, on 15 December as from 15 December 2019 (the first interest payment date);
Governing law of Bonds	the Bonds are governed by and shall be construed in accordance with Maltese law;
Jurisdiction	the Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Prospectus and/or the Bonds.

4.4. INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for the subscription for Bonds by Authorised Financial Intermediaries (which include the Sponsor and Manager & Registrar), and any fees payable in connection with the Bond Issue to Curmi & Partners Ltd, as Sponsor, and Bank of Valletta p.l.c. as Manager & Registrar, so far as the Issuer is aware no person involved in the Bond Issue has an interest material to the Bond Issue.

4.5. CONSENT FOR USE OF PROSPECTUS

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

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

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

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

None of the Issuer, the Sponsor or Manager & Registrar, or any of their respective advisors, 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 Bonds.

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

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

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

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

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

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

Any new information with respect to Authorised Financial Intermediaries unknown at the time of 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.phoeniciafinance.com

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

- 5.1.1.** Each Bond forms part of a duly authorised issue of 4.15% Unsecured Bonds 2023–2028 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €25,000,000 (except as otherwise provided under Section 5.13 ("Further Issues")). The Issue Date of the Bonds is expected on 12 December 2018.
- 5.1.2.** The currency of the Bonds is Euro (€).
- 5.1.3.** Subject to admission to listing of the Bonds to the Official List of the MSE, the Bonds are expected to be assigned ISIN MT0002081207.
- 5.1.4.** Unless previously purchased and cancelled or redeemed on any of the Early Redemption Dates, the Bonds shall be redeemable at par on the Redemption Date.
- 5.1.5.** The issue of the Bonds is made in accordance with the requirements of the Listing Rules, the Act, and the Regulation.
- 5.1.6.** The Bond Issue is not underwritten.
- 5.1.7.** 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 constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed jointly and severally by the Guarantors, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt of each of the Issuer and the Guarantors, if any. Furthermore, subject to the negative pledge clause (Section 5.7 of this Securities Note), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer and of the Guarantors, as the case may be, for so long as such security interests remain in effect. As at the date of this Securities Note, the Issuer does not have any indebtedness which is subordinated to the Bonds.

The following table sets out a summary of the Group's indebtedness as at 30 June 2018, which amounted in aggregate to €35.85 million (including accrued interest as at that date). The borrowings listed below are secured by privileges and hypothecs (as further described below), and therefore the indebtedness being created by the Bonds, together with other unsecured debt, ranks after all these borrowings. In addition, the Bonds would also rank after any future debts that may be secured by a cause of preference such as a privilege and/or a hypothec.

FACILITY	PURPOSE	COUNTERPARTY	DATE TAKEN	TERM (YEARS)	PRINCIPAL BALANCE (JUN 18)	INTEREST BALANCE (JUN 18)	SECURED BY
Teramy Secured Loan	Loan granted to PML (formerly 'Cuffe (Malta) Limited') for acquisition finance	"Teramy Investments S.a r.l. (acquired by assignment on 28 November 2012)"	09 August 2007	26	€12.27m	€1.76m	General Hypothec, Special Hypothec and Special Privilege over the Premises granted by PML
Loan facility	Loan granted to PHCL for business purposes and secured by PML	Bank of Valletta plc ("BOV")	04 April 2014	10	€0.33m	NIL	General Hypothec granted by PHCL and Special Hypothec over the Premises granted by PML
Loan I	Loan granted to PML for project development	BOV	09 August 2016	15	€15.47m	€0.11m	General Hypothec, Special Hypothec and Special Privilege over the Premises granted by PML and General Hypothec granted by PHCL
Loan II	Teramy partial payment; part funding of additional development	BOV	09 August 2016	15	€5.87m	€0.04m	General Hypothec and Special Hypothec over the Premises granted by PML and General Hypothec granted by PHCL

The Teramy Secured Loan is subordinated to the above indebtedness in favour of BOV and has no fixed date of repayment. The proceeds from the Bond Issue will be used, *inter alia*, to re-finance, and therefore to repay in full the Teramy Secured Loan as described in Section 4.1 of this Securities Note. As a result, the indebtedness under the Teramy Secured Loan will be settled in full and all hypothecary rights granted by PML to Teramy in security of the Teramy Secured Loan will be cancelled.

As at 30 June 2018, PHCL also had an unutilised overdraft facility with BOV of €600,000, secured by a general hypothec over all the assets of PHCL.

5.3. RIGHTS ATTACHING TO THE BONDS

This Securities Note in its entirety contains the terms and conditions of issue of the Bonds and creates the contract between the Issuer and a Bondholder. Any and all references to the terms and conditions of the Bonds shall be construed as a reference to all and each section of this Securities Note. A Bondholder shall have such rights as are, pursuant to this Securities Note, attached to the Bonds, including:

- i. the repayment of capital;
- ii. the payment of interest;
- iii. ranking with respect to other unsecured indebtedness of the Issuer and the Guarantors in accordance with the provisions of Section 5.2 above;
- iv. seeking recourse from the Guarantors pursuant to the Guarantee, in case of failure by the Issuer to pay any sum payable by it to Bondholders pursuant to the terms of the Bonds detailed in this Securities Note;
- v. the right to attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and
- vi. 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 12 December 2018 at the rate of 4.15% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 15 December 2019 (covering the period 12 December 2018 to 14 December 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 is 4.15%. The table below illustrates the gross yield at the different Early Redemption Dates.

REDEMPTION	REDEMPTION DATES	ISSUE PRICE	REDEMPTION PRICE	YIELD TO CALL
At Early Redemption Dates	2023	€100 (at par)	€100 (at par)	4.15%
	2024	€100 (at par)	€100 (at par)	4.15%
	2025	€100 (at par)	€100 (at par)	4.15%
	2026	€100 (at par)	€100 (at par)	4.15%
	2027	€100 (at par)	€100 (at par)	4.15%
Upon Maturity	2028	€100 (at par)	€100 (at par)	4.15%

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 Bonds held in the register kept by the CSD.

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

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

Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Bonds may be transferred as provided in Section 5.12 below under the heading "Transferability of the Bonds".

5.7. NEGATIVE PLEDGE

The Issuer and the Guarantors undertake, for as long as any principal or interest under the Bonds or any of the Bonds remains outstanding, not to create or permit to subsist any Security Interest (as defined below), other than a Permitted Security Interest (as defined below), upon the whole or any part of their respective present or future assets or revenues, to secure any Financial Indebtedness (as defined below) of the Issuer and/or the Guarantors, unless the instrument creating any such Security Interest shall provide that the Issuer's and Guarantors' indebtedness under the Bonds, shares in and is secured equally and rateably with such Security Interest.

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

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

“Permitted Security Interest” means:

- i. any Security Interest arising by operation of law;
- ii. any Security Interest securing temporary bank loans or overdrafts or guarantees in the ordinary course of business;
- iii. any Security Interest securing any indebtedness of the Issuer created for the sole purpose of financing or raising finance for the redemption of all Bonds;
- iv. any other Security Interest (in addition to (i), (ii), and (iii) above) securing Financial Indebtedness of the Issuer or Guarantors (as the case may be), in an aggregate outstanding amount not exceeding 80% of the difference between the value of Unencumbered Assets of the Issuer and Guarantors and the aggregate principal amount of Bonds outstanding at the time;

provided that the aggregate Security Interests referred to in (ii), (iii), and (iv) above do not result in the Unencumbered Assets of the Issuer being less than the aggregate principal amount of the Bonds still outstanding together with one year’s interest thereon;

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

5.8. RESTRICTIVE COVENANTS

None of the Guarantors shall, whether directly or indirectly:

- i. declare or pay any dividend or make any other distribution of a dividend nature to its immediate or ultimate shareholders; and/or
- ii. purchase, redeem or acquire (including in the course of a reduction of share capital) any of its own shares except out of the proceeds of a fresh issue of shares made for such purpose,

(any such payment as set forth in (i) and (ii) above is referred to herein as a “Restricted Payment”) until the financial year ending 31 December 2021.

Furthermore, in the financial years following the financial year ending 31 December 2021, none of the Guarantors shall make any Restricted Payment unless:

- the Interest Cover Ratio calculated on the basis of the Combined Financial Statements as at the most recent financial period is not below three times (3x), taking into consideration the impact of the proposed Restricted Payment;
- the Debt-to-Total Capital Ratio calculated on the basis of the Combined Financial Statements does not exceed 60% as at the most recent financial period, taking into consideration the proposed Restricted Payment.

5.9. 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 charges, loss or delay in transmission. Upon payment of the Redemption Value, the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD.

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 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 charges, loss or delay in transmission.

All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is or may become compelled by law to deduct or withhold for or on account of any present or

future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.

No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments. The Issuer shall not be liable for charges, expenses and commissions levied by parties other than the Issuer.

5.10. 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 15 December 2028 provided that the Issuer reserves the right to redeem all the Bonds on any one of the Early Redemption Dates. The Issuer shall give at least 60 days' notice in writing to all Bondholders of its intention to effect such earlier redemption.

The Issuer shall be discharged of any and all payment obligations under the Bonds upon payment made net of any withholding or other taxes due or which may be due under Maltese law and which is payable by the Bondholders.

Subject to the provisions of this Section 5.10, 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 Bonds repurchased by the Issuer shall be cancelled forthwith and may not be re-issued or re-sold.

5.11. EVENTS OF DEFAULT

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

- i. the Issuer shall fail to pay any interest on any Bond when due and such failure shall continue for 30 days after written notice thereof shall have been given to the Issuer by any Bondholder; or
- ii. the Issuer shall fail duly to perform or shall otherwise be in breach of any other material obligation contained in the Terms and Conditions of the Bonds and such failure shall continue for 60 days after written notice thereof shall have been given to the Issuer by any Bondholder; or
- iii. an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer and/or the Guarantors; or
- iv. the Issuer stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or cease to carry on its business or a substantial part of its business; or
- v. the Issuer is unable, or admits in writing, its inability to pay its debts as they fall due or otherwise becomes insolvent; or
- vi. there shall have been entered against the Issuer and/or the Guarantors a final judgment by a court of competent jurisdiction from which no appeal may be or is made for the payment of money in excess of €2,500,000 or its equivalent and 90 days shall have passed since the date of entry of such judgment without it having been satisfied or stayed; or
- vii. any default occurs and continues for 90 days under any contract or document relating to any Financial Indebtedness (as defined in Section 5.7 of this Securities Note) of the Issuer and/or the Guarantors in excess of €2,500,000 or its equivalent at any time.

5.12. TRANSFERABILITY OF THE BONDS

The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole (that is, in multiples of €100) 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 be properly required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person. Provided always that if a Bond is transmitted in furtherance of this paragraph, a person will not be registered as a Bondholder unless such transmission is made in multiples of €100.

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 person to whom the transfer/transmission has been made.

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.

The minimum subscription amount of €2,000 shall only apply during the Offer Period. As such, no minimum holding requirement shall be applicable once the Bonds are admitted to listing on the Official List of the MSE and commence trading thereafter subject to trading in multiples of €100.

5.13. FURTHER ISSUES

Subject to the negative pledge clause (Section 5.7 of this Securities Note), the Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds), or upon such terms as the Issuer may determine at the time of their issue.

5.14. MEETINGS OF BONDHOLDERS

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

A meeting of Bondholders shall be called by the Directors by giving all Bondholders listed on the register of Bondholders as at a date being not more than 30 days preceding the date scheduled for the meeting and not less than 14 days' notice in writing. Such notice shall set out the time, place, and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this Section 5.14 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 provisions of and/or conditions contained in this Securities Note, or in any other part of the Prospectus, may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.

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 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 company announcement that 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 15 days, following the original meeting. At an adjourned meeting, the number of Bondholder 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 the 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 being required at the meeting, the Directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time which the vote is being taken, and any Bondholders considered for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be considered 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.

The proposal placed before a meeting of Bondholders shall only be considered approved if at least 80% in nominal value of the Bondholders present at the meeting, or at any adjourned meeting, as the case may be, 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.

5.15. AUTHORISATIONS AND APPROVALS

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a Board of Directors' resolution passed on 15 November 2018. The Guarantee being given by the Guarantors in respect of the Bonds has been authorised by resolution of the boards of directors of each of the Guarantors, both dated 15 November 2018.

5.16. REPRESENTATIONS AND WARRANTIES

The Issuer represents and warrants to the 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 Guarantors 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 Guarantors, their respective businesses and financial position, the omission of which would, in the context of issue of the Bonds, make any statement in the Prospectus misleading or inaccurate in any material respect.

5.17. NOTICES

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

5.18. 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 Guarantors 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

Any interest payable in respect of a Bond which is the subject of a public issue to a Bondholder which is a "recipient" as defined in Article 41(c) of the Income Tax Act (Chapter 123 of the Laws of Malta) shall, unless the Bondholder, where applicable, has instructed the Issuer to receive the interest gross of any withholding tax, be paid to such Bondholder net of a final withholding tax. This is currently at the rate of 15% (10% in the case of certain types of collective investment schemes) of the gross amount of the interest, pursuant to

Article 33 of the Income Tax Act (Chapter 123 of the Laws of Malta). Bondholders which do not fall within the definition of a “recipient” do not qualify for the said rate and should seek advice on the taxation of such income, as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident 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 and the tax deducted shall not be available as a credit against the recipient’s tax liability or available as a refund. The Issuer will render an account to the Maltese Commissioner for Revenue of all interest paid, all amounts of tax deducted by the payor in respect of the interest paid and of the identity of all such recipients.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax 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 unless the beneficiary is a non-resident of Malta. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

In terms of article 12(1)(c)(i) 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 and information on their accounts) to the Maltese Commissioner for Revenue. The Maltese Commissioner for Revenue will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions.

The Foreign Account Tax Compliance Act (“FATCA”) of the United States (“U.S.”) requires foreign financial institutions to provide the Internal Revenue Service with information on Specified U.S. persons holding accounts outside of the U.S., including certain non-U.S. entities with U.S. Controlling Persons. Non-compliance results in a punitive 30% withholding tax on distributions captured by FATCA. FATCA is transposed into Maltese law through the Exchange of Information (United States of America) (FATCA) Order, Subsidiary Legislation 123.156. Consequently, all Maltese financial institutions are obliged to identify and report to the Maltese tax authorities financial accounts held by Specified U.S. persons and certain non-U.S. entities with U.S. Controlling Persons. Financial account information in respect of holders of the Bonds could fall within the scope of FATCA and they may therefore be subject to reporting obligations.

Council Directive 2014/107/EU amending Directive 2011/16/EU led to the transposition of the OECD’s Standard for Automatic Exchange of Financial Account Information in Tax Matters (the Common Reporting Standard or “CRS”) in the domestic laws of European Union Member States. CRS was transposed into Maltese law as part of the Cooperation with Other Jurisdictions on Tax Matters Regulations, Subsidiary Legislation 123.127. In terms of CRS, Maltese financial institutions are required to identify and report to the Maltese tax authorities financial accounts held by a Reportable Person and certain entities with one or more Controlling Persons that is a Reportable Person. Financial account information in respect of holders of the Bonds could fall within the scope of CRS and they may therefore be subject to reporting obligations.

6.4. MALTESE TAXATION ON CAPITAL GAINS ON TRANSFER OF THE BONDS

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

6.5. DUTY ON DOCUMENTS AND TRANSFERS

In terms of the Duty on Documents and Transfers Act (Chapter 364 of the Laws of Malta), duty on documents and transfers 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 on documents and transfers.

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 (Chapter 345 of the Laws of Malta) the Bonds constitute financial instruments of a company quoted on a regulated market exchange, namely the MSE, and therefore any redemptions and transfers of the Bonds should, in any case, be exempt from duty in terms of Exemption from Payment of Duty on Documents and Transfers, Subsidiary Legislation 364.01.

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	26 November 2018
2. Offer Period	26 November 2018 to 28 November 2018
3. Commencement of interest on the Bonds	12 December 2018
4. Expected date of notification of registration	12 December 2018
5. Expected date of admission of the securities to listing	12 December 2018
6. Expected date of commencement of trading in the securities	14 December 2018

7.2. TERMS AND CONDITIONS OF APPLICATION

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 Guarantors on the one hand and the Bondholders on the other.

- 7.2.1.** Applications may be lodged with any Authorised Financial Intermediary by not later than 12:00 hours (Central European Time) on 28 November 2018.
- 7.2.2.** By submitting a signed Application Form, the Applicant is thereby confirming to the Issuer and the Authorised Financial Intermediary through whom the Application is made, 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 Authorised Financial Intermediary reserves the right to invalidate the relative Application. Furthermore, the Applicant will not be entitled to receive a registration advice or to be registered in the register of Bondholders, unless the Applicant makes payment in cleared funds and such consideration is accepted by the respective Authorised Financial Intermediary (which acceptance shall be made in the Authorised Financial Intermediary's absolute discretion and may be on the basis that the Applicant indemnifies the Authorised Financial Intermediary against all costs, damages, losses, expenses, and liabilities arising out of or in connection with the failure of the Applicant's remittance to be honoured on first presentation).
- 7.2.3.** The contract created by the Issuer's acceptance of an Application filed by a prospective bondholder through an Authorised Financial Intermediary shall be subject to all terms and conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer.
- 7.2.4.** If an Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have duly bound his principal, or the relative corporation, corporate entity, or association of persons, and will be deemed also to have given the confirmations, warranties, and undertakings contained in these terms and condition on their behalf. Such representative may be requested to submit the relative power of attorney/ resolution or copy thereof duly certified by a lawyer or notary public if so required by the Issuer and the Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to appear on the Application Form.
- 7.2.5.** Applications in the name of a corporation or corporate entity or association of persons, need to include a valid Legal Entity Identifier ("LEI") in the space provided on the Application Form. Failure to include a valid LEI code, will result in the Application being cancelled by the Issuer acting through the Registrar and subscription monies will be returned to the Applicant in accordance with Section 7.2.16 below.
- 7.2.6.** In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each of the joint Applicants, and liability therefor is joint and several. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first-named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional (Joint) Applicants" in the Application Form or joint holders in the register, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

- 7.2.7.** In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed *vis-à-vis* the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner).
- 7.2.8.** Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted (the birth certificate is not required if the minor already holds securities which are listed on the MSE). Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of 18 years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of 18 years.
- 7.2.9.** The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America, and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 7.2.10.** No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 7.2.11.** It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself to fully observe the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer, or other taxes required to be paid in such territory.
- 7.2.12.** Subject to all other terms and conditions set out in the Prospectus, the Issuer acting through the Registrar reserves the right to reject, in whole or in part, or to scale down, any Application, including multiple or suspected multiple Applications, and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer acting through the Registrar is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.
- 7.2.13.** The Bonds will be issued in multiples of €100. The minimum subscription amount of the Bonds that can be subscribed for by Applicants is €2,000. Submission of Application Forms must be accompanied by the full price of the Bonds applied for, in Euro. Payment may be made either in cash or bank transfer or by cheque payable to the respective Authorised Financial Intermediary. In the event that any cheque accompanying an Application Form is not honoured on its first presentation, the respective Authorised Financial Intermediary reserves the right to invalidate the relative Application Form.
- 7.2.14.** The completed Application Forms are to be lodged with the Issuer or any of the Authorised Financial Intermediaries. Authorised Financial Intermediaries shall, prior to accepting an Application, conduct an Appropriateness Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered appropriate for the Applicant. To the extent that an Authorised Financial Intermediary is providing advice in respect of a purchase of the Bonds by an Applicant, such Authorised Financial Intermediary shall be required to conduct a Suitability Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

For the purpose of this Securities Note, the term “Appropriateness Test” means the test conducted by any licensed financial intermediary, when providing an investment service (other than investment advice or portfolio management) in relation to the subscription for and the trading of Bonds, for the purpose of such licensed financial intermediary determining (after collecting the necessary information) whether the investment service or the Bonds are appropriate for the prospective Applicant or prospective transferee. In carrying out this assessment, the licensed financial intermediary shall ask the Applicant or the prospective transferee to provide information regarding the Applicant or transferee’s knowledge and experience so as to determine that the Applicant or transferee has the necessary experience and knowledge in order to understand the risks involved in relation to the Bonds or investment service offered or demanded, in accordance with Part BI of the Investment Services Rules (“ISR”). In the event that the licensed financial intermediary considers, on the basis of the test conducted, that the transfer of Bonds is not appropriate for the Applicant or prospective transferee, the licensed financial intermediary shall reject the prospective Applicant’s request to subscribe for or acquire Bonds, irrespective of whether the Applicant or transferee is warned that the investment in the Bonds is not appropriate for the Applicant or transferee.

For the purpose of this Securities Note, the term “Suitability Test” means the process through which a licensed financial intermediary providing investment advice or portfolio management services in relation to the subscription for and trading of Bonds obtains such information from the Applicant or prospective transferee as is necessary to enable the licensed financial

intermediary to recommend to or, in the case of portfolio management, to effect for, the Applicant or prospective transferee, the investment service and trading in Bonds that are considered suitable for him/her, in accordance with Part BI of the ISR. The information obtained pursuant to this test must be such as to enable the licensed financial intermediary to understand the essential facts about the Applicant or prospective transferee and to have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or to be entered into in the course of providing a portfolio management service, satisfies the following criteria:

- a. it meets the investment objectives of the Applicant or prospective transferee in question;
- b. it is such that the Applicant or prospective transferee is able financially to bear any related investment risks consistent with investment objectives of such Applicant or prospective transferee; and
- c. it is such that the Applicant or prospective transferee has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.

7.2.15. By not later than 05 December 2018, the Issuer shall announce the results of the Bond Issue through a press release.

7.2.16. In the event that an Applicant fails to submit full information and/or documentation required with respect to an Application, the Applicant shall receive a full refund without interest, by credit transfer to such account indicated in the Application Form at any time before the Bonds are admitted to listing on the Official List of the MSE. The Issuer shall not be responsible for any charges, loss, or delay arising in connection with such credit transfer.

7.2.17. The Issuer has not sought assessment of the Bonds by any independent credit rating agency.

7.2.18. For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations (Legal Notice 372 of 2017, as may be subsequently amended from time to time), all 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 of the MSE Bye-Laws, irrespective of whether the Authorised Financial Intermediaries are Exchange Members or not. Such information shall be held and controlled by the MSE in terms of the Data Protection Act (Chapter 440 of the Laws of Malta) and the General Data Protection Regulation (GDPR)(EU) 2016/679 for the purposes and within the terms of the MSE's data protection and privacy policy as published from time to time.

7.2.19. It shall be incumbent on the respective Authorised Financial Intermediary to ascertain that all other applicable regulatory requirements relating to subscription of Bonds by an Applicant are complied with, including without limitation the obligation to comply with all applicable MiFIR requirements as well as applicable MFSA Rules for investment services providers.

7.2.20. By completing and delivering an Application Form, the Applicant:

- a. agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the Guarantors and the issue of the Bonds contained therein;
- b. warrants that the information submitted by the Applicant in the Application Form is true, correct and valid in all respects and in the case where an MSE account number is indicated in the Application Form, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant. Notwithstanding, the Issuer acting through the Registrar reserves the right to contact the applicant/s to verify, and if need be correct, the information submitted on the application form;
- c. authorises the Issuer, the Registrar, and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Chapter 440 of the Laws of Malta) and the General Data Protection Regulation (GDPR)(EU) 2016/679. The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates;
- d. confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer and the Guarantors or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
- e. agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance and any verification of identity as required by the Prevention of Money Laundering Act (Chapter 373 of the laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
- f. agrees to provide the Issuer acting through the Registrar 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 Bonds or his/her Application;

- h. warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- i. represents that the Applicant is not a U.S. person (as such term is defined in Regulation 'S' under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- j. agrees that unless such Application is made with Curmi & Partners Ltd, as Authorised Financial Intermediary, Curmi & Partners Ltd will not, in their capacity of Sponsor, treat the Applicant as their customer by virtue of such Applicant making an Application for the Bonds, and that Curmi & Partners Ltd will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their suitability for the Applicant;
- k. agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form;
- 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.

7.2.21. Any licensed financial intermediary effecting a transfer of Bonds in the secondary market shall be required to carry out an Appropriateness Test and, if providing advice, a Suitability Test, in respect of the transferee, and be satisfied, based on the results of such test (or tests, as applicable), that an investment in the Bonds may be considered appropriate and/or suitable (as applicable) for such transferee.

7.3. PLAN OF DISTRIBUTION AND ALLOTMENT

The Bonds shall be allocated to Authorised Financial Intermediaries pursuant to placement agreements, details of which are included in Section 7.4 below.

The Bonds are open for subscription to all categories of investors, provided that the Authorised Financial Intermediaries shall be required to carry out an Appropriateness Test in respect of each Applicant for the purpose of assessing such Applicant's level of knowledge and experience prior to investing in the Bonds. Applications shall not be accepted by the Authorised Financial Intermediaries unless, based on the results of such Appropriateness Test, the Authorised Financial Intermediaries are satisfied that an investment in the Bonds may be considered appropriate for the Applicant. To the extent that the Authorised Financial Intermediaries is providing advice in respect of a purchase of the Bonds by an Applicant, the Authorised Financial Intermediaries shall be required to conduct a Suitability Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

Subscriptions shall be made through any of the Authorised Financial Intermediaries, subject to a minimum subscription amount of €2,000 in nominal value of Bonds and in multiples of €100 thereafter.

It is expected that an allotment letter will be issued by the Issuer to Applicants by latest 12 December 2018. The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance and any verification of identity as required by the Prevention of Money Laundering Act (Chapter 373 of the Laws of Malta), and regulations made thereunder. Such monies will not bear interest while retained as aforesaid.

Dealings in the Bonds shall not commence prior to the Bonds being admitted to the Official List of the Malta Stock Exchange.

7.4. PLACEMENT AGREEMENTS

The Issuer has reserved the full amount of the Bond Issue for subscription by Authorised Financial Intermediaries through placement agreements, whereby the Issuer will bind itself to allocate the Bonds to such Authorised Financial Intermediaries in accordance with the terms of such placement agreements. The Authorised Financial Intermediaries will in turn bind themselves to subscribe to a specified amount of Bonds subject to, and conditional upon, the Bonds being admitted to the Official List of the MSE.

The placement agreements, which are subject to the terms of the Prospectus, will become binding on all parties thereto on the date of signing of the placement agreement and need to be submitted by latest 12:00 hours on 26 November 2018, being the placement date, subject to the Issuer having received all subscription proceeds in cleared funds by the placement date. Such agreements shall become unconditional upon admission of the Bonds to trading on the Official List.

In terms of the placement agreements, Authorised Financial Intermediaries may subscribe for Bonds for their own account or for the account of underlying customers, and shall in addition be entitled to either distribute to the underlying customers any portion of the Bonds subscribed for upon commencement of trading, or submit to the Registrar, Application Forms directly in the name of their

underlying customers. In either case, subscription amounts made by Applicants through Authorised Financial Intermediaries, including those made under nominee, shall be in multiples of €100, subject to a minimum subscription amount of €2,000 in Bonds by each individual Bondholder/underlying customer as the case may be.

AUTHORISED FINANCIAL INTERMEDIARIES

NAME	ADDRESS	TELEPHONE
Curmi & Partners Ltd	Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102, Malta	21347331
Bank of Valletta p.l.c.	BOV Centre, Cannon Road, St Venera SVR 9030, Malta	22751732

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 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 15 November 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 of the MSE.
- iii. The Bonds are expected to be admitted to the MSE with effect from 12 December 2018 and trading is expected to commence on 14 December 2018.

7.8. ADDITIONAL INFORMATION

Save for the Financial Analysis Summary set out in Annex III, this 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 Curmi & Partners Ltd, of Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102, Malta, which has given and has not withdrawn its consent to the inclusion of such report herein.

Curmi & Partners Ltd does not have any material interest in the Issuer or the Guarantors. The Issuer confirms that the Financial Analysis Summary has been accurately reproduced in this 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.





ANNEXES

ANNEX I
APPLICATION FORM



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

APPLICANT (see notes 2 to 8)

<input type="checkbox"/> Non-Resident	<input type="checkbox"/> Minor (under 18)	<input type="checkbox"/> Body Corporate/ Body of Persons	<input type="checkbox"/> CIS-Prescribed Fund
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME / REGISTERED NAME	
ADDRESS			
			POSTCODE
MSE A/C NO. (if applicable)	I.D. CARD / PASSPORT / COMPANY REG. NO.	DOCUMENT TYPE	COUNTRY OF ISSUE
LEI (Legal Entity Identifier) (if applicant is NOT an Individual)	DATE OF BIRTH	NATIONALITY	MOBILE NO.

PLEASE REGISTER ME FOR E-PORTFOLIO (mobile number is mandatory for e-portfolio registration)

ADDITIONAL (JOINT) APPLICANTS (see note 3) (please use Addendum to Application Form if space is not sufficient)

TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH
		NATIONALITY

MINOR'S PARENTS / LEGAL GUARDIAN(S) (see note 4) (to be completed ONLY if the Applicant is a minor)

TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH
		NATIONALITY
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH
		NATIONALITY

I/WE APPLY TO PURCHASE AND ACQUIRE (see note 9):

AMOUNT IN FIGURES €	AMOUNT IN WORDS
------------------------	-----------------

Phoenicia Finance Company p.l.c. 4.15% Unsecured Bonds 2023 - 2028 (the "Bonds") (minimum subscription of €2,000 and in multiples of €100 thereafter) at the Bond Issue Price (at par), as defined in the Prospectus dated 15 November 2018 (the "Prospectus"), payable in full upon application under the Terms and Conditions of the Bonds as set out in the Prospectus. **An Appropriateness Test shall be conducted by Authorised Financial Intermediaries prior to the Applicant subscribing for the Bonds (see note 7)**

RESIDENT - WITHHOLDING TAX DECLARATION (see notes 10 & 11) (to be completed ONLY if the Applicant is a resident of Malta)

I/We elect to receive interest NET of FWT. I/We elect to receive interest GROSS (i.e. without FWT.)

NON-RESIDENT - DECLARATION FOR TAX PURPOSES (see note 2 & 11) (to be completed ONLY if the Applicant is a non-resident)

TAX COUNTRY	CITY OF BIRTH
T.I.N. (Tax Identification Number)	COUNTRY OF BIRTH
<input type="checkbox"/> NOT resident in Malta but resident in the European Union	<input type="checkbox"/> NOT resident in Malta and NOT resident in the European Union

INTEREST AND REDEMPTION MANDATE (see note 12) (completion of this panel is MANDATORY)

BANK	IBAN
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I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions of the Bonds as contained therein which I/we fully accept.
I/We hereby authorise the Company to forward the details to the Malta Stock Exchange for the purposes of registering the Bonds in my/our MSE account, to register for the e-portfolio (where applicable) and to enable the reporting of all necessary transaction and personal information provided in this Application Form in compliance with Article 26 of MiFIR (Markets in Financial Instruments Regulation) to the Malta Financial Services Authority as competent authority ("Transaction Reporting"). Furthermore, I/we understand and acknowledge that the Company may require additional information for Transaction Reporting purposes and agree that such information will be provided.

Signature/s of Applicant/s _____ Date _____
(Parent/s or legal guardian/s are/is to sign if Applicant is a minor)
(All parties are to sign in the case of a joint Application)

AUTHORISED FINANCIAL INTERMEDIARY'S STAMP	AUTHORISED FINANCIAL INTERMEDIARY'S CODE	APPLICATION NUMBER
---	--	--------------------

Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 15 November 2018 regulating the Bond Issue

1. This Application is governed by the general Terms and Conditions of Application contained in Section 7.2 of the Securities Note dated 15 November 2018 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS. Applicants who are non-residents in Malta for tax purposes, must indicate their passport number in Panel B and complete Panel G. The relative box in Panel A must also be marked appropriately.
3. Applicants are to insert full personal details in Panel B. In the case of an Application by more than one person (including husband and wife) full details of all individuals must be given in Panels B and C **but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 6 below). Applications by more than two persons are to use the Addendum to the Application Form.**

Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility (by marking the relative box in Panel B), will receive by mail at their registered address a handle code to activate the new e-portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.
4. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted (the birth certificate is not required if the minor already holds securities which are listed on the MSE). The relative box in Panel A must also be marked appropriately. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
5. In the case of a body corporate, the name of the entity exactly as registered and the registration number are to be inserted in Panel B. A valid Legal Entity Identifier ("LEI") needs to be inserted in Panel B. **Failure to include a valid LEI code, will result in the Application being cancelled by the Registrar.** Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
6. **APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MSE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THIS APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE AFFECTED.**
7. In terms of Section 7.2.14 of the Securities Note, where an Applicant makes an application for the subscription of Bonds, the Authorised Financial Intermediary shall, prior to accepting such application, conduct an Appropriateness Test in respect of the Applicant. To the extent that Authorised Financial Intermediaries are providing advice or portfolio management in respect of a purchase of Bonds by an Applicant, Authorised Financial Intermediaries shall also be required to conduct a Suitability Test in respect of an Applicant.
8. Where a decision to invest is taken by a third party authorised to transact on behalf of the Applicant (a "decision maker") such as an individual that holds a power of attorney to trade on the Applicant's account or applications under a discretionary account, details of the decision maker need to be included in the space provided on the Addendum to Application Form.
9. Applications must be for a minimum subscription of €2,000 and thereafter in multiples of €100 and must be accompanied by the relevant subscription amount in Euro.
10. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will be obliged to declare interest so received in the tax return. The Issuer will render an account to the Maltese Commissioner for Revenue of all interest paid, all amounts of tax deducted by the payor in respect of the interest paid and of the identity of all such recipients. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a prescribed fund (having indicated their status in the appropriate box in Panel A) will have final withholding tax (currently 10%), deducted from interest payments.

In terms of Section 6.2 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of final withholding tax, (currently 15%) of the gross amount of interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta).
11. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU, of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.

The contents of Notes 10 and 11 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.
12. Interest and redemption proceeds will be credited to the account indicated in Panel H or as otherwise amended by the Bondholder/s during the term of the Bond.
13. Authorised Financial Intermediaries are to submit completed Application Forms representing the total amount committed in terms of the Placement Agreement as mentioned in Section 7.4 of the Securities Note by latest 12:00 hours on 28 November 2018. The Issuer reserves the right to refuse any Application which appears to be in breach of the Terms and Conditions of Application as contained in the Prospectus.
14. By completing and delivering an Application Form you (as the Applicant(s)) acknowledge that:
 - a. the Issuer or its duly appointed agents including the CSD and the Registrar, may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta) and the General Data Protection Regulation (GDPR)(EU) 2106/679 as amended from time to time;
 - b. the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and
 - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer.

Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

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

ANNEX II

GUARANTEE

To all Bondholders:

Reference is made to the issue of €25,000,000 4.15% Unsecured Bonds to be redeemed and finally repaid on 15 December 2028, subject to early redemption at the option of the Issuer on any of 15 December 2023, 15 December 2024, 15 December 2025, 15 December 2026 or 15 December 2027 (the “**Bonds**”) by Phoenicia Finance Company p.l.c., a company registered in Malta bearing company registration number C 88958 (the “**Issuer**”), pursuant to and subject to the Terms and Conditions contained in a prospectus to be dated 15 November 2018 (the “**Prospectus**”).

Now therefore, by virtue of this Guarantee, Phoenicia Malta Limited (C-41576) and Phoenicia Hotel Company Limited (OC1) (hereinafter together referred to as the “**Guarantors**”), hereby stand, jointly and severally between them, as surety with the Issuer and irrevocably and unconditionally undertake to effect the due and punctual performance of all the payment obligations undertaken by the Issuer under the Bonds if the Issuer fails to do so and, without prejudice to the generality of the foregoing, undertake to pay on an on-going basis, interest which may become due and payable during the term of the Bonds and the principal amount of the Bonds on the Redemption Date should the Issuer default in paying the Bondholders under the Bonds, within 30 days from the date when such amounts fall due and remain unpaid by the Issuer. Signed and executed on this 15 November 2018, after approval of the board of directors of Phoenicia Malta Limited and Phoenicia Hotel Company Limited.

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 and hereafter due, owing or incurred by the Issuer under the Bonds to the Bondholders (whether alone and/or with others) in terms of the Prospectus and in any and all cases whether for principal, interests, capitalised interests, charges, disbursements, or otherwise and whether for actual or contingent liability; and
- c. “**writing**” or “**in writing**” means any method of visual representation and shall include facsimile transmissions, telexes and other such electronic methods.

2. NATURE AND SCOPE OF THE GUARANTEE

2.1 The offering of Bonds that will be made by the Issuer pursuant to the Prospectus will be made with the benefit of the joint and several corporate guarantee of the Guarantors, the full terms of which are set out in clause 4 below.

2.2 The Guarantee is unconditional and shall cover all payments that may be due to Bondholders pursuant to the Prospectus.

3. INFORMATION ABOUT THE GUARANTORS

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

4. TERMS OF THE GUARANTEE

4.1 UNDERTAKING TO PAY

For the purposes of the Guarantee, the Guarantors, as primary obligors, jointly and severally between them and with the Issuer, hereby irrevocably and unconditionally guarantee to each Bondholder that if for any reason the Issuer fails to pay any sum payable by it to such Bondholder pursuant to the terms and conditions of the Bonds detailed in the Securities Note as and when the same shall become due under any of the foregoing, the Guarantors will pay to such Bondholder on written demand the amount payable by the Issuer to such Bondholder. All demands shall be sent to the address or facsimile or other numbers as are stated below in clause 4.11 as the same may be changed by company announcement issued by the Issuer from time to time. Such payment shall be made in the currency in force in Malta at the time the payment falls due.

4.2 GUARANTORS AS JOINT AND SEVERAL SURETY

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

4.3 CONTINUING OBLIGATIONS

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

- a. the insolvency, liquidation 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 of the Guarantors;
- d. a Bondholder conceding any time or indulgence or renewing the term for payment or omitting to claim or enforce or extract payment from the Issuer or any other person liable; or
- e. any event, act, or omission that might, were it not for this clause operate to exonerate any Guarantor without settlement in full of the Indebtedness towards the relevant Bondholder.

4.4 INDEMNITY

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

4.5 STATUS OF GUARANTEE

The obligations of the Guarantors under this Guarantee constitute a general, direct, unconditional and unsecured obligation of the Guarantors and rank equally with all other existing and future unsecured obligations of the Guarantors, if any, except for any debts for the time being preferred by law.

4.6 REPRESENTATIONS AND WARRANTIES

4.6.1 Each Guarantor hereby warrants and represents that:

- a. it has all corporate power, and has taken all necessary corporate or other action, to enable it to execute, deliver, and perform this Guarantee, and that this Guarantee constitutes the legal, valid, and binding obligations of each Guarantor;
- b. 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;
- c. 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
- d. the granting of this Guarantee is in the commercial interest of each Guarantor and that each Guarantor acknowledges that it is deriving commercial benefit therefrom.

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

4.7 DEPOSIT AND PRODUCTION OF THE GUARANTEE

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

4.8 SUBROGATION

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

4.9 BENEFIT OF THE GUARANTEE AND NO ASSIGNMENT

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

4.10 AMENDMENTS

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

4.11 NOTICES

4.11.1 Any notice required to be given by any party hereto to the other party shall be deemed to have been validly served if delivered by hand or sent by pre-paid registered letter through the post or by facsimile to such other party at his address given herein or such other address as may from time to time be notified to the other party for this purpose and any notice so served shall be deemed to have been served, if delivered by hand, at the time of delivery, or if by post, seven days after posting and if by

facsimile, at the time of transmission of the facsimile, provided that in the case of a change in the details of specified below, a company announcement by the Issuer to this effect shall constitute sufficient and proper notice to the Bondholders for the purposes of this clause.

4.11.2 For the purposes of this Guarantee, the proper addresses and telephone numbers of the Guarantors are:

Phoenicia Malta Limited

Address: The Phoenicia Hotel, The Mall, Floriana, Malta
Telephone number: +356 2122 5241
Contact person: Jean Pierre Ellul Castaldi

Phoenicia Hotel Company Limited


Address: The Phoenicia Hotel, The Mall, Floriana, Malta
Telephone number: +356 2122 5241
Contact person: Jean Pierre Ellul Castaldi

4.12 GOVERNING LAWS AND JURISDICTION

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

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


Signed:



Mark Shaw
Director
(Phoenicia Malta Limited)



Jean Pierre Ellul Castaldi
Director
(Phoenicia Malta Limited)



Mark Shaw
Director
(Phoenicia Hotel Company Limited)



Jean Pierre Ellul Castaldi
Director
(Phoenicia Hotel Company Limited)

ANNEX III
FINANCIAL ANALYSIS SUMMARY

**CURMI &
PARTNERS**

1st November 2018

The Directors
The Phoenicia Malta
The Mall
Floriana,
FRN1478
Malta

Dear Sirs

Phoenicia Finance Company p.l.c. – Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary (“the Analysis”) set out on the following pages. A copy of this report is also attached to this letter.

The purpose of the Analysis is that of summarising key financial data appertaining to Phoenicia Finance Company p.l.c. (“the Issuer” or “PFC”), in addition to Phoenicia Hotel Company Limited (“PHCL”) and Phoenicia Malta Limited (“PML”) (collectively, “the Guarantors”). The Issuer and the Guarantors are collectively referred to as “the Group”. The data is derived from various sources, as disclosed, or is based on our own computations as follows:

1. Historical financial data for the three years ended 31st December 2015, 31st December 2016 and 31st December 2017 have been extracted from the Group’s Combined Financial Statements which have been provided by the management of the Group and are based on an aggregation of the audited financial statements of the Guarantors taking into consideration intercompany and consolidation adjustments.
2. The forecast data for the financial year ending 31st December 2018 and the projected data for the year ending 31st December 2019 have been extracted from the Issuer and Group’s financial projections as prepared and approved by management.
3. Our commentary on the results of the Issuer and on its financial position is based on the explanations set out by the Issuer in the Prospectus.
4. The ratios quoted in the following pages have been computed by us applying the definitions set out and defined in the Section 9 of the Analysis.
5. The principal peer companies listed in Part 8 of the Financial Analysis Summary have been identified by us. The relevant financial data in respect of such companies has been sourced from publicly available information, mainly financial statements filed with the Registrar of Companies or websites providing financial data.

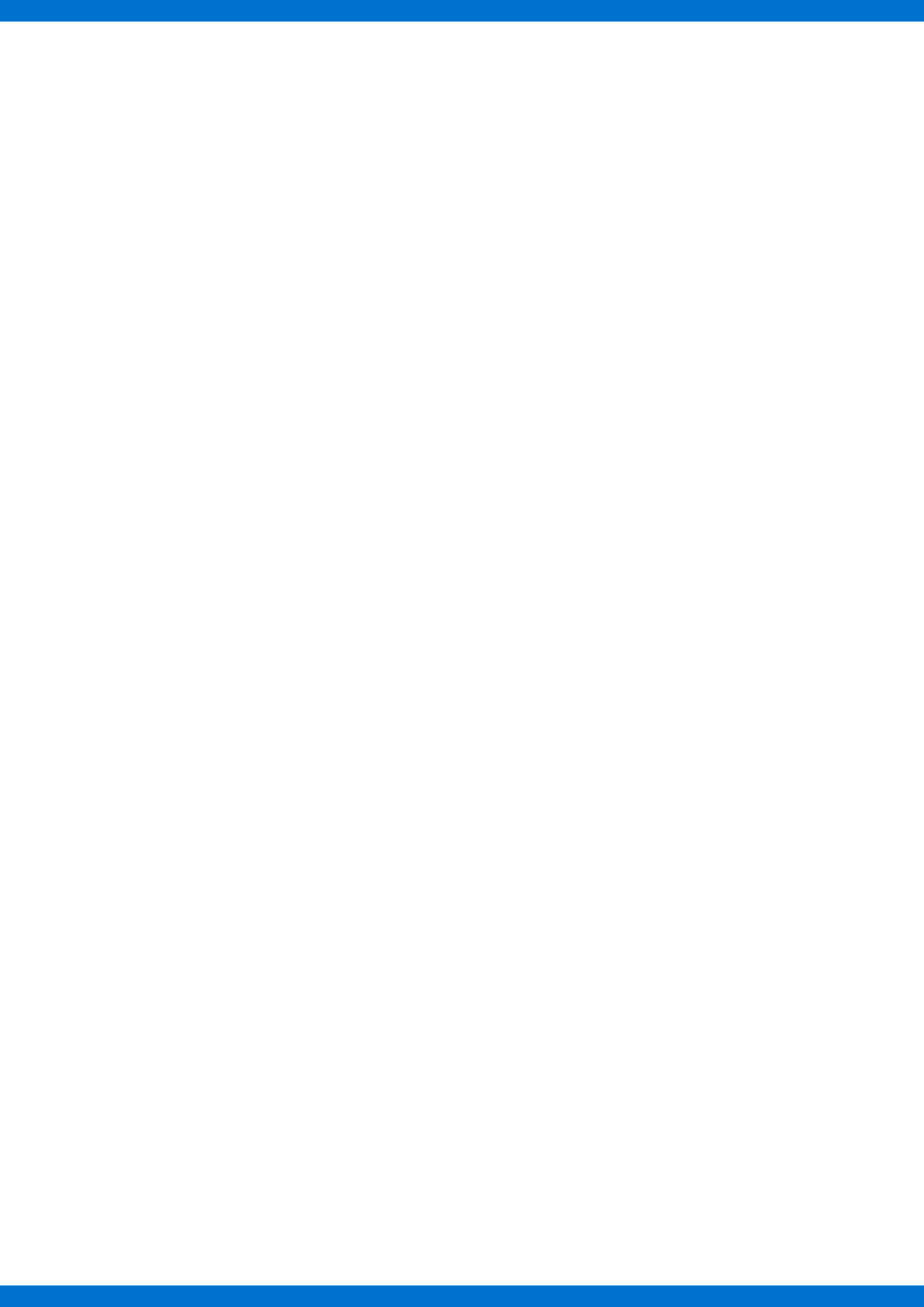
The Analysis in the following pages is meant to assist potential investors by summarising the more important financial data set out in the Prospectus. The Analysis does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. The Analysis does not constitute an endorsement by our firm of the proposed bond issue

by the issuer and should not be interpreted as a recommendation to invest in any of the Issuer's or the Group's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. As with all investments, potential investors are encouraged to seek professional advice before investing in the Bonds.

Yours sincerely,



Karl Falzon
Head of Capital Markets & Research
For and on behalf of
Curmi and Partners Limited



CONTENTS

1	OVERVIEW OF THE ISSUER	158
	1.1 HISTORY AND DEVELOPMENT OF THE ISSUER	158
	1.2 SHAREHOLDING OF THE ISSUER	158
	1.3 DIRECTORS	158
2	OVERVIEW OF THE GROUP	158
	2.1 ORGANISATIONAL STRUCTURE	159
	2.2. OVERVIEW OF THE GUARANTORS	160
	2.2.1 PHOENICIA MALTA LIMITED	160
	2.2.2 PHOENICIA HOTEL COMPANY LIMITED	160
3	MAJOR ASSETS OF THE GROUP	160
	3.1 THE PHOENICIA HOTEL	160
	3.2 THE REFURBISHMENT	163
	3.3 VALUATIONS OF LAND AND BUILDINGS	163
4	INDUSTRY OVERVIEW	164
	4.1 ECONOMIC UPDATE	164
	4.2 TOURISM AND HOSPITALITY	164
	4.3 FOOD AND BEVERAGE	164
5	PROPOSED BOND ISSUE	165
6	PERFORMANCE AND FINANCIAL POSITION OF THE ISSUER	166
	6.1 STATEMENT OF COMPREHENSIVE INCOME	166
	6.2 STATEMENT OF CASH FLOWS	166
	6.3 STATEMENT OF FINANCIAL POSITION	167
7	PERFORMANCE AND FINANCIAL POSITION OF THE GROUP	167
	7.1 STATEMENT OF COMPREHENSIVE INCOME	168
	7.2 STATEMENT OF CASH FLOWS	170
	7.3 STATEMENT OF FINANCIAL POSITION	171
	7.4 BORROWINGS	173
	7.5 EVALUATION OF PERFORMANCE AND FINANCIAL POSITION	173
8	COMPARABLES	176
9	GLOSSARY	178

1.

OVERVIEW OF THE ISSUER

1.1 HISTORY AND DEVELOPMENT OF THE ISSUER

Phoenicia Finance Company plc (“the Issuer” or “PFC”), is a public limited liability company that was established on 23rd October 2018 to act as the financing arm of the group of companies that owns and operates The Phoenicia Malta hotel (“the Group”). The principal object of the Issuer is to carry on the business of a finance company in connection with the ownership, development, operation, and financing of the Group’s hotel and leisure facilities. The Issuer’s intended purpose is to raise finance for the business of the Group which is carried out through Phoenicia Hotel Company Limited (“PHCL”) and Phoenicia Malta Limited (“PML”) (collectively, “the Guarantors”). In this respect, the Issuer is mainly dependent on the business prospects of the Guarantors. The Issuer operates exclusively in and from Malta.

1.2 SHAREHOLDING OF THE ISSUER

The authorised and issued share capital of the Company is €250,000 divided into 250,000 ordinary shares of a nominal value of €1 each share, and are fully paid up and subscribed for. The shares are allotted and taken up by PML, except for 1 share which is subscribed for, allotted and taken up by Mr Mark D. Shaw, the ultimate beneficial owner of the Group.

1.3 DIRECTORS

The Board of Directors of the Company consists of five directors who are entrusted with setting the overall direction and strategy of the Company. As at the date of this Financial Analysis Summary, the Board of Directors of the Issuer is constituted as follows:

Mark D. Shaw	Chairman
Jean Pierre Ellul Castaldi	Executive Director
Mario P. Galea	Non-Executive Director
Benjamin Muscat	Non-Executive Director
Etienne Borg Cardona	Non-Executive Director

2.

OVERVIEW OF THE GROUP

The business of the Group mainly relates to the ownership, management and operation of The Phoenicia Malta hotel (“the Hotel” or “the Phoenicia”), an iconic five star hotel situated in Floriana. The Hotel was built in the 1930s and officially opened in 1947 as Malta’s first luxury hotel.

The Phoenicia currently comprises 136 rooms, 8 of which are luxurious suites. Additionally, Phoenicia also offers conference and banqueting facilities, along with food and beverage outlets within the Hotel premises. The footprint of the hotel covers less than 10 percent of the broader site, which comprises of over 40,000 sqm of premium land made up of various zones that are not yet fully exploited.

The Phoenicia has been a member of the Leading Hotels of the World (“LHW”) network since December 2015, reinforcing its position in the luxury accommodation segment on an international level. The Phoenicia’s recent history is characterised by a major refurbishment project (“the Refurbishment”) which was undertaken between November 2015 and mid-April 2017, during which the Hotel was closed. The Phoenicia re-opened in mid-April 2017 with approximately 100 rooms, and opened in full capacity in November 2017. The Refurbishment entailed a significant upgrade and restoration of the Hotel and the surrounding sites.

The Hotel is in the process of completing the last phase of the refurbishment programme; the construction of a Spa and health club (“the Spa”) which is expected to open during the first quarter of 2019.

Key historical developments include the following:

1935	PHCL (previously known as “Malta Hotels Company Limited”) was incorporated in the United Kingdom for the purpose of acquiring by emphyteutical title the land over which the Premises was subsequently constructed.
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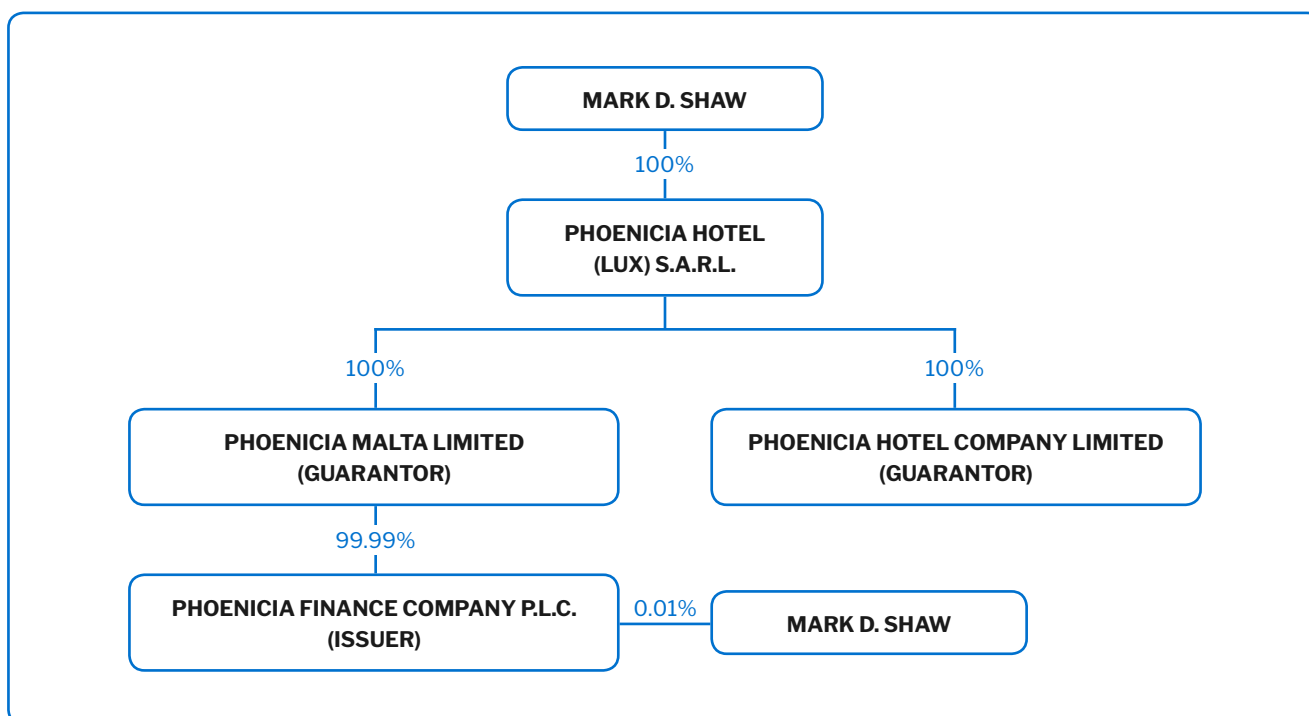
1947	The Phoenicia Hotel celebrated its official opening in 1947.
1961	PHCL granted the Premises on sub-empyteusis to Ms Agnes Graham.
1965	PHCL was registered as an oversea company in Malta.
1966	Ms Agnes Graham transferred the sub-empyteusis over the Premises to Holtours Limited.
1997	The Phoenicia Hotel was renamed “Le Méridien Phoenicia”.
2007	PML (previously known as Cuffe (Malta) Limited) was incorporated on 8 June 2007, for the purpose of acquiring the sub-empyteusis over the Premises from Holtours Limited. The hotel was renamed as “The Phoenicia Malta”.
2013	Acquisition of the Phoenicia Group by the current owner.
2016	The Phoenicia Hotel was closed for refurbishment in November 2015 up to April 2017.
2017	The Phoenicia Hotel was re-opened for business on 15 April 2017.

Phoenicia has changed owners along the years, as the sub-empyteusis over the Hotel has been granted and acquired by four different owners since 1935. The current shareholder acquired the Group in 2013 which is also when the underlying debt of PML was assigned to a new lender Teramy SARL (“Teramy”) from National Asset Management Agency (“NAMA”). The total debt assigned to Teramy amounted to €21 million (“the Teramy Secured Loan”).

2.1 ORGANISATIONAL STRUCTURE

The Phoenicia is owned and operated by 2 companies that are controlled by Phoenicia Hotel (LUX) S.A.R.L, the parent of the Group. The Hotel is owned by PML, a private limited liability company which principally acts as the property holding company of the Group. PML leases the Phoenicia premises to the operating company of the Group, PHCL. On the basis of an operating lease agreement, PHCL pays rental income arising from the lease of investment property to the asset owning company PML.

The organisational structure of the Group is illustrated in the diagram below. As stated above, the Issuer’s principal activity is that of acting as the financing arm of the Group and is thus dependent upon the operations and performance of the Phoenicia Group entities, namely PML and PHCL.



As at the date of the Prospectus, the Group employs an average of 137 full-time employees.

2.2 OVERVIEW OF THE GUARANTORS

2.2.1 PHOENICIA MALTA LIMITED

PML was established in 2007 to act as the property holding company of the Group. PML owns the premises on which the Phoenicia hotel is built under the title of perpetual sub-emphyteusis.

The main activity of PML is the leasing of the Phoenicia premises to PHCL by virtue of a lease agreement which is renewable every year. PML generates revenue from the annual rent paid by PHCL to PML, which is due in monthly instalments in advance. The annual ground rent due to PML is currently €1.75 million and is renewable every three years. In terms of its memorandum of association, PML is empowered to secure and guarantee any debt, liability, or obligation of any third party.

2.2.2 PHOENICIA HOTEL COMPANY LIMITED

PHCL was incorporated in the United Kingdom in 1935 and registered in Malta in 1965. PHCL is the operating company of the Group and is responsible for the operations of the Phoenicia Hotel. Through PHCL the Group provides hospitality services which can be further divided into three major segments; hotel accommodation ("Rooms"), restaurants and bars, conferencing and banqueting ("Catering") and other minor divisions ("Other").

Rooms

The Hotel generates a large proportion of its revenue from the provision of 136 hotel rooms, 8 of which are luxury suites. Room revenue is generated through various channels, including online bookings made on the Hotel's official website, global distribution systems, LHW reservation systems and other online travel agents. Room revenue, excluding any in-room add-ons, accounted for 68% of total revenue in FY2017.

Catering

The catering segment covers the Hotel's food and beverage facilities which can be further subdivided into the operations of the Hotel's restaurants and bars and the Hotel's conference and banqueting services offered at the Phoenicia. The Hotel operates 5 food and beverage outlets and 650 sqm of conference and banqueting facilities used to cater for large events, weddings, conferences and meeting rooms. Catering revenue accounted for 30% of total revenue in 2017.

Other

Phoenicia also generates a small portion of its revenue from other activities such as the sub-leasing of two establishments and a tour operating desk for commercial purpose as well as ancillary services such as telephone and airport transfers.

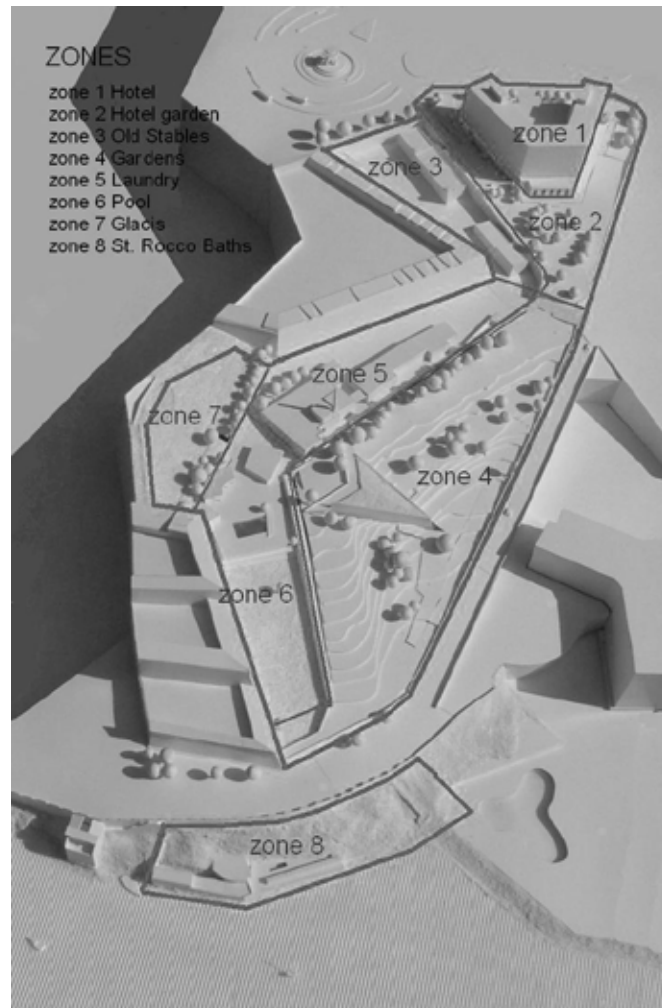
The Phoenicia has been a member of the LHW network since December 2015. This membership further establishes the Hotel's position in the luxury hotel segment and provides access to global loyalty programmes, namely the American Express Travel's Fine Hotels and Resorts, and is presently the only local hotel to be given this prestigious accolade.

In 2016, PHCL entered into a hotel management agreement with Campbell Gray Hotel Limited ("CGHL") for a period of fifteen years from the reopening of the Hotel in April 2017. CGHL assists Phoenicia's local management team with operational management, marketing and PR. The Group's relationship with CGHL provides the Phoenicia Hotel with access to CGHL's large-scale reservation and distribution system, which allows the Group to benefit from its extensive operating experience and marketing opportunities.

3. MAJOR ASSETS OF THE GROUP

3.1 THE PHOENICIA HOTEL

The Phoenicia Hotel is owned by PML and operated by PHCL. It is a prestigious, five-star property situated in Floriana. The Hotel contains 136 rooms, including 8 suites, 3 restaurants, 2 bars and conference amenities.



As mentioned earlier, the Hotel is in the process of completing a major refurbishment program with an estimated investment of circa €29.4 million. The Hotel was closed for the period between November 2015 and mid-April 2017, during which the majority of the works were completed. The Phoenicia re-opened in mid-April 2017 with approximately 100 rooms, due to construction delays in relation to the Hotel's listed status and proximity to heritage locations, and opened with full capacity in November 2017. As part of the final stage of this project, the Hotel is currently developing a Spa and health club which will include six treatment rooms, an indoor pool, a gym, a sauna, a hammam, and a juice bar. The Spa is expected to be operational by the first quarter of 2019. The refurbishment has already shown significant improvements in the Hotel's business offering and performance metrics.

HOTEL METRICS AND COMBINED FINANCIAL INFORMATION

KPIs	2015	2016	2017	LTM		
	Actual	Actual	Actual	2018 Actual	2018 Forecast	2019 Forecast
Revenue (€000)	7,822	348	6,777	11,226	13,245	15,214
Gross Operating Profit (€000)	2,836	(2,414)	1,260	4,058	5,499	6,556
EBITDA (€000)	2,726	(2,592)	919	3,596	4,947	5,970

Benchmark Performance

Occupancy level	76%	76%	69%
Average Room Rate (ARR) (€)	135	142	137
Revenue per available room (RevPAR) (€)	103	110	121

Phoenicia Performance

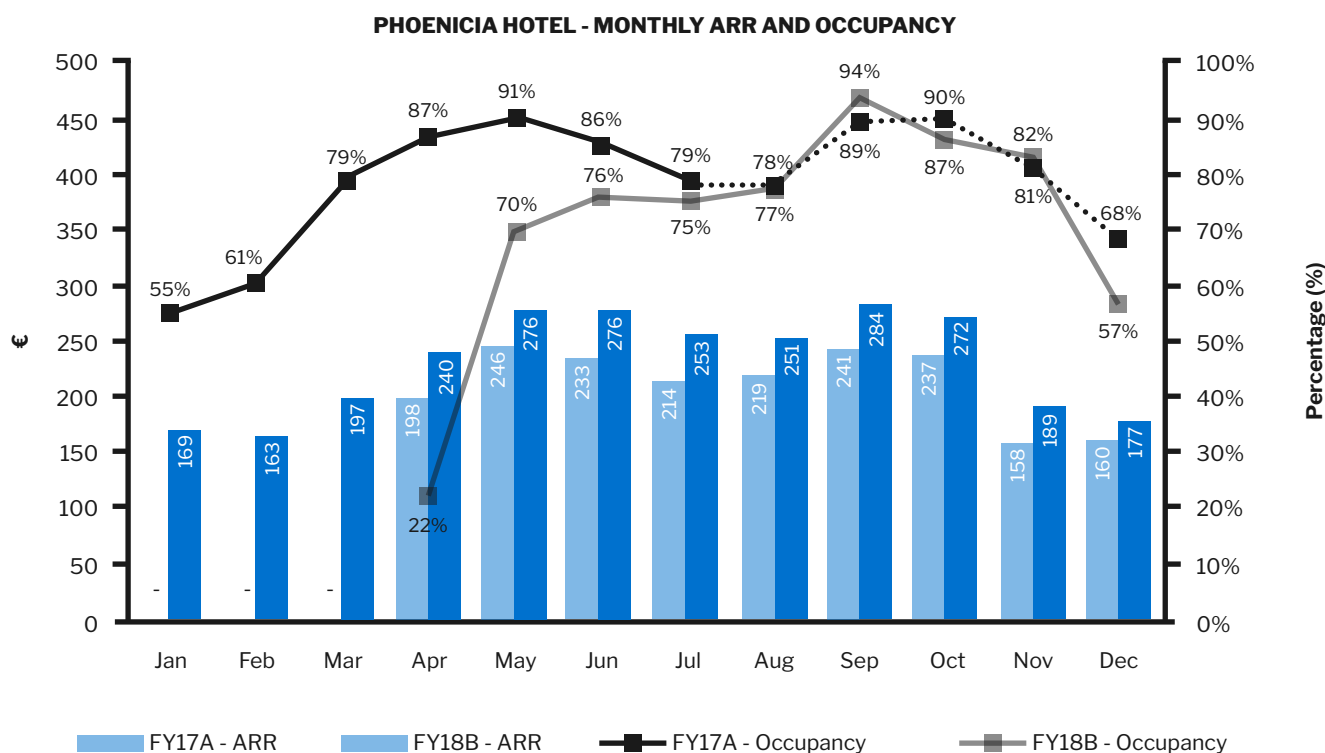
Room Revenue (€000)	5,467	-	4,611	7,729	9,160	10,309
Overall occupancy	85%	-	74%	77%	79%	82%
Gross Operating Profit Margin	36%	-693%	19%	36%	42%	43%
ARR (€)	149	-	213	218	234	253
RevPAR (€)	127	-	157	168	185	208

Source: Management information; Combined Financial Statements; MHRA Reports

The Phoenicia's operating and financial performance in the last three years has been impacted by the refurbishment program. The Hotel was closed between November 2015 and April 2017, thus the figures for FY2015 - FY2017 do not show 12-month trading periods. The last twelve month ("LTM") figures which cover the period July 2017 to June 2018 ("LTM 2018") illustrate the improvement in the Hotel's performance following the refurbishment. Following the negative performance in 2016, gross operating profit ("GOP") showed improvements in 2017, albeit significantly lower than 2015 levels. However, LTM 2018 revenue rose at a faster pace than cost of sales and operating expenses, thus achieving a notable improvement in GOP. This is also reflected in the Group's GOP margins, improving to 36% in LTM 2018. GOP in both absolute terms and margins are projected to increase in 2018 and 2019.

The improved performance is mainly driven by the higher average room rate ("ARR") which increased by 43% from FY2015 to FY2017 and is expected to continue to increase in FY2018 as partly observed in the ARR during LTM2018. Phoenicia achieved higher ARR than the average of the 5 star hotel sector in Malta ("the Industry"), exceeding by 11% (pre-refurbishment) in FY2015 and by 56% (post-refurbishment) in FY2017. The increase in ARR in FY2017 was in line with the industry increase. Phoenicia has also achieved higher revenue per available room ("RevPAR") than the industry average in FY2015 and FY2017. Management expects that the increases anticipated in the ARR will also drive RevPAR growth over the forecast period.

The Phoenicia's peak months include May, June, September and October. Management notes that Phoenicia's seasonality pattern could be considered particular in that it reflects a more linear revenue stream than that of peers. Phoenicia's occupancy levels decreased from 85% in 2015 to 74% in 2017, albeit exceeding the average of the five star market, despite the part-closure of the Hotel from January to mid-April of the same year. Management expects the occupancy rate to continue to increase, reaching pre-refurbishment occupancy levels in 2020. In addition, during the current financial year, the Hotel achieved higher room rates, occupancy rates and growth rates than those achieved in the previous year. Management anticipates that RevPAR and occupancy levels for 2018 will reach €185 and 78.7% respectively on the basis of latest management budgets.



Source: Management information

3.2 THE REFURBISHMENT

The Phoenicia is in the process of completing a major refurbishment of its buildings and surrounding grounds. The total investment is estimated at €29.4 million and is expected to be completed by 2019, upon completion of the Spa and Health club. The total project entails a significant upgrade and restoration of the Hotel and surrounding site including:

- Replacement of all guest bathrooms
- Refurbishment of guest bedrooms with the addition of new balconies on all 4th floor guest bedrooms
- Overhaul and renewal of the Hotel's mechanical and electrical plant, including new air-conditioning and ventilation plant
- Construction of a new outdoor swimming pool
- Refurbishment of the Grand Ballroom and other public areas
- Restoration of the Hotel's facade including new fenestration
- Renewed landscaping and external lighting
- Spa and Health club (target completion date: Q1 2019)

The largest capital outlays related to the guest room and corridor renovations (€6.1 million), mechanical, electrical and plumbing services (€6.4 million), the Spa and Health club (€4.4 million) and general external works (€2.1 million).

The majority of the works were carried out between November 2015 and April 2017, which resulted in the closure of the Hotel for this period. On re-opening in 2017, the Hotel operated with approximately 100 rooms and achieved full capacity in November 2017. Management have noted that due to the sensitivities connected to the Hotel's listed status and proximity to heritage locations, the project ran into delays which in turn resulted into cost over runs.

However, management also indicates that the Refurbishment has ultimately consolidated the Hotel's position as a top end 5 star property. The Spa and Health club is expected to be completed in Q1 2019 for a total investment of €4.4 million. This property will include a new gymnasium, a heated indoor swimming pool, six treatment rooms, a sauna, steam room, experience showers and a juice bar. The addition of the Spa is expected to attract new guest profiles and contribute to incremental room revenue.

3.3 VALUATIONS OF LAND AND BUILDINGS

The Group's Property, Plant and Equipment ("PPE") consists of the leasehold land, buildings, plant & machinery at the site of the Hotel. Following completion of the Hotel's refurbishment and commencement of operations, the Group obtained an independent

valuation from local architects, DeMicoli & Associates Architects, in accordance with the recommendations of the Valuation Standards for Accredited Valuers. The fair value determined on the basis of this valuation was €92 million as at 29th October 2018 which also includes the estimated value of all underlying plant and equipment used in the ongoing operation of the Hotel and which are utilised in the generation of income. The revaluation resulted in a fair value gain of €45 million in 2017, resulting in a net movement in other comprehensive income of €38.4 million, after a deferred tax adjustment.

4. **INDUSTRY OVERVIEW**

4.1 ECONOMIC UPDATE¹

Malta achieved one of the highest growth rates in Europe, with real GDP increasing by 6.6% in 2017, mainly driven by the services sector as well as improvements in manufacturing and construction sectors. Albeit still strong, GDP growth rose at a slower pace in the first quarter of 2018, rising by 4.4% year-on-year (“YoY”), marginally lower than the 4.6% growth achieved in the last quarter of 2017. Growth is forecasted to remain robust to moderate for the remainder of 2018, increasing by 5.4% for the year.

Unemployment has continued to fall in the first quarter of 2018 to 4.4% with both employment and labour supply from higher labour participation and inflows of foreign workers, growing strongly. Nonetheless, the labour market remains tight with the unemployment rate below structural employment of 4.8%.

4.2 TOURISM AND HOSPITALITY²

The local tourism industry has continued to strengthen, with tourist arrivals increasing by 15.7% in 2017. With the number of tourists exceeding 2.2 million visitors. Tourists arrivals in the first six months of 2018 increased by 17.4% over the same period last year, reaching more than a million tourists.

In 2017, the number of tourist nights exceeded 2016 levels by 10.3%, nights spent in collective accommodation increased by 6.0% whilst private accommodation increased popularity and rose at a faster pace of 16.7%. This positive momentum continued in the first half of 2018 with the number of tourist nights increasing by 17.8% over the same period last year, 59% of which were spent in collective accommodation.

For the first half of 2018, occupancy rates declined in comparison to the H1 2017, from 72% to 70%, whilst average room rates for the 5-star segment increased by 4% in the same period.

The composition of 5-star hotel's business mix remained relatively unchanged for the first half of 2018: 23% of business came from online tour operators, 21% from corporate business, 20% direct and 16% from both tour operators and CIT. Non-accommodation income per available room at 5 star hotels amounted to €56.7, decreasing by 4% from January to June 2018 in comparison to the period last year.

4.3 FOOD AND BEVERAGE³

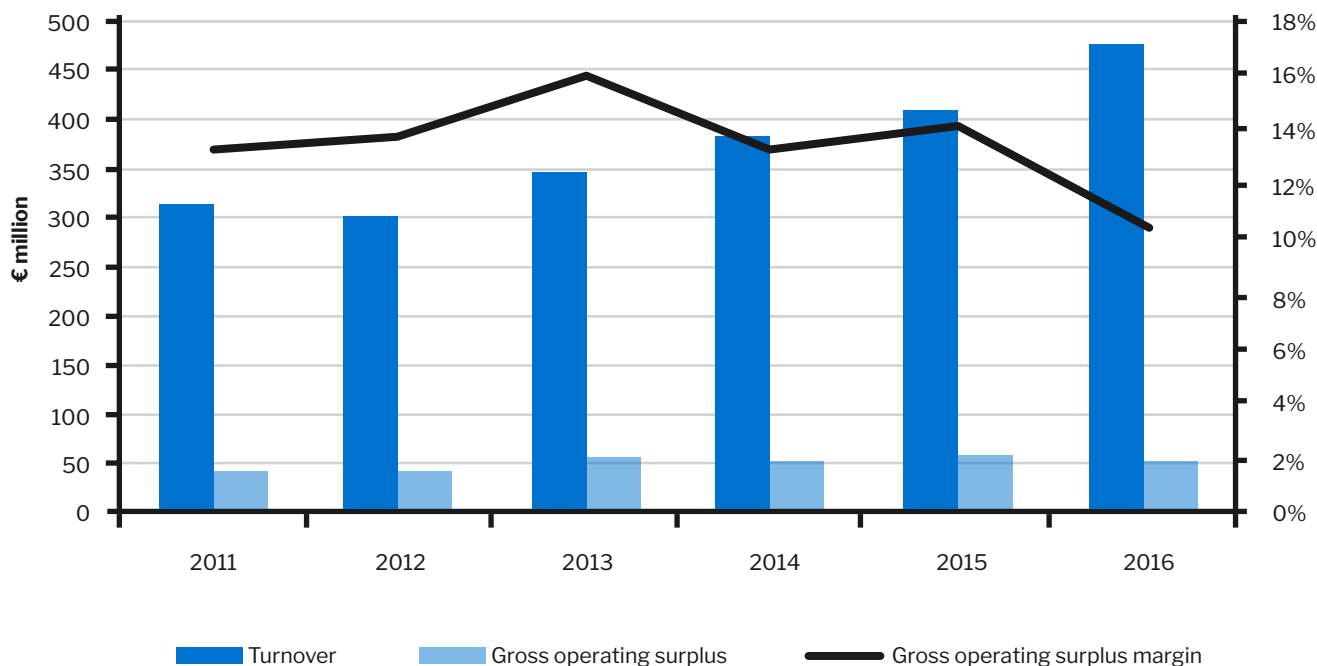
The food and beverage sector comprises of restaurant and mobile food services, beverage serving activities, event catering and other food services. The number of food and beverage enterprises in Malta amounted to 2,176 as at 2016 (latest data available on Eurostat), increasing by 9% over the previous year. The total turnover from the food and beverage sector amounted to €471 million in 2016, increasing at an annual compound rate of 9% since 2011. A total of €48.7 million of gross operating surplus was generated by the sector in 2016, dropping 16% from 2015. Since 2011, gross operating surplus grew by an annual compound growth rate of 4%.

1 Central Bank of Malta Annual Report 2017; Quarterly review 2018 Vol 15 No 3

2 Hotel Performance survey by Deloitte Q4 2017; MHRA Survey Q2 2018 and Year to Date

3 Eurostat (NACE REV.2 HN and S95); MHRA Survey Q1 2018; MHRA Survey Q2 2018 and Year to Date; Central Bank of Malta ‘Household expenditure in Malta and the RPI Inflation Basket’.

FOOD AND BEVERAGE SERVICE ACTIVITIES IN MALTA



Source: Eurostat (NACE REV.2 HN and S95);

Expenditure patterns of the Maltese population have changed throughout the years, which is largely a result of increased net income which rose by 28.6% between 2008 and 2015 (latest available data). Total household expenditure rose by 14.1% in the same period. Over the years, the share of consumer spending on restaurants and hotels increased from 7.1% in 2008 to 8.3% in 2015, implying that consumers tend to eat out more frequently as income rises.

5. PROPOSED BOND ISSUE

The Issuer will be issuing a bond amounting to €25 million (“the Bond”), with a nominal value of €100 each, which will be issued at par and bear interest at a rate of 4.15% per annum. The Bond will be redeemed on the 15th December 2028, unless previously redeemed at the option of the Issuer on any of the early redemption dates at a price of €100.

The Bond will constitute general, direct, unsecured 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 Guarantors. The Bonds shall at all times rank pari passu without any priority or preference among themselves and, in respect of the Guarantors, they shall rank without any priority or preference over all their unsecured indebtedness, if any.

As noted, the Bond is callable whereby the Issuer reserves the option to redeem the security at a price of €100 during the period 2023-2027, on any of the following early redemption dates: 15th December 2023, 15th December 2024, 15th December 2025, 15th December 2026, and 15th December 2027. As a result of the callable option, the Bonds are complex financial instruments.

The proceeds from the Bond Issue are expected to amount to €24.5 million, which will be on-lent by the Issuer to PML and shall be utilised by PML for the following purposes:

- i. An amount of c.€19.5 million will be used to re-finance Teramy facilities, including c.€17.8 million to re-finance the Teramy Secured Loan and c.€1.7 million to re-finance additional unsecured advances (“the Teramy Unsecured Loan”; and
- ii. An amount of €4 million will be used to part re-finance outstanding bank facilities; and
- iii. The remaining balance will be used for general funding purposes

6. PERFORMANCE AND FINANCIAL POSITION OF THE ISSUER

The Issuer was registered on the 23rd October 2018, and thus has no trading record or operational history. The Issuer was incorporated to act as a financing vehicle of the Group and is therefore dependent on the financial and operational performance of the Group.

The financial information presented for the Issuer represents the projections of the Issuer for the financial years ending 31st December 2018 and 31st December 2019 as provided by management. Projected financial statements are based on assumptions and relate to events in the future. Thus, the actual outcome may be adversely affected by unforeseen events and the variation between forecasts and actual results can be material.

6.1 STATEMENT OF COMPREHENSIVE INCOME

PHOENICIA FINANCE COMPANY PLC

STATEMENT OF COMPREHENSIVE INCOME (€000) - 31 DECEMBER	2018 Forecast	2019 Forecast
Financial Income	-	1,169
Finance Costs	-	(1,083)
Net interest earned	-	86
Administrative expenses	(25)	(50)
Profit before tax	(25)	36
Tax expense	-	(28)
Profit for the year	(25)	8

Source: Management information

PFC was set up as a special purpose vehicle, acting as the finance company for the Group and thus, income is to be generated from interest receivable on advances to Group companies. In 2019, the Issuer is projected to receive €1.2 million from interest receivable from Group companies and incur €1.1 million in finance costs, comprising of interest payable to bond holders and bond amortisation costs.

6.2 STATEMENT OF CASH FLOWS

PHOENICIA FINANCE COMPANY PLC

STATEMENT OF CASH FLOWS (€000) - 31 DECEMBER	2018 Forecast	2019 Forecast
Net cash (used in) operating activities	(25)	(33)
Net cash (used in) / generated from investing activities	(24,550)	86
Net cash generated from financing activities	24,800	-
Net movement in cash and cash equivalents	225	53
Cash and cash equivalents at beginning of year	-	225
Cash and cash equivalents at end of year	225	278

Source: Management information

The Issuer is expected to receive the proceeds from the Bond issue in 2018, which will be advanced to PML, which will in turn implement the planned use of proceeds.

6.3 STATEMENT OF FINANCIAL POSITION

PHOENICIA FINANCE COMPANY PLC

STATEMENT OF FINANCIAL POSITION (€000) - 31 DECEMBER	2018 Forecast	2019 Forecast
ASSETS		
Non-current assets		
Loan owned by company	24,550	24,550
Total non-current assets	24,550	24,550
Current assets		
Cash and cash equivalents	225	278
Total current assets	225	278
TOTAL ASSETS	24,775	24,828
EQUITY AND LIABILITIES		
Issued Capital	250	250
Retained earnings	(25)	(17)
Total Equity	225	233
Non-current liabilities		
Bonds in issue	24,550	24,595
Total non-current liabilities	24,550	24,595
Total liabilities	24,550	24,595
TOTAL EQUITY AND LIABILITIES	24,775	24,828

Source: Management information

The Issuer's balance sheet reflects its role as the financing arm of the Group with both total assets and total liabilities as at 31st December 2018 expected to amount to €24.6 million from the bond issue.

7. PERFORMANCE AND FINANCIAL POSITION OF THE GROUP

The Issuer is dependent on the business prospects of the Guarantors and, consequently, the operating results of the Guarantors have a direct effect on the Issuer's financial position and performance.

The Group does not have a statutory requirement to prepare consolidated financial information. However, management prepared combined financial statements for FY2015-FY2017 based on an aggregation of the audited financial statements of PML and PHCL⁴, and after taking into consideration intercompany and consolidation adjustments ("the Combined Financial Statements"). Combined financial information for FY2015A has not been audited. The annual Combined Financial Statements of PML and PHCL for FY2016 and FY2017 have been audited by Ernst & Young Malta Limited Independent Auditors, as stated in their report. Combined Financial Statements are also provided on the basis of management forecasts for PML and PHCL standalone, taking into account applicable consolidation adjustments.

4 The audited financial statements of the Guarantors have been prepared in accordance with IFRS as adopted by the European Union and comply with the Companies Act, Cap. 386 of the Laws of Malta

The following financial information is extracted from the Combined Financial Statements of the Group for the three years ended 31st December 2015 to 31st December 2017. The forecasted financial information for the years 31st December 2018 ("FY2018") and 31st December 2019 ("FY2019") have been provided by the management of the Group. FY2018 projections are based on actual results covering the period January 2018 to July 2018 together with the flexed budget for August 2018 to December 2018. The forecasts and projections in this report assume that the bonds will bear interest at the rate of 4.15% payable annually. The projected financial statements relate to future events and are based on assumptions. Thus, the actual outcome may be adversely affected by unforeseen situations and the variation between forecasts and actual results can be material.

7.1 STATEMENT OF COMPREHENSIVE INCOME

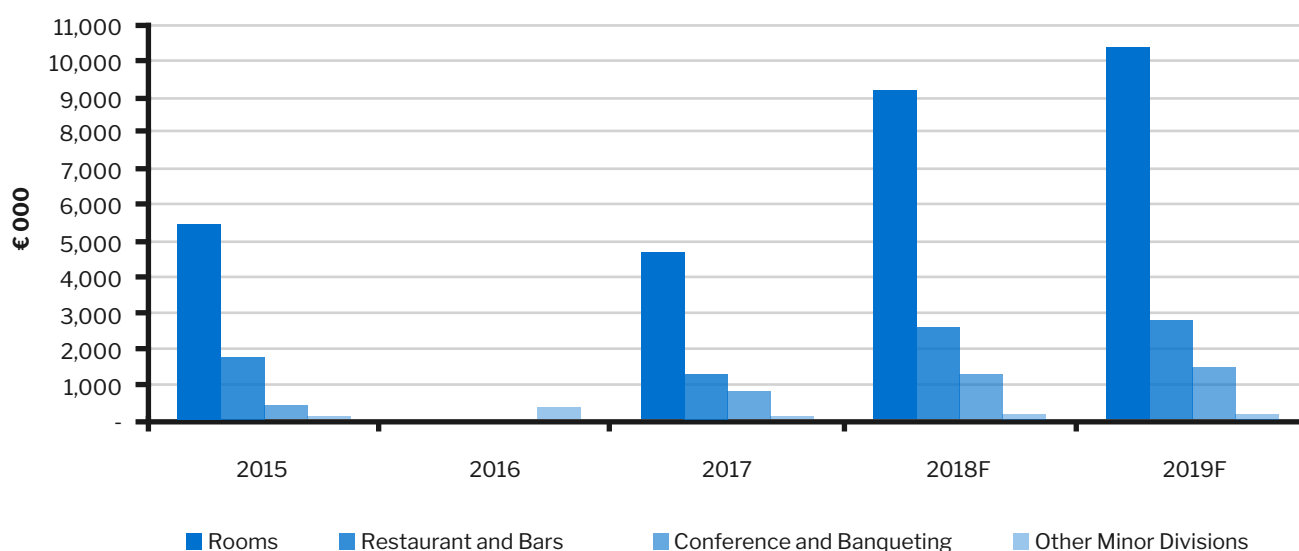
COMBINED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME (€000) - 31 DECEMBER	2015 Actual	2016 Actual	2017 Actual	2018 Forecast	2019 Forecast
Revenue	7,822	348	6,777	13,245	15,214
Cost of Sales	(3,131)	(1,410)	(3,516)	(5,204)	(5,945)
Gross Profit	4,692	(1,061)	3,261	8,041	9,269
Administrative expenses	(860)	(689)	(921)	(1,107)	(1,179)
Selling and marketing expenses	(346)	(369)	(466)	(653)	(724)
Property maintenance	(337)	(243)	(365)	(410)	(418)
Energy	(314)	(52)	(249)	(372)	(391)
Gross Operating Profit	2,836	(2,414)	1,260	5,499	6,556
Management service fees	(78)	(139)	(305)	(506)	(539)
Insurance	(33)	(39)	(36)	(46)	(47)
EBITDA	2,726	(2,592)	919	4,947	5,970
Depreciation	(558)	(571)	(1,545)	(2,486)	(2,635)
Waiver of loan	-	4,000	-	-	-
EBIT	2,168	836	(626)	2,461	3,335
Finance Costs	(1,112)	(1,129)	(1,458)	(1,703)	(1,725)
Teramy break fee	-	-	-	(3,316)	-
Profit before tax	1,055	(293)	(2,084)	(2,558)	1,610
Tax expense	(1)	-	2,203	(160)	(748)
Profit for the year	1,054	(293)	119	(2,718)	862
Revaluation of PPE	-	-	38,418	-	-
Total comprehensive income for the year	1,054	(293)	38,537	(2,718)	862

Source: Combined Financial Statements; Management information

The Group's recent operating and financial performance is characterised by the major refurbishment program which resulted in the closure of the Hotel from November 2015 to April 2017. Financial statements during this period do not reflect full historic twelve months of operations. The Group generates revenue from three business segments: Rooms, Catering and Other ancillary revenue. As from FY2019, the Group is also expecting to start generating revenue from its Spa and Health Club.

PHOENICIA GROUP - REVENUE BREAKDOWN



Source: Management Information; Combined Financial Statements; Curmi and Partners Ltd

In 2015, the Group generated revenue of €7.8 million, 70% of which was generated from Rooms revenue, 29% from Catering and 1% from other minor divisions. Despite being closed for almost two months, revenue was 3% higher than the previous year, mainly as a result of higher occupancy and ARR. The Group's cost of sales comprise of direct labour costs, which relate to salaries of hotel room and catering departments and direct expenses relating to room and catering expenses such as commissions, guest amenities and food and beverage cost of sales. In 2015 direct labour and direct expenses amounted to €1.6 million and €1.5 million respectively, resulting in a gross contribution of €4.7 million. After deducting operating expenses and fixed charges, the Group's EBITDA amounted to €2.7 million. Pre-tax profit amounted to €1.1 million.

The closure of the Hotel during 2016 resulted in a negative financial performance for that year. The Hotel did not generate income from the accommodation or catering operations, nonetheless the Group kept its entire full time staff complements on its payroll, incurring direct labour costs of €0.9 million. Management opted to pursue this strategy, when taking into consideration the risks associated with a shortfall of qualified labour in the market. The Hotel generated €348k in revenue by placing its existing reservations into other hotels, receiving a surplus over rebooked rates. During FY2016, Phoenicia signed the management agreement with CGHL whereby the Hotel benefits from CGHL's input in terms of sales, marketing, branding and PR, paying certain base and incentive fees. EBITDA amounted to a negative €2.6 million in 2016, as costs, albeit lower than 2015, continued to be incurred despite the closure of the Group's main operating segments. During the year, the Teramy Secured Loan was reduced by a loan waiver of €4 million by the lender to support the Hotel during the period of closure.

In 2017, the Phoenicia recommenced operations following the Refurbishment, raising both the ARR to €213 (FY2015: €149) and RevPAR to €157 (FY2015: €127) compared to the pre-refurbishment period. Revenue levels were lower compared to FY2015 due to less operational months and reduced room capacity for most of the operational months which in turn contributed to lower occupancy rates. Catering revenue was also impacted by lower occupancy levels. Despite being closed for the first quarter of the year, direct costs (+12%), operational costs (+8%) and fixed charges all increased over both 2015 and 2016. The Group's EBITDA amounted to €0.9 million whilst pre-tax loss amounted to €2.1 million. As a result of the revaluation of PPE following the Refurbishment, total comprehensive income increased to €38.5 million, driven by the increase in fair value following the revaluation of the property.

The Group's financial results are expected to improve further in 2018, reflecting the first full year impact of the refurbishment program and in line with current operations. Management expects total revenue to increase to €13.2 million in FY2018 and to circa €15 million in FY2019. The composition of revenue is expected to remain relatively unchanged, with the majority of total revenue coming from Rooms and Catering revenue. The growth is projected to be driven by increases in the ARR and occupancy levels, which are expected to reach €234 and 79% respectively for 2018. Catering revenue is also forecasted to improve as a result of higher occupancy at the Hotel and an increase in conference and banqueting covers on account of additional business which is projected to improve due to increased marketing efforts and exposure in international wedding fairs. Additionally, management indicates that the completion of the Spa, expected in Q1 2019, is forecast to provide a further source of income and potential upside in ARRs.

On the other hand, operations from other minor divisions are expected to remain in line with previous years and management does not anticipate any changes in the number of outlets that are sub-leased.

Generally costs are projected to continue to increase in both 2018 and 2019 in line with expected growth of operations, but are expected to stabilise thereafter. Management expects EBITDA to amount to €4.9 million in 2018 and circa €6 million in 2019. A loss before tax of €2.6 million is projected for 2018 primarily as a result of a one-off payment of a €3.3 million break fee relating to the early repayment of the Teramy Secured Loan. Profitability is expected to be restored in FY2019, amounting to €1.6 million before tax.

7.2 STATEMENT OF CASH FLOWS

COMBINED FINANCIAL STATEMENTS

	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Forecast	Forecast
STATEMENT OF CASH FLOWS (€000) - 31 DECEMBER					
Net cash generated from / (used in) operating activities	3,095	(1,878)	2,052	5,400	6,245
Net cash (used in) / generated from investing activities	(1,576)	(14,641)	(6,156)	(5,540)	(1,918)
Net cash (used in) / generated from financing activities	(1,268)	14,253	4,601	2,700	(3,416)
Net movement in cash and cash equivalents	251	(2,266)	497	2,560	911
Cash and cash equivalents at beginning of year	1,317	1,569	(699)	(202)	2,358
Cash and cash equivalents at end of year	1,568	(697)	(202)	2,358	3,269

Source: Combined Financial Statements, Management information

During FY2015 net cash from operating activities amounted to €3.1 million, driven mainly by the cash generated from the Hotel's operations. The Refurbishment project commenced in November, with the cash used in investing activities by the end of 2015 amounting to €1.6 million.

Cash flow movements and balances during FY2016 reflect the ongoing development of the project. Net cash used in operating activities amounted to €1.9 million, with the Group continuing to sustain a substantial cost base (particularly due to the decision not to reduce headcount) whilst not earning income. During FY2016 the capital outlay for the Refurbishment amounted to €14.6 million. The Group raised c.€20 million of borrowings via bank facilities, with c.€15 million directed towards development funding and the balance utilised to part refinance the Teramy debt. The negative balance of cash and cash equivalents at the end of 2016 amounted to €0.7 million.

The Hotel reopened in 2017, enabling then Group to generate positive cash flows from operations of €2.1 million during that year. Cash outflows related to the investment project amounted to €6.2 million, with the Group raising a further €5.7 million in bank finance.

The current year represents the first full financial year of operations since the Refurbishment and cash inflows from operating activities are forecast to total €5.4 million. As the capital investment moves towards completion, investing activities are expected to absorb a further €5.5 million including payments to develop the project. Expected financing cash flows of €2.7 million reflect primarily the net impact of the Bond issue and the refinancing transactions. Inflows are expected to amount to €29 million, including the Bond and additional bank funding of €4 million. In turn, the Group is expecting to repay Teramy debt obligations totalling circa €19.5 million (including principal, accrued interest, and the break fee) in addition to a bank facility of €4 million. Dividends are not expected to be paid out until the year ending 31st December 2021, in line with restricted payments covenants in place.

7.3 STATEMENT OF FINANCIAL POSITION

COMBINED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION (€000) - 31 DECEMBER	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Forecast	Forecast
ASSETS					
Non-current assets					
Property, plant and equipment	20,224	34,287	86,726	89,703	87,525
Deferred tax asset	-	-	2,203	2,147	1,502
Other non-current assets	50	50	50	-	-
Total non-current assets	20,274	34,337	88,979	91,850	89,027
Current assets					
Inventories	71	63	210	178	204
Trade and other receivables	279	-	666	579	668
Other current assets	88	352	69	202	228
Cash and cash equivalents	1,569	4	10	2,358	3,269
Current assets	2,006	419	955	3,317	4,369
TOTAL ASSETS	22,280	34,756	89,934	95,167	93,396
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	13	13	13	13	13
Revaluation reserves	-	-	34,584	34,627	34,671
Deferred shares	839	839	839	839	839
Retained earnings	(3,221)	(3,513)	438	(2,222)	(1,300)
Total equity	(2,369)	(2,661)	35,874	33,257	34,223
Non-current liabilities					
Long-term senior debt borrowings	21,052	31,769	36,923	21,850	20,088
Other creditors	-	-	-	20	20
10 year 4.15% Bond issue 2018-2028	-	-	-	24,550	24,595
Deferred tax liability	-	-	6,534	6,432	6,329
Total non-current liabilities	21,052	31,769	43,457	52,853	51,032
Current liabilities					
Trade Payables	609	758	2,422	1,332	1,424
Long-term payables	1,995	1,995	1,995	333	333
Accruals, provisions and deferred income	627	812	1,163	1,588	1,760
Advances for customers	189	274	489	871	1,000
Indirect taxes including social security	115	88	139	253	296
Other payables	5	6	16	42	43
ST Interest-bearing loans and borrowings	57	717	1,780	1,706	1,710
Capital payables	-	297	2,387	2,934	1,473
Bank overdraft	-	702	212	-	-
Current tax creditor	-	-	-	(1)	102
Total current liabilities	3,598	5,649	10,602	9,058	8,141
Total liabilities	24,649	37,418	54,059	61,910	59,173
TOTAL EQUITY AND LIABILITIES	22,280	34,756	89,934	95,167	93,396

Source: Combined Financial Statements, Management information

As at 31st December 2015, total assets amounted to €22.3 million, primarily consisting of PPE (mainly leasehold land, buildings, plant and machinery at the site of the hotel). Trade and other receivables amounted to €0.3 million and mainly relate to customer balances against the usage of Hotel's services, restaurant and bars and conference and banqueting. Cash and cash equivalents amounted to €1.6 million as at year end of 2015. Working capital amounted to a negative balance €1.6 million in 2015.

Total liabilities amounted to €24.6 million as at 31st December 2015, primarily consisting of the Teramy debt obligations, including the Teramy Secured Loan (€20.7 million), the Teramy Unsecured Loan (€2.0 million) and bank facilities amounting to €0.4 million. The negative balance of total equity of €2.4 million as at 31st December 2015 reflects primarily the impact of the accumulated depreciation on retained earnings, from the translation of the financial statements into Combined Financial Statements.

Total assets increased to €34.8 million as at 31st December 2016, as a result of an increase in the value of PPE from works carried out in relation to the refurbishment. The decline in the cash balance reflects the utilisation of internally generated cash flows for the Refurbishment and to cover the necessary expenses whilst the hotel was closed for the full year.

On the funding side, total borrowings increased by 54% to €35.5 million during 2016, driven by the capital investment for the Refurbishment. The composition of the underlying debt also shifted. Bank facilities increased to €19.9 million, providing funding for the Refurbishment and also part refinancing the Teramy Secured Loan. The outstanding balance on this facility decreased to €12.6 million, with this reduction also reflecting a waiver of €4 million granted by the lender to support the Group. Due to the closure of the Hotel, the loss for the year increased, resulting in negative retained earnings and a negative total equity balance of €3.5 million and €2.7 million respectively.

The Phoenicia's balance sheet as at 31st December 2017 primarily reflects the revaluation of the property undertaken by the Group. PPE increased significantly compared to the previous year to €86.7 million, driven by an independent valuation of the Hotel and of the surrounding site and the property refurbishment. As a result of the revaluation exercise, €34.6 million was taken to the Group's revaluation reserve. Management notes that following commencement of operations, it obtained an independent valuation of the property in order to revise the valuation to fair value. The valuation estimated the value at €92 million, which also includes the estimated value of plant and equipment used in the generation of income. Total assets amounted to €89.9 million as at 31st December 2017.

It is noted that the negative working capital balance increased during the period 2015-2017 as capital payables, deferred income, and short term borrowings all increased whilst the Group drew down its available cash balances. These trends were driven by the limited generation of cash from operations due to the closure, which coincided with the investment in the Refurbishment. However, it is noted that the movements in actual trade working capital were more moderate.

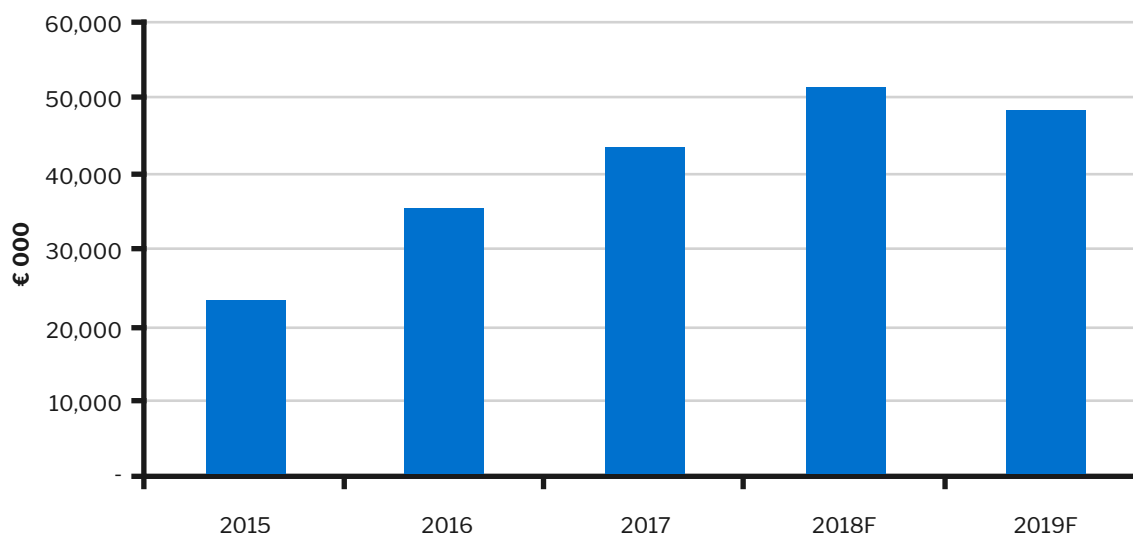
Total borrowings increased by a further 22% to €43.3 million (including capital payables), primarily reflecting the continued funding of the Refurbishment. Total equity amounted to €35.9 million, mainly consisting of the Revaluation reserve of €34.6 million, which in turn reflects the impact of the property revaluation.

The financial statements of PML, one of the Guarantors, indicate that as at 31st December 2017 there were certain variances on capital commitments of €5.3 million, with such variances claimed by counterparties but considered not due by management. On this basis it is noted that no provisions have been made in this regard, and management is of the view that the potential for incurring additional debt for this purpose is unlikely and does not envisage increases in capital related liabilities.

As at the end of 2018, total assets are expected to increase to €95.2 million, reflecting further development works on the Hotel. The balance for cash and cash equivalents is projected to amount to €2.4 million by the end of the year. Total borrowings are projected to increase by circa 19% to €51.4 million, reflecting the net effect of the Bond issue and the repayment of the Teramy obligations and the part repayment of certain bank facilities. Total equity is expected to amount to €33.3 million as at 31st December 2018, reflecting the effect of the one off break fee on retained earnings.

7.4 BORROWINGS

PHOENICIA GROUP - DEBT SCHEDULE



Source: Management Information; Combined Financial Statements

The Group has been mainly financed through debt over the years. When the Group was acquired by the current ultimate beneficial owner, the underlying debt of PML due to the NAMA was assigned to Teramy. The level of borrowings further increased in recent periods, with the Group funding a major investment project via debt in 2016. In total, the Group obtained an amount of c. €25 million in bank debt since 2016 primarily to finance the Refurbishment of the Hotel, with circa €5 million of these bank facilities used to repay a portion of the Teramy debt.

The proposed Bond issue is expected to result in a further shift in the funding mix, whereby the Teramy debt is being extinguished with proceeds from the Bond. A portion of the bank debt is also being refinanced via the Bond proceeds.

COMBINED FINANCIAL STATEMENTS

	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Forecast	Forecast
BORROWINGS BREAKDOWN					
Bank Borrowings	428	20,629	25,375	23,556	21,798
Other Borrowings	22,677	14,851	17,923	3,287	1,826
4.15% Bond	-	-	-	24,550	24,595
Total Borrowings	23,105	35,479	43,297	51,393	48,219

Source: Combined Financial Statements; Management information

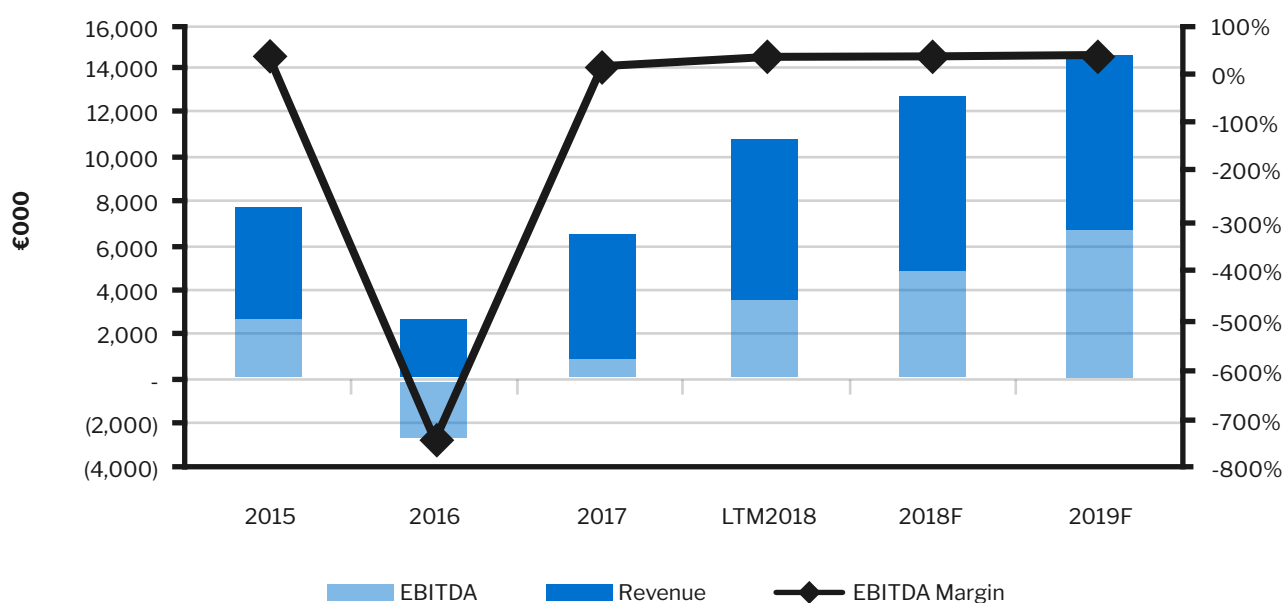
7.5 EVALUATION OF PERFORMANCE AND FINANCIAL POSITION

It is relevant to note that the Hotel's operating performance and financial results over recent years reflect the Refurbishment project undertaken by the Group. This resulted in the closure of the Hotel for the period between November 2015 and April 2017, which inevitably had a considerable impact on the Group's operating performance in 2016, and to an extent 2015 and 2017. Management took the decision to not reduce the number of full time employees during the closure. Although this strategy negatively impacted the Group's financial position during that period, it allowed the Hotel to implement a solid recovery once the property became operational which in turn is now being reflected in the current and expected financial results.

Although the Hotel has not yet been operational for a full financial year since the renovation, the projections for the financial year ending 31st December 2018, which are based on actual results for the period January 2018 to June 2018 and a flexed budget for August

2018 to December 2018, show evident improvements in the Group's performance for the last rolling twelve months. These enhanced results are achieved through higher ARR and occupancy levels, and are a result of the positive impact from the recent investments as well as wider industry trends. Operating expenses, particularly sales and marketing expenses and salaries, have increased in 2017 and into 2018 to date. Going forward, Management expects the cost base to increase at a slower pace than ARR and occupancy levels. These trends are reflected in the expected improvement in the Group's EBITDA and operating margins to 37% and 42% respectively. In 2019, the Phoenicia's performance is expected to further benefit also from the completion of the Spa which is expected to increase revenues, attract a new profile of guests, and provide upside potential to rates.

PHOENICIA GROUP - PERFORMANCE OVERVIEW



Source: Management information; Combined Financial Statements; Curmi and Partners Ltd

COMBINED FINANCIAL STATEMENTS

	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Forecast	Forecast
PROFITABILITY RATIOS - 31 DECEMBER					
Gross Profit Margin (Gross Profit / Revenue)	60.0%	-304.7%	48.1%	60.7%	60.9%
Operating Profit Margin (Gross Operating Profit / Revenue)	36.3%	-693.1%	18.6%	41.5%	43.1%
EBITDA Margin (EBITDA / Revenue)	34.8%	-744.2%	13.6%	37.4%	39.2%
Interest Coverage (EBITDA / Net Finance Costs)	2.5x	-2.3x	0.6x	2.9x	3.5x
Return on Assets (Gross Operating Profit / Average Total Assets)	12.7%	-8.5%	2.0%	5.9%	7.0%
Return on Capital Employed (Gross Operating Profit / Average Capital Employed)	15.2%	-10.1%	2.3%	6.6%	7.7%
Net Profit Margin (Profit for the year / Revenue)	13.5%	-84.0%	1.8%	-20.5%	5.7%
Return on Equity (Profit for the year / Average Total Equity)	-44.5%	11.6%	0.7%	-7.9%	2.6%

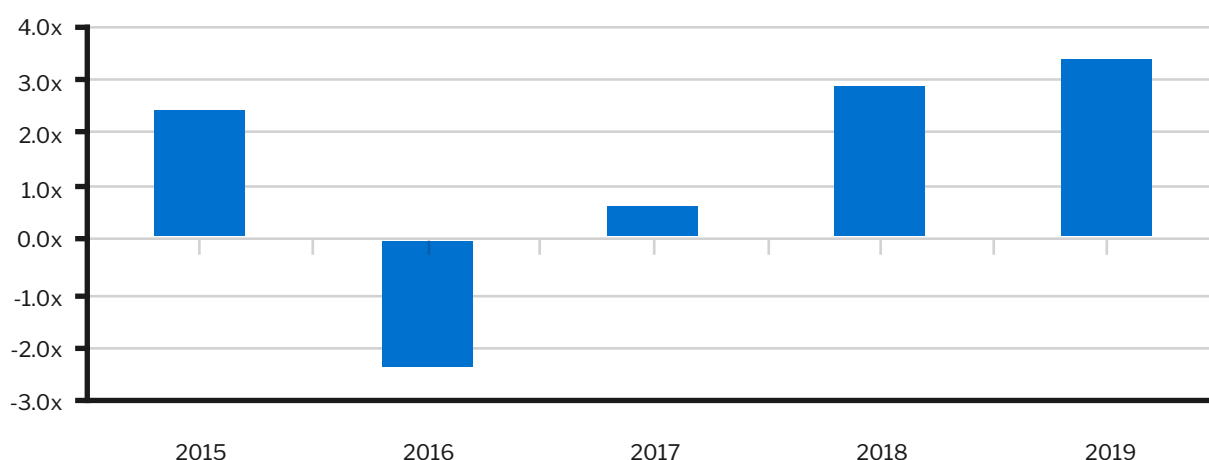
Source: Combined Financial Statements; Management information; Curmi and Partners Ltd

Return on Capital Employed (“ROCE”) and Return on Assets (“ROA”), hereby estimated on the basis of gross operating profit, were also hit due to the closure of the Hotel. Following a full-year of operations, management is expecting to begin to reap the benefits of the newly refurbished hotel with ROA and ROCE expected to increase in 2018 and improving further in 2019.

Interest cover ratios were under pressure during the closure period, driven by negative or substantially diminished EBITDA, with finance costs remaining relatively unchanged. With the normalisation of operations, the Group’s interest cover is projected to improve to 2.9x in 2018 (with this measure excluding the break fee of €3.3 million, a non-recurring finance cost item) and to 3.5x in 2019.

As reflected in the net profit margins, the Group incurred a loss after tax in 2016 and a profit after tax in 2017, which was boosted from a tax credit of €2.2 million. The net profit margin in 2018 is expected to be negative due to a loss which is largely a result of the one-off finance cost. However, management expects bottom line margins and profitability to be restored in the coming years.

PHOENICIA GROUP - INTEREST COVERAGE RATIO



Source: Management information; Combined Financial Statements; Curmi and Partners Ltd

Over the recent period, the Group’s liquidity ratios were below 1x, with current liabilities exceeding current assets, particularly due to an increase in capital payables related to the Refurbishment, even though trade payables also increased during 2017. Whilst this is not uncommon in the industry, with cash inflows from sales mainly received in advance compared to delayed outflows related to suppliers and expenses, the Group’s position in this respect was also impacted by the fact that the Hotel was closed for a prolonged period incurring operating expenses whilst generating limited cash, and furthermore liquidity resources were diverted towards the Refurbishment.

COMBINED FINANCIAL STATEMENTS

	2015	2016	2017	2018	2019
STATEMENT OF FINANCIAL POSITION RATIOS - 31 DECEMBER	Actual	Actual	Actual	Forecast	Forecast
Current Ratio (Current Assets / Current Liabilities)	0.6x	0.1x	0.1x	0.4x	0.5x
Quick Ratio (Current Assets less Inventories / Current Liabilities)	0.5x	0.1x	0.1x	0.3x	0.5x
Gearing Ratio (1) (Borrowings / {Total Equity + Borrowings})	111.4%	108.1%	54.7%	60.7%	58.5%
Gearing Ratio (2) (Borrowings / Total Equity)	-9.8x	-13.3x	1.2x	1.5x	1.4x
Net Leverage Ratio (Net Borrowings / EBITDA)	7.9x	-13.7x	47.1x	9.9x	7.5x
Free Cash Flow to Debt (Free cash flow / Borrowings)	6.9x	-47.1%	-9.6%	-9.4%	12.8%

Source: Management information; Combined Financial Statements; Curmi and Partners Ltd

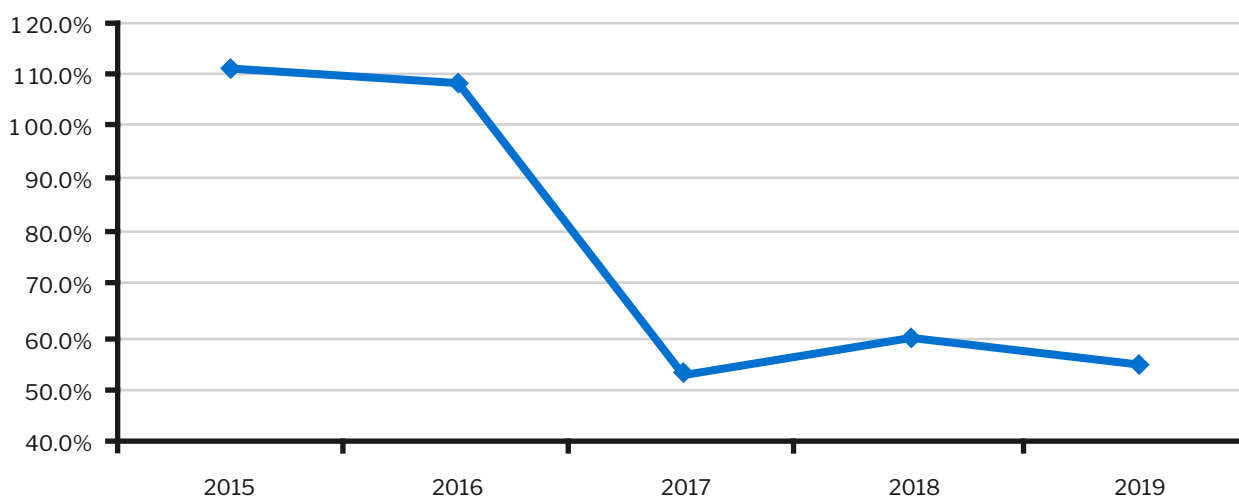
Prior to the Hotel's revaluation, the leverage in the Group's capital structure was particularly elevated as borrowing levels increased substantially to fund the major capital outlay. On the other hand total equity levels were negative, driven lower by the negative retained earnings. Gearing levels improved significantly to 54.7% in 2017 as the equity base benefited from the property revaluation. Additionally, the ongoing return to normalised operations and enhanced profitability going forward is expected to further support the stabilisation of gearing at levels closer to peers in the sector. As at year end 2018, the debt-to-total capital ratio is expected at around 60.7%, reflecting the net movements from the refinancing including the Bond issue. Net leverage in terms of the level of net debt to EBITDA was also affected by the closure of the Hotel and by the increase in borrowings, as particularly evident in FY2017. The Group's position is expected to revert closer to 2015 levels by 2019, as a result of enhanced EBITDA generation and slightly lower debt levels.

Dividends are not expected to be paid out until the year ending 31st December 2021, in line with restricted payments covenants in place. Furthermore, these covenants stipulate that in the financial years following the year ending 31st December 2021, the Group will not pay any dividends unless the interest cover ratio is not below 3x and the debt-to-total capital ratio does not exceed 60%. Additionally, management notes that the dividend pay-out policy will also be driven by the level of profitability and the Group's overall strategy, including its investment plans.

Free cash flow, hereby estimated by adjusting EBITDA for capital expenditures, changes in working capital (including inventories, trade and other receivables, trade and other payables, and advances from customers) and taxes paid, was substantially negative throughout the period of the Refurbishment due to the major capital outlays in this period. However, the Group's position in this respect is expected to improve as from the current financial year – reflecting the fact that Phoenicia's current major investment cycle has now peaked.

Management notes that the Group holds development plans that were approved by the Planning Authority to develop an additional 42 rooms in the area known as St. John's Ditch ("the Ditch"). However it is noted that the above projections do not factor the impact for any further development.

PHOENICIA GROUP - GEARING RATIO



Source: Management information; Combined Financial Statements; Curmi and Partners Ltd

8. COMPARABLES

The table below compares a selection of ratios of the Group to those of other issuers and groups operating in the local hotel and entertainment industry. It is relevant to note that there could be variances in the mix of operations undertaken by these groups. Additionally, other differences could include characteristics of the specific debt instrument.

However, the below comparison of basic credit metrics could be considered a useful indication of the relative financial performance and debt servicing capability of the Issuer. The below ratios relating to peers are calculated using projected financials for FY2018 presented in 2018 financial analysis summaries, whilst for the Group both 2018 and 2019 ratio projections have been included.

COMPARABLES - HOSPITALITY RELATED COMPANIES LISTED ON MSE

ISSUER/GROUP	GEARING	INTEREST COVERAGE	NET DEBT / EBITDA
Phoenicia Group	60.7%	2.9x	9.9x
Phoenicia Group 2019P	58.5%	3.5x	7.5x
Eden Leisure Group	37.3%	6.1x	3.7x
Tumas Group (Spinola Deveopments)	37.1%	11.2x	1.4x
AX Holdings	26.0%	5.9x	2.9x
SD Holdings	53.0%	6.5x	2.9x
International Hotel Investments	39.3%	3.4x	7.5x

Source: Eden Finance plc Financial Analysis Summary 2018; Tumas Investments plc Financial Analysis Summary 2018; AX Investments plc Financial Analysis Summary 2018; SD Finance plc Financial Analysis Summary 2018; International Hotel Investmestments plc Financial Analysis Summary ; Phoenicia Management Information; Curmi and Partners Ltd

The table below illustrates ratios for international hotel groups. It is relevant to consider that most major international operators tend to operate with a relatively large focus on the management, rather than the ownership, of hotel properties, or are shifting towards more of an “asset-light” business model. This is likely to be reflected in improved financial ratios.

ISSUER/GROUP	GEARING	INTEREST COVERAGE	NET DEBT / EBITDA
NH Hotels	39%	0.8x	6.3x
Starwood Hotels & Resorts	69%	3.2x	9.2x
Accor	34%	-1.8x	5.5x
InterContinental Hotels Group	173%	2.2x	12.5x

Source: Bloomberg

9. GLOSSARY

Non-current assets	Non-current assets are long-term investments, the full value of which will not be realised within the accounting year.
Current assets	Current assets are all assets that are realisable within one year from the statement of financial position date. Such amounts include trade receivables, inventory, cash and bank balances.
Current liabilities	Current liabilities are liabilities payable within a period of one year from the statement of financial position date, and include trade payables and short-term borrowings.
Non-current liabilities	Long-term financial obligations or borrowings that are not due within the present accounting year. Non-current liabilities include long-term borrowings, bonds and long-term lease obligations.
Total Equity	Total equity includes share capital, reserves, retained earnings and minority interests. It relates to the capital and reserves that are attributable to owners of the company.
Cash flow from operating activities	Cash flow from operating activities illustrates the cash-generating abilities of a company's core activities, and includes cash inflows and outflows that are related to operating activities.
Cash flow from investing activities	Cash flows from investing activities reflect the change in cash position resulting from investments and divestments.
Cash flow from financing activities	Cash flows from financing activities shows the cash inflows and outflows related to financing transactions with providers of funding, owners and the creditors.
Free Cash Flow	A measure of the ability to generate the cash flow necessary to maintain operations. It is the balance after all cash flows for operating activities, fixed asset net investments, working-capital expenditures. The definition of free cash flow may vary; for this purpose it was based on EBITDA adjusting for net investments, working capital and tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation (EBITDA) is a measure of operating profitability. It excludes depreciation and amortisation, and is viewed as measure of a company's core profitability and cash generating ability.
Operating and Financial Ratios	
ARR	Average Room Rate (ARR) is the average price of each room sold during a particular period of time. It is calculated by dividing accommodation revenue by the number of rooms sold.
RevPAR	Revenue per available room (RevPAR). It is calculated by dividing the hotel's total revenue by the number of rooms available and the number of days in the period under consideration.
Occupancy level	Occupancy level is the percentage of available rooms being sold for a certain period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Current ratio	The current ratio measures the ability to pay short term debts over the next 12 months. It compares a company's current assets to its current liabilities.
Quick ratio	Similarly to current ratio the quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets. It excludes inventories from current assets.

Gearing or leverage ratio	The gearing or leverage ratio indicates the relative proportion of borrowings and equity used to finance a company's assets. It is estimated by dividing total borrowings by total borrowings plus total equity, or as the ratio of total borrowings to total equity.
Interest Coverage ratio	Interest coverage ratio is generally calculated by dividing a company's EBITDA, or EBIT (operating profit) of one period by the company's interest expense of the same period. It measures the ability of the borrower to service the finance costs related to borrowings.
Net Debt to EBITDA	This ratio compares financial borrowings and EBITDA as a metric for estimating debt sustainability, financial health and liquidity position of an entity. It compares the financial obligations to the actual cash profits.
Gross Profit Margin	Gross profit margin is the ratio of gross profit to revenue. It is the percentage by which gross profits exceed cost of sales, and is a measure of profitability at the most fundamental level.
Operating Profit Margin	Operating margin is a measure of profitability that measures the proportion of revenue that is left over after paying for all costs of production incurred in ordinary operations.
EBITDA Margin	Similarly to operating margin, EBITDA margin is a measure of profitability that measures the proportion of revenue that is left over after paying for all costs of production incurred in ordinary operations.
Net Profit Margin	Net profit margin is the ratio of profit for the period to revenues, and is a measure of how much of revenues is converted into bottom line profits.
Return on Assets (ROA)	Return on assets is the ratio of profit for the period or operating profit to average total assets for the period. It measures efficiency in using its assets to generate income.
Return on Capital Employed (ROCE)	This ratio measures efficiency in generating income but takes into consideration the sources of financing. Profit for the period or operating profit is divided by the capital employed (fixed assets plus working capital or total assets less current liabilities)
Return on Equity	Measures the profitability in terms of how much profit is generated in relation to owners' investment.

