

This document, which comprises an admission document, required by the rules of Prospects MTF, a market regulated as an MTF and operated by the Malta Stock Exchange (the “MSE” or “Exchange”), has been drawn up in compliance with the Prospects MTF Rules issued by the Exchange. This document does not comprise a document drawn up in terms of the EU Prospectus Directive (2003/71/EC) or for the purposes of the Listing Rules of the Listing Authority. In terms of article 2(3)(b)(v) of the Companies Act, Chapter 386 of the laws of Malta, this Bond Issue does not constitute an offer of securities to the public and this document does not constitute a prospectus as defined in article 2(i) of the said Act.



A public limited liability company incorporated under the laws of Malta
company registration number C 89431

In respect of an issue of
€5 million 5% Secured Bonds 2029
of a nominal value of €100 per Bond issued at par (the Secured Bonds)
ISIN: MT0002231208

Guaranteed by*
FES Projects Ltd
a private limited liability company registered in Malta
company registration number C 83872

*Prospective investors are to refer to the guarantee contained in Annex A of this Company Admission Document and sections 21.5 of this Company Admission Document for a description of the Guarantee and the Collateral. Reference should also be made to the sections entitled “Risk Factors” contained in this Company Admission Document for a discussion of certain risk factors, which should be considered by prospective investors in connection with the Secured Bonds including but not limited to the Guarantee provided by FES Projects Ltd and the Collateral.

COMPANY ADMISSION DOCUMENT 6 March 2019

THE MSE HAS AUTHORISED THE ISSUE OF THIS DOCUMENT. THE MSE DOES NOT GIVE ANY CERTIFICATION, REPRESENTATION, WARRANTY OR GUARANTEE REGARDING THE POTENTIAL RISKS INVOLVED IN INVESTING IN THE SAID SECURITIES OR THE SAFETY OF INVESTING IN SUCH SECURITIES. THE MSE ACCEPTS NO RESPONSIBILITY FOR ACCURACY OR COMPLETENESS OF THIS ADMISSION DOCUMENT AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ADMISSION DOCUMENT. THE DIRECTORS OF THE ISSUER, ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS (WHO HAVE ALL TAKEN REASONABLE CARE TO ENSURE SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORTANCE OF SUCH INFORMATION. THE DIRECTORS ASSUME FULL RESPONSIBILITY FOR ITS CONTENTS ACCORDINGLY.

THE MSE HAS AUTHORISED THE ADMISSION OF THESE SECURITIES ON PROSPECTS MTF, A MARKET REGULATED AS A MULTILATERAL TRADING FACILITY OPERATED BY THE MALTA STOCK EXCHANGE. THIS MEANS THAT THE SAID INSTRUMENTS ARE IN COMPLIANCE WITH THE ADMISSION REQUIREMENTS SET OUT IN THE PROSPECTS MTF RULES. IN PROVIDING THIS AUTHORISATION, THE MSE DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENTS AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENTS.

INVESTING IN COMPANIES ADMITTED TO PROSPECTS MTF MAY PUT AN INVESTOR'S CASH PARTLY OR WHOLLY AT RISK. SECURITIES ISSUED BY SMALL AND MEDIUM SIZED ENTERPRISES TEND TO BE ILLIQUID AND CARRY HIGHER RISKS. INVESTORS SHOULD THUS SEEK APPROPRIATE ADVICE AND READ THE WHOLE DOCUMENT BEFORE MAKING ANY INVESTMENT DECISIONS. THE VALUE OF INVESTMENTS CAN RISE, OR FALL AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. IF YOU NEED ADVICE OR ARE REQUIRED UNDER APPLICABLE LEGISLATION TO SEEK ADVICE WITH RESPECT TO THIS SECURITIES ISSUE, YOU SHOULD CONSULT A DULY LICENSED INVESTMENT ADVISOR.

APPROVED BY THE DIRECTORS

Mr Christopher Vella

Dr Reuben Debono

Mr Paul Bugeja

Dr Edward Woods

IMPORTANT INFORMATION

THIS COMPANY ADMISSION DOCUMENT CONTAINS INFORMATION ON FES FINANCE P.L.C. IN ITS CAPACITY AS ISSUER, FES PROJECTS LTD IN ITS CAPACITY AS GUARANTOR, THEIR SUBSIDIARIES, AFFILIATES AND THE BUSINESS OF THE GROUP, IN ACCORDANCE WITH THE PROSPECTS MTF RULES ISSUED BY THE MALTA STOCK EXCHANGE.

APPLICATION HAS BEEN MADE TO THE EXCHANGE FOR THE SECURED BONDS TO BE ADMITTED TO TRADING ON PROSPECTS MTF. PROSPECTS MTF IS A MARKET REGULATED AS AN MTF AND OPERATED BY THE MALTA STOCK EXCHANGE DESIGNED PRIMARILY FOR EMERGING AND SMALLER COMPANIES TO WHICH A HIGHER INVESTMENT RISK TENDS TO BE ATTACHED. PROSPECTS MTF SECURITIES ARE NOT ADMITTED TO THE OFFICIAL LIST OF THE MALTA STOCK EXCHANGE.

THE INFORMATION CONTAINED HEREIN IS BEING MADE AVAILABLE IN CONNECTION WITH AN ISSUE BY THE ISSUER OF €5 MILLION SECURED BONDS 2029 OF A NOMINAL VALUE OF €100 EACH. THE BONDS SHALL BE ISSUED AT PAR AND BEAR INTEREST AT THE RATE OF 5% PER ANNUM PAYABLE ANNUALLY IN ARREARS ON 18 MARCH OF EACH YEAR UNTIL THE REDEMPTION DATE, WITH THE FIRST INTEREST PAYMENT FALLING DUE ON 18 MARCH 2020. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON 18 MARCH 2029. THE BOND ISSUE IS GUARANTEED BY FES PROJECTS LTD.

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

THE MSE ACCEPTS NO RESPONSIBILITY FOR THE COMPLETENESS OR ACCURACY OF THE COMPANY ADMISSION DOCUMENT AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ADMISSION DOCUMENT.

THE COMPANY ADMISSION DOCUMENT DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURED BONDS ISSUED BY THE ISSUER BY ANY PERSON IN ANY JURISDICTION: (I) IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED; OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR (III) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THE COMPANY ADMISSION DOCUMENT 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 COMPANY ADMISSION DOCUMENT AND THE OFFERING, SALE OR DELIVERY OF ANY BONDS MAY NOT BE TAKEN AS AN IMPLICATION: (I) THAT THE INFORMATION CONTAINED IN THE COMPANY ADMISSION DOCUMENT 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 AND/OR THE GUARANTOR SINCE SUCH DATE; OR (III) THAT ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE COMPANY ADMISSION DOCUMENT 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.

INVESTING IN COMPANIES ADMITTED TO PROSPECTS MTF MAY PUT AN INVESTOR'S CASH PARTLY OR WHOLLY AT RISK. SECURITIES ISSUED BY SMALL AND MEDIUM SIZED ENTERPRISES ("SMEs") TEND TO BE ILLIQUID AND CARRY HIGHER RISKS. INVESTORS SHOULD THUS SEEK APPROPRIATE ADVICE AND READ THE WHOLE DOCUMENT BEFORE MAKING ANY INVESTMENT DECISION. A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY 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 LEGAL ADVISORS, ACCOUNTANTS AND/OR OTHER FINANCIAL ADVISORS AS TO LEGAL, TAX, INVESTMENT OR ANY OTHER RELATED MATTERS CONCERNING THE BONDS AND THE COMPANY ADMISSION DOCUMENT.

IT IS THE RESPONSIBILITY OF ANY PERSON IN POSSESSION OF THIS DOCUMENT AND ANY PERSONS WISHING TO APPLY FOR ANY SECURED 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 INVESTORS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE COMPANY SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF SO APPLYING AND OF ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXATION IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE SECURED BONDS OR THE DISTRIBUTION OF THE COMPANY ADMISSION DOCUMENT (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

THE SECURED 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 ADMISSION DOCUMENT HAS BEEN SUBMITTED TO THE MSE IN THE CONTEXT OF AN APPLICATION FOR ADMISSION OF THE SECURED BONDS TO PROSPECTS MTF. THE MSE HAS AUTHORISED THE ISSUE OF THIS DOCUMENT. BY SO DOING, THE MSE DOES NOT GIVE ANY CERTIFICATION, REPRESENTATION, WARRANTY OR GUARANTEE REGARDING THE POTENTIAL RISKS INVOLVED IN INVESTING IN THE SAID SECURED BONDS OR THE SAFETY OF INVESTING IN SUCH SECURED BONDS.

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

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

ALL ADVISORS TO THE ISSUER AND THE GUARANTOR HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER AND THE GUARANTOR IN RELATION TO THIS INTERMEDIARIES' OFFER AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION OR RESPONSIBILITY 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 COMPANY ADMISSION DOCUMENT, NEITHER SHALL SUCH ADVISORS BE RESPONSIBLE FOR THE CONTENTS OF, AND ANY INFORMATION CONTAINED IN THE ADMISSION DOCUMENT, ITS COMPLETENESS OR ACCURACY OR ANY OTHER STATEMENT MADE IN CONNECTION THEREWITH.

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

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

UNLESS OTHERWISE STATED, THE CONTENTS OF THE ISSUER'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S WEBSITE DO NOT FORM PART OF THE COMPANY ADMISSION DOCUMENT. ACCORDINGLY, NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE SECURED 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 ADMISSION DOCUMENT AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS.

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1 DEFINITIONS

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

Act or Companies Act	the Companies Act (Chapter 386 of the laws of Malta);
Admission Document or Company Admission Document or Document	this document in its entirety, including all its annexes;
ADR	Average Daily Rate
Applicant/s	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
Application/s	the application to subscribe for Secured Bonds made by an Applicant/s by completing an Application Form/s and delivering same to the Placement Agent, Manager and Registrar in accordance with the terms of this Company Admission Document;
Application Form	the form of application for subscription for Secured Bonds, a specimen of which is contained in Annex F of this Company Admission Document;
Appropriateness Test	the test conducted in accordance with applicable rules 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;
Authorised Intermediaries	the licensed stockbrokers and financial intermediaries listed in Annex G of this Company Admission Document;
Bond Issue or Secured Bond Issue	the issue of the Secured Bonds;
Bond Issue Price	the price of €100 per Secured Bond;
Bondholder	a holder of Secured Bonds;
Boutique Hotels	the boutique hotels identified in section 6.2.3;
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;
CAGR	compound annual growth rate;
CET	Central European Time;

Collateral	<p>the following security granted by the Guarantor in favour of the Security Trustee for the benefit of Bondholders:</p> <p>a) a first special hypothec over the Security Property;</p> <p>b) a pledge over the Insurance Policy required under clause 5(1) (h) of the Security Trust Deed; and</p> <p>c) the Guarantee;</p>
Company or Issuer	FES Finance p.l.c., a company registered under the laws of Malta with company registration number C 89431 and having its registered office at 19-23, Conservatory Street, Floriana, Malta;
Corporate Advisor	Grant Thornton of Fort Business Centre, Mriehel Bypass, Birkirkara BKR 3000, Malta, and/or any related entity, and/or affiliate, as duly authorised to act as Corporate Advisor by the MSE, in terms of the Prospects MTF Rules;
CSD	the Central Securities Depository of the MSE authorised in terms of Part IV of the Financial Markets Act (Chapter 345 of the laws of Malta), having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063, Malta;
Deed of Hypothec	a deed to be entered into by and between the Trustee and the Guarantor in the acts of Notary Charmaine Sant whereby Guarantor constitutes in favour of the Trustee that part of the Collateral which according to law requires the execution of a notarial deed of hypothec;
Directors or Board	the directors of the Issuer whose names are set out in section 5.1, and 'Director' shall be construed accordingly;
EBIT	earnings before interest and taxation;
EBITDA	earnings before interest, taxation, depreciation and amortisation;
Escrow Agreement	the escrow agreement in place between the Escrow Agent and the Issuer whereby the Escrow Agent is appointed to hold the proceeds from the Bond Issue on escrow in accordance with this Company Admission Document;
Euro or €	the lawful currency of the Republic of Malta;
Event(s) of Default	event(s) of default as identified in section 22.12;
Exchange, Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., bearing company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
FES Group or Group	the Parent including its subsidiaries;
FES Trust	the trust established by a deed entered into by the Security Trustee, the Issuer and the Guarantor on 6 March 2019;

FY	Financial Year;
GOPAR	the total revenue of hotels less expenses incurred earning that revenue, divided by the available rooms;
Guarantee	the joint and several guarantee dated 6 March 2019 granted by the Guarantor in favour of the Security Trustee as security for the punctual performance of the Issuer's payment obligations under the Bond Issue, subject to the terms and conditions contained in the Security Trust Deed and as the same is held on trust for the benefit of the Bondholders by the Security Trustee. A copy of the Guarantee and a description of the nature, scope and terms of the Guarantee are appended to the Company Admission Document as Annex A hereto;
Guarantor or Parent	FES Projects Ltd, a company registered under the laws of Malta with company registration number C 83872 and having its registered office at 19-25, Conservatory Street, Floriana, Malta;
Gzira boutique hotel	the boutique hotel identified in section 6.2.3.1;
IFRS	International Financial Reporting Standards as adopted by the EU;
Insurance Policy	the insurance policy providing for the replacement value of the Gzira boutique hotel to be acquired by FES Projects Limited;
Interest	the interest payable in connection with the Bonds, being interest from and including 19 March 2019 at the rate of 5% per annum payable annually in arrears on the Interest Payment Date;
Interest Payment Date	annually, on 18 March of each year commencing on 18 March 2020 and ending and including the 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;
Intermediaries' Offer	shall have the meaning set out in section 22.2 of this Company Admission Document;
IRS	Inland Revenue Services, which pertains to the United States of America;
Issue Date	6 March 2019;
Issue Period	the period between 08:30 hours (CET) on 6 March 2019 and 12:00 hours (CET) on 18 March 2019 (or such earlier date as may be determined by the Issuer) during which the Secured Bonds are available for subscription;
Listing Authority	the board of governors, acting as the Listing Authority under the Malta Financial Services Authority Act (Chapter 330 of the laws of Malta);
Listing Rules	the listing rules issued by the Listing Authority, as may be amended from time to time;

Manager	Polymath & Boffin Limited, a private limited company registered under the laws of Malta, bearing company registration number C 51718, and having its registered address situated at 19-23, Polymath & Boffin Ltd, Conservatory Street, Floriana FRN 1521, Malta;
Memorandum and Articles of Association or M&As	the memorandum and articles of association of the Issuer in force at the time of publication of the Company Admission Document;
MFSA	the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Chapter 330 of the laws of Malta);
Placement Agent, Manager and Registrar or Escrow Agent	Financial Planning Services Limited, a private limited liability company registered under the laws of Malta and having its registered address situated at 4, Marina Court, Giuseppe Cali Street, Ta' Xbiex, XBX 1421, Malta, and bearing company registration number C 3806. Financial Planning Services Limited is authorised to conduct investment services by the Malta Financial Services Authority in terms of the Investment Services Act (Chapter 370 of the laws of Malta) and is a member of the MSE;
Operator	Casa Boutiques Ltd, a private limited company registered under the laws of Malta, bearing company registration number C 87124, and having its registered address situated at 29, Vincenti Buildings, Strait Street, Valletta, VLT 1432;
Planning Authority	the Planning Authority established in terms of the Development Planning Act (Chapter 552 of the laws of Malta);
Prospects MTF	the market regulated as a multilateral trading facility operated by the MSE providing a venue for start-up and growth of small to medium-sized enterprises to float their capital (including equity or debt) on the market;
Prospects MTF List	the list prepared and published by the MSE as its recognised list in accordance with the Prospects MTF Rules;
Prospects MTF Rules	the rules issued by the Board of Directors of the MSE regulating the Prospects MTF market;
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as amended by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010, and as may be further amended from time to time;
Redemption Date	18 March 2029;
Redemption Value	the nominal value of each Bond (€100 per Secured Bond);

Secured Bond(s) or Bond(s) or Securities	the €5 million Secured Bonds 2029 of a nominal value of €100 per bond issued at par and redeemable on the Redemption Date at their nominal value, bearing interest at the rate of 5% per annum.;
Security Property	the following immovable property: 4,6,7 and 8, Ponsomby Street, Gzira, Malta, referred to throughout this document as the Gzira boutique hotel;
Security Trustee or Trustee	Manduca Randon & Co Ltd, a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 18264 and having its registered office at Level 1, Britannia House, 9, Old Bakery Street, Valletta VLT 1450, Malta, duly authorised to act as a trustee or co-trustee in terms of article 43(3) of the Trusts and Trustees Act (Cap. 331 of the laws of Malta);
Sinking Fund	the sinking fund referred to in Section 22.23 of this Company Admission Document;
SJM Enterprises Limited	SJM Enterprises Limited, a company registered under the laws of Malta with company registration number C 34084 and having its registered office at 38, Sir Luigi Preziosi Street, Floriana, Malta;
Small and medium sized enterprises or SMEs	an enterprise as defined in Article 2(1) of the Companies Act (Chapter 386 of the laws of Malta) and in line with the Prospects MTF Rules, and ‘SMEs’ shall be construed accordingly;
St. Julian’s boutique hotel	The boutique hotel identified in section 6.2.3.2;
Summary	a summary of the salient features of the Document, as contained in the section entitled “Summary”;
Terms and Conditions	the terms and conditions of the Secured Bonds which are included in section 24 of this Company Admission Document;
Trust Deed or Security Trust Deed	the security trust deed signed between the Issuer, the Guarantor and the Security Trustee on 6 March 2019 establishing the FES Trust;
Trust Property	the assets, if any, and the rights attaching to and emanating from the Trust Deed and the benefit of the security created by virtue of the Collateral for the benefit of Bondholders;
WTTC	World Travel and Tourism Council.

All references in this Company Admission Document to “Malta” are to the “Republic of Malta”.

Unless it appears otherwise from the context:

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

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- (d) any reference to a person includes natural persons, firms, partnerships, companies, corporations, associations, organisations, governments, states, foundations or trusts;
 - (e) any reference to a person includes that person's legal personal representatives, successors and assigns;
 - (f) any phrase introduced by the terms "including", "include", "in particular" or any similar expression is illustrative only and does not limit the sense of the words preceding those terms;
 - (g) any reference to a law, legislative act, and/or other legislation shall mean that particular law, legislative act and/or legislation as in force at the time of issue of this Company Admission Document.

2 SUMMARY

SECTION A – INTRODUCTION AND WARNINGS

A.1 Prospective investors are hereby warned that:

- i. this Summary is being provided to convey the essential characteristics and risks associated with the Issuer, the Guarantor and the Securities being offered pursuant to this Document. This section is merely a summary and, therefore, should only be read as an introduction to the Company Admission Document. 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 alone in deciding as to whether to invest in the Securities described in this Document. Any decision to invest in the Secured Bonds should be based on consideration of the Company Admission Document as a whole by the investor;
- ii. where a claim relating to the information contained in this Company Admission Document is brought before a court, the plaintiff investor might, under the national legislation of Malta, have to bear the costs of translating the Company Admission Document 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 Company Admission Document, is misleading, inaccurate or inconsistent; or does not provide key information in order to aid investors when considering whether to invest in such Securities.

A.2 Consent required for use of the Company Admission Document in connection with the Intermediaries' Offer, prospective investors are hereby informed that:

- i. for the purposes of any subscription for Secured Bonds by Authorised Intermediaries pursuant to the Intermediaries' Offer and any subsequent resale, placement or other offering of Secured Bonds by Authorised Intermediaries participating in the Intermediaries' Offer in circumstances where there is no exemption from the requirement to publish a Company Admission Document under the Prospects MTF Rules, the Issuer consents to the use of the Company Admission Document (and accepts responsibility for the information contained herein in accordance with the terms hereof) with respect to any such subsequent resale, placement or other offering of Secured Bonds, provided this is limited only:
 - (a) in respect of Secured Bonds subscribed for in terms of the Intermediaries' Offer by Authorised Intermediaries participating in the Intermediaries' Offer;
 - (b) to any resale, placement or other offering of Secured Bonds subscribed for as aforesaid, taking place in Malta; and
 - (c) to any resale, placement or other offering of Secured Bonds subscribed for as aforesaid, taking place within the period of 60 days from the date of the Company Admission Document;
- ii. **in the event of a resale, placement or other offering of Secured Bonds by an Authorised Intermediary subsequent to the Intermediaries' Offer, said Authorised Intermediary shall be responsible to provide information to**

prospective investors on the terms and conditions of the resale, placement or other offering at the time such resale, placement or other offering is made; and

- iii. any new information with respect to Authorised Intermediaries unknown at the time of the approval of the Company Admission Document will be made available through a company announcement which will also be made available on the Prospects MTF website and the Issuer's website www.fes.com.mt.

SECTION B – ISSUER AND GUARANTOR

- B.1** The legal and commercial name of the Issuer is FES Finance p.l.c. (company registration number C 89431).

The legal and commercial name of the Guarantor is FES Projects Ltd (registration number C 83872).

- B.2** The Issuer was registered in Malta in terms of the Act on 15 November 2018 as a public limited liability company and is domiciled in Malta.

The Guarantor was registered in Malta in terms of the Act on 6 December 2017 as a private limited liability company and is domiciled in Malta.

- B.3** *The following is an overview of the most significant trends affecting the Issuer and the Guarantor and the markets in which the FES Group operates:*

The Issuer has been set up to act as a financing company and its business is limited to the raising of capital and the lending of such capital to the Guarantor, the collection of interest from the Guarantor and the settlement of interest payable on capital raised from third parties. The Issuer does not have any substantial assets. Its role is limited to the financing of the Guarantor's operations and it is, accordingly, fully dependent on the cash flows of the Guarantor.

The Guarantor is principally engaged in investing in, acquiring or leasing, holding and managing boutique hotels for the purpose of deriving income therefrom, either directly or through subsidiary companies. The Group's principal activity is overseeing the management of the Boutique Hotels as follows:

- the Gzira boutique hotel: an existing 28-room boutique hotel with external entrances and access from number six (6), seven (7) and eight (8), Ponsomby Street, Gzira, being increased to a 56-room boutique hotel including commercial outlets and at the lower floors, following conversion of unutilised space and development of the adjacent property, as better defined in section 6.2.3.1;
- the St. Julian's boutique hotel: a 23-room boutique hotel consisting of 10 superior rooms and 13 suites, with views, pool and decking area, breakfast area, roof top bar and café, following development on a site including airspace, as well as an adjacent plot of land, situated at twenty one (21), Triq Wied Ghomor, St. Julian's, as better defined in section 6.2.3.2;

As set out in further detail in section 5.3, 5.4 and 6.2.3.3 the Gzira boutique hotel shall be operated by the Operator and managed by the Manager. It is the intention of the FES

Group to appoint the Operator and Manager to operate and manage respectively the St. Julian's boutique hotel.

Without prejudice to the risks identified in this Document, as at the time of publication of the Company Admission Document, the Issuer and the Guarantor consider that generally they shall be subject to the normal business risks associated with the business in which the FES Group companies operate, and, barring unforeseen circumstances, do not anticipate any particular trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have a material adverse effect on the upcoming prospects of the FES Group and its business, at least with respect to the current financial year. **However, investors are strongly advised to carefully read the risk factors in the Company Admission Document.**

The following is a brief synopsis of the significant trends affecting the key areas of operation of the FES Group (refer to section 7.2 for further detail).

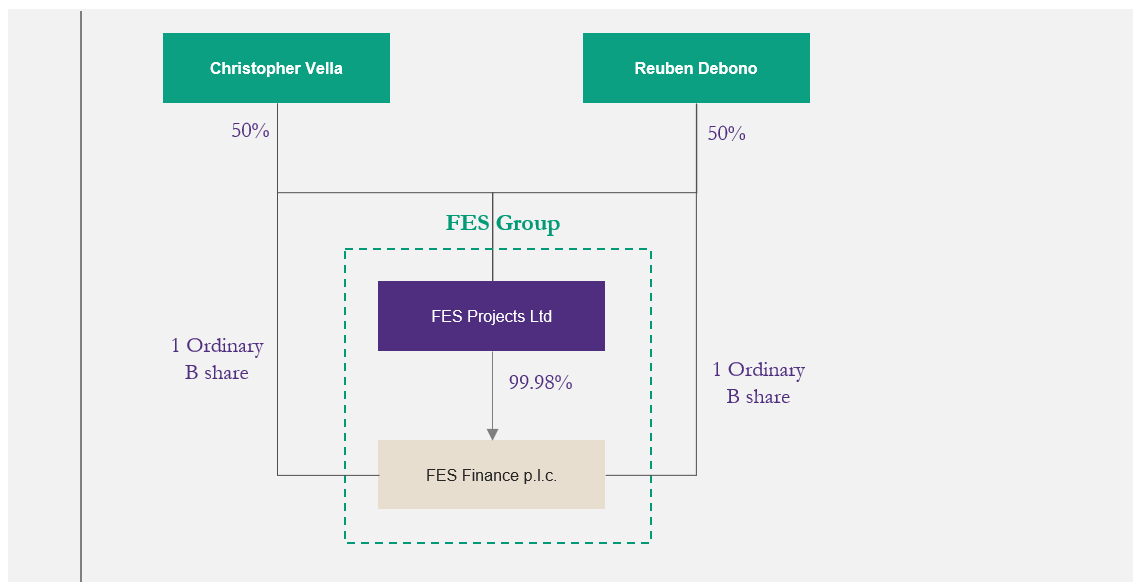
The hospitality industry in Malta has welcomed the increase in tourist arrivals throughout the past five years with a complementary increase in performance. NSO data for 2017, revealed that the influx for the year stood at 2.3 million tourists – representing an increase of 16.4% over the previous year, with a further increase of 15.2% between January to August 2018, when compared to the same period in 2017.

Total nights spent by inbound tourists in 2017 went up by 10%, reaching 16.5 million nights. During 2017, total guests (residents and non-residents) in collective accommodation establishments situated in Malta surpassed 1.7 million, an increase of 13.0% over the same period in 2016. Guest nights in collective accommodation in Malta, reached almost 9.2 million nights, with an average stay of 5.3 days per guest. Within the collective accommodation establishments situated in Malta, the 4 star and 3 star hotels gained 83,345 guests (+12.4%) and 76,695 guests (+20.3%) respectively in 2017 when compared to a year earlier.

Data from the Malta Hotels and Restaurants Association illustrates that over the past four years all hotel categories managed to register year-on-year increases in both occupancy and average daily rate. The improvement in both the average daily rate and occupancy has positively impacted the industry's bottom-line.

B.4 The Issuer is, except for two shares which are held equally by Mr Christopher Vella and Dr Reuben Debono, a fully-owned subsidiary of the Guarantor, which latter entity is the parent company of the FES Group. The Issuer is a special purpose vehicle set up to act as a financing company for the needs of the FES Group and, as such, it is dependent on the business prospects and operating results of its Parent.

The organisational structure of the FES Group as at the date of the Company Admission Document is illustrated in the diagram below:



B.5 The Issuer and Guarantor were incorporated on 15 November 2018 and 6 December 2017 respectively and since their incorporation and up to the date of the Company Admission Document no financial statements have been prepared. Except for the preliminary agreements, operator agreement and management agreement entered into with respect to the Gzira boutique hotel and/or the St. Julian's boutique hotel, there has not been any significant change in the financial or trading position of the Issuer or the Guarantor, which has occurred since the companies' date of incorporation.

Extracts from the projections of the FES Group for FY2019, FY2020, FY2021 and FY2022 are set out below (refer to section 8 for further detail). The following extracts assume that interest commences on 1 April 2019:

Extract from the consolidated income statement

€000	FY2019	FY2020	FY2021	FY2022
Revenue	499	1,350	1,814	2,035
Gross profit	309	867	1,172	1,325
Operating profit	(364)	280	482	583
Profit before tax	(627)	(50)	151	251
Profit after tax	(563)	(46)	69	134

Sources: FES Group forecasts for the years ending 31 December 2019, 2020, 2021 and 2022

Extract from the consolidated statement of financial position

€000	FY2019	FY2020	FY2021	FY2022
ASSETS				
Non-current assets	8,174	8,844	8,651	8,462
Current assets	647	182	460	788
Total assets	8,821	9,026	9,111	9,250
EQUITY AND LIABILITIES				
Equity	1,923	2,069	2,131	2,258
Total liabilities	6,898	6,957	6,980	6,992
Total equity and liabilities	8,821	9,026	9,111	9,250

Sources: FES Group forecasts for the years ending 31 December 2019, 2020, 2021 and 2022

Extract from the consolidated statement of cash flows

€000	FY2019	FY2020	FY2021	FY2022
Cash (used in)/generated from operating activities	(456)	90	297	384
Cash used in investing activities	(4,141)	(840)	(69)	(78)
Cash generated from financing activities	5,198	200	-	-
Net movement in cash and cash equivalents	601	(550)	228	306
Cash and cash equivalents at the beginning of the year	1	602	52	280
Cash and cash equivalents at end of year	602	52	280	586

Sources: FES Group forecasts for the years ending 31 December 2019, 2020, 2021 and 2022

B.6 The Issuer is not intended to undertake any trading activities itself apart from the raising of capital and the advancing thereof to the Guarantor. Accordingly, the Issuer is economically dependent on the financial and operating performance of the Group.

The Issuer does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company. The Issuer is, therefore, intended to serve as a vehicle through which the FES Group will continue to finance its future projects.

The Guarantor is the parent company of the Group and is principally engaged in investing in, acquiring or leasing, holding and managing boutique hotels for the purpose of deriving income therefrom, either directly or indirectly through its subsidiaries.

B.7 The Issuer was set up and established to act as a finance company. In terms of its Memorandum of Association, the main object for which the Issuer is constituted is to carry on the business of a finance company in connection with the ownership, development, operation and financing of the business activities of any related company, whether in Malta or overseas, and thereby, to lend or advance money or otherwise give credit to any related company, with or without security, on such terms as the Directors may deem fit; and to invest and deal with the monies of related companies in such manner as the Directors may deem fit. The issue of bonds falls within the objects of the Issuer. Clause 3 of the Memorandum of Association contains the full list of objects of the Issuer.

The Guarantor, as the parent company of the Group, is principally engaged in investing in, acquiring, holding and/or managing any land, building or other property for the purpose of deriving income therefrom, either directly or indirectly through its subsidiaries. In terms of its Memorandum of Association, the Guarantor is, amongst other things, empowered to guarantee the obligations of third parties up to an unlimited amount and/or to secure such guarantees by the constitution of a pledge over any of the Company's issued shares and/or by hypothecating any of the company's property, present and future, movable and immovable.

B.8 The Issuer's current authorised and issued share capital is €50,000 divided into (i) 49,998 ordinary A shares of €1 each, fully paid up and held by the Guarantor; and (ii) 2 ordinary B shares of €1 each, fully paid up and held respectively by Mr Christopher Vella and Dr Reuben Debono.

The Guarantor's current authorised share capital is €601,250 divided into 601,250 ordinary shares of €1 each and issued share capital is €401,250 divided into 401,250 ordinary shares

of €1 each, fully paid up and held in equal proportion by Mr Christopher Vella and Dr Reuben Debono, respectively.

B.9 In terms of the Guarantee, the Guarantor irrevocably and unconditionally guarantees to the Security Trustee, for the benefit of the Bondholders, that if for any reason the Issuer fails to pay any sum payable by it to a Bondholder pursuant to the terms and conditions of the Secured Bonds as and when the same shall become due under any of the foregoing, it will pay to the Security Trustee on demand the indebtedness of the Issuer to the Security Trustee.

The obligations of the Guarantor under the Guarantee shall remain in full force and effect until no sum remains payable to any Bondholder pursuant to the issue of the Secured Bonds.

SECTION C – THE SECURITIES

C.1 The Issuer shall issue an aggregate of €5 million in Secured Bonds 2029 having a nominal value of €100 per bond, subject to a minimum subscription of €5,000 in Secured Bonds and multiples of €100 thereafter. The Secured Bonds will be issued in fully registered 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 on Prospects MTF, the Secured Bonds will have the following ISIN: MT0002231208. The Secured Bonds shall bear interest at the rate of 5% per annum. The Secured Bonds shall be repayable in full upon maturity unless previously re-purchased and cancelled, provided that the Issuer reserves the right to purchase any Secured Bonds on the secondary market, at the price they would be trading at the time, prior to the Secured Bonds' Redemption Date.

C.2 The Secured Bonds are denominated in Euro (€).

C.3 The Secured Bonds are freely transferable and, once admitted to the Prospects MTF, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time.

C.4 Subject to the terms of the offer being made pursuant to this Company Admission Document, investors wishing to participate in the Secured Bonds will be able to do so by duly executing the appropriate Application Form in relation to the Secured Bonds. Following, execution of the Application Form, allotment of the Secured Bonds will entitle such investor to:

- i. the receipt of interest;
- ii. the repayment of capital;
- iii. the benefit of the Collateral through the Security Trustee, as explained in Element E.2(5) below;
- iv. attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and
- v. enjoy all such other rights attached to the Secured Bonds emanating from the Company Admission Document.

Immediately, following the issue of the Bonds and application of the proceeds, the Security Trustee for the benefit of Bondholders will have the benefit of a first special hypothec over the Security Property for the full amount of €5,250,000. In addition to the above, the Security Trustee for the benefit of Bondholders will have the benefit of a pledge over the Insurance Policy required under clause 5(1)(h) of the Security Trust Deed. Subject to admission on Prospects MTF, the Issuer shall make a prompt announcement on the same day registration of the said first special hypothec and pledge over the Insurance Policy. Also, the Secured Bonds shall be guaranteed, in respect of both the interest and the principal amount due, by the Guarantor in terms of the Guarantee. Furthermore, upon the occurrence of any of the Events of Default, the Security Trustee, in its capacity as trustee of the FES Trust, shall take control over the Sinking Fund.

C.5 The issue and allotment of the Secured Bonds is conditional upon: (i) the Secured Bonds being admitted to the Prospects MTF List of the MSE; (ii) the Collateral being constituted in favour of the Security Trustee; and (iii) the pledge over the Insurance Policy having been duly constituted, in accordance with the provisions of the Security Trust Deed. Subject to admission on Prospects MTF, the Issuer shall make a prompt announcement on the same day registration of the said first special hypothec and pledge over the Insurance Policy. Subject to the Bond Issue becoming unconditional, the Secured Bonds shall bear interest from and including 19 March 2019 at the rate of 5% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be affected on 18 March 2020 (covering the period 19 March 2019 to 18 March 2020). For Secured Bonds issued at the Bond Issue Price, the gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Secured Bonds at Redemption Date is 5%. The Secured Bonds will mature on 18 March 2029, unless previously repurchased and cancelled. The Issuer may at any time purchase the Secured Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike. All Secured Bonds so purchased will be cancelled forthwith and may not be re-issued or re-sold.

C.6 Application has been made to the MSE for the Secured Bonds to be issued pursuant to the Company Admission Document and to be admitted and traded on its Prospects MTF. The Secured Bonds are expected to be admitted to Prospects MTF with effect from 12 April 2019 and trading is expected to commence on 15 April 2019. While the MSE has disclaimed responsibility for the contents of this Company Admission

Document, it has authorised the issue of the said Admission Document in respect of this Application. Dealing may commence prior to notification of the amount allotted being issued to Applicants.

SECTION D – RISKS

Holding of a Secured 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 Company Admission Document before deciding to acquire the Secured Bonds. Prospective investors are warned that by investing in the Secured Bonds they may be exposing themselves to significant risks that may have the consequence of losing a substantial part or all of their investment.

The Company Admission 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. 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 Guarantor’s respective directors. No assurance is given that the future results or expectations will be achieved.

The Secured Bonds are open for subscription to all categories of investors, provided that Authorised 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 Secured Bonds. Applications shall not be accepted by the Authorised Intermediary unless, based on the results of such Appropriateness Test, the Authorised Intermediary is satisfied that an investment in the Secured Bonds may be considered appropriate for the Applicant. In so far as prospective investors seek advice from Authorised Intermediaries concerning an investment in the Secured Bonds, Authorised Intermediaries are to determine the suitability of prospective investors’ investment in the Bonds in the light of said prospective investors’ own circumstances. The Secured Bonds may not be a suitable investment for all investors. In particular, Authorised Intermediaries should determine whether each prospective investor: (i) has sufficient knowledge and experience to make a meaningful evaluation of the Secured Bonds, the merits and risks of investing in the Secured Bonds and the information contained or incorporated by reference in the Company Admission Document or any applicable supplement; (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of his/her/its particular financial situation, an investment in the Secured Bonds and the impact the Secured Bonds will have on his/her/its overall investment portfolio; (iii) 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; (iv) understands thoroughly the terms of the Secured Bonds and is familiar with the behaviour of any relevant indices and financial markets; and (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect his/her/its investment and his/her/its ability to bear the applicable risks.

Below is a summary of the principal risks associated with the Secured Bonds of the Company (refer to section 3 for further detail) – there may be other risks which are not mentioned in this Summary and/or in this Company Admission Document. Investors are therefore urged to consult their own financial or other professional advisors with respect to the suitability of investing in the Secured Bonds.

D.1 Risks relating specifically to the Issuer

- i. The Issuer has the function of acting as a finance company, with its main purpose being that of financing the funding requirements of the Guarantor, and as such, its

assets consist of the loans to be issued to the Guarantor, as mentioned hereinafter in section E.1. Consequently, the Issuer is entirely dependent on receipt of interest and loan repayments from the Guarantor.

- ii. The FES Group is ultimately owned by Mr Christopher Vella and Dr Reuben Debono, in equal proportions. Accordingly, the ultimate owners of the FES Group, who are also Executive Directors of the Issuer and the Guarantor, exercise effective control over the Issuer. These individuals are considered important to the success of the Group and the Issuer and the unexpected loss of any of these persons or a dilution in their influence over the Group and/or Issuer and their business could have an adverse effect on the Issuer. There can be no assurance that such individuals will not at any time during the term of the Bonds dispose of any interest, direct or indirect, in the Issuer or the FES Group.
- iii. This Company Admission Document features projected revenues of the FES Group. Forecasts are inherently subject to the risks of adverse unexpected events which may affect the revenue streams and profitability of the FES Group or the Issuer. The forecasts set out in this Company Admission Document 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 FES Group and the Issuer.

D.2 Risks relating to the FES Group: the Group and its business

- i. The Group's assets and operations will all be situated in Malta. Accordingly, the Group is generally exposed to the economic and political conditions prevalent in Malta, thereby rendering the Group's operations overly exposed to the social, political and economic stability in Malta, which, in the event of downward trend could have a material adverse impact on the operations of the Group and the value of its assets. Such over-exposure to the Maltese market could render investment in the Group riskier than investments in more geographically diversified operations.
- ii. To varying degrees, the Group shall be reliant upon technologies and operating systems (including IT systems) developed by third parties for the running of its business, and shall be exposed to the risk of failures in such systems. Disruption to those technologies or systems and/or lack of resilience in operational availability could adversely affect the efficiency of the Group's business, financial condition and/or operating performance.
- iii. The Group is dependent on its key personnel and employees and the loss of such persons, or difficulties in attracting new employees, may impact the Group's business and ability to implement current and future strategies;
- iv. All industries are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation and dispute resolution process, there can be no assurance that the resolution of any particular legal proceeding or dispute will not have a material adverse effect on the FES Group's future cash flow, results of operations or financial condition.
- v. The Group shall seek to take out a third party liability and a property insurance policy over the Boutique Hotels and their operations and shall seek to ensure that the

insurance is maintained at appropriate levels in light of the cost of cover and the risk profiles of its business in which the FES Group shall operate. Recovering losses from insurers may be difficult and time-consuming, and the Group may be unable to recover the full loss incurred. No assurance can be given that the FES Group's insurance coverage will 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.

- vi. The Group may not be able to execute its long-term business strategy, which aims to set up its presence in the hotel industry. There is no assurance that the Group will drive growth and profitability, to the extent desired, through its focus on sales and continuous improvement. The Group's growth projections may, in practice, and potentially for reasons over which it has little or no control, be considerably slower or quicker than anticipated, disrupting the Group's envisioned strategy and the results of its operations.
- vii. A portion of the FES Group's costs are fixed and operating results are vulnerable to short-term changes in its revenue.
- viii. It is the intention of the FES Group to finance the Bond repayments due at Redemption Date through the Sinking Fund money and bank financing and/or a roll-over of the Bond. Consequently, the FES Group may not be able to secure sufficient financing at Redemption Date and no assurance can be given that sufficient financing will be available on commercially reasonable terms. Any weakness in the capital markets may limit the Group's ability to raise capital at Redemption Date. Failure to obtain, or delays in obtaining, the capital required may limit the FES Group's ability to redeem the Bond and could adversely affect its business, financial condition and prospects.
- ix. The Group is dependent on the Operator and Manager of the Boutique Hotels and the interruption of any of these relationships may impact the Group's business and ability to implement current and future strategies;
- x. The FES Group will have a material amount of debt following the Bond Issue and may incur additional debt in connection with its future growth. The FES Group's indebtedness could adversely affect its financial position as well as its ability to raise further finance in future.
- xi. The Group may be exposed to the risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financing position and cash flows.
- xii. As with any business, the FES Group is at risk in relation to changes in laws and regulations and timing and effects of changes in the laws and regulations to which it is subject, including changes in the interpretation thereof which cannot be predicted. No assurance can be given as to the impact of any possible judicial decision or change in law or administrative practice after the date of the Company Admission Document upon the business and operations of FES Group.
- xiii. Failure to protect customers' confidential and/or personal information could significantly impact the FES Group's reputation and expose the FES Group to litigation and/or penalties.

D.3 Risks relating to the FES Group: the hospitality industry

- i. As set out in section 6.2.3 of this Company Admission Document, the proceeds of the Bond will be used to acquire and further develop the Gzira boutique hotel, as well as develop a plot in St. Julian's into a boutique hotel. Although the FES Group has no history in operating boutique hotels, the Group has appointed Casa Boutiques Ltd and Polymath & Boffin Limited to operate and manage the Gzira boutique hotel. It is the intention of the FES Group to appoint Casa Boutiques Ltd and Polymath & Boffin Limited to also operate and manage the St. Julian's boutique hotel. Should the operation be unprofitable this could have a material adverse effect on its business, results of operations and financial condition.
- ii. The Gzira boutique hotel shall be operated by Casa Boutiques Ltd and managed by Polymath & Boffin Limited pursuant to a three-year agreement (which can be renewed by a further three years) and a ten-year agreement entered into respectively with FES Projects Limited. It is the intention of the FES Group to appoint Casa Boutiques Ltd and Polymath & Boffin Limited to also operate and manage the St. Julian's boutique hotel. The long-term success of FES Group's operations depends, to a significant extent, on: (i) the ability of the Operator and Manager to identify and react to new hospitality industry trends; (ii) the ability of the Operator and Manager to develop marketing strategies to establish a reputation for the Group; (iii) the ability of the Operator and Manager to meet their targets; (iii) the continued relationship between the Group and the Operator and Manager respectively; and (iv) the continued success of both the Operator and Manager. There is no guarantee that such conditions will be met, and that the agreements will not be terminated early or that they will be renewed following expiration.
- iii. The Group's hospitality operations are subject to external factors that could adversely affect its business, many of which are beyond the Group's control, including:
 - changes in travel patterns and cutbacks on Malta-bound airline routes;
 - changes in laws and regulations on freedom of movement, employment, the preparation and sale of foods and beverages, health and safety, environmental concerns, fiscal policies, zoning and development, and related costs of compliance;
 - the impact of increased threats of terrorism, impediments to means of transportation, extreme weather conditions, natural disasters, travel-related accidents, and outbreaks of health concerns; and
 - increases in operating costs due to inflation, employment costs and healthcare-related costs, utility costs, increased taxes and insurance costs.

These factors may adversely impact room rates and occupancy levels at the Group's boutique hotels or reduce its revenue, which could have a material adverse effect on the Group's financial condition and results of operations.

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

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

- iv. As set out in section 6.2.3.2, the St. Julian's site will be held by title of temporary emphyteusis. This emphyteutical grant is due to expire within 49 years from the signing of the public deed establishing the emphyteutical grant, but may be terminated following expiration of the first 35 years by either party. There is no guarantee that the Group will be able to renew the emphyteutical grant on commercially acceptable terms upon its expiry, and if the Group is unable to do so, the potential loss of the St. Julian's boutique hotel could have an adverse effect on the Group's profits.
- v. The FES Group is subject to various laws and regulations affecting its business. Operating boutique hotels is subject to licensing and regulation by a number of governmental authorities as well as local/international standards, which may include alcoholic beverage control, smoking laws, health and safety measures, disability access requirements and fire safety requirements. Difficulties in obtaining or maintaining the required licences or approvals or local/international standards, or the loss thereof, could adversely affect FES Group's business and results of its operations. Various bodies also have the power to conduct inspections of, and possibly close down the boutique hotels if it fails to comply with the relevant laws, regulations and or standards. No assurance can be given that claims based on these laws will not be brought against FES Group in the future, which in turn could have a material adverse effect on its business and profitability.

D.4 Risks relating to the FES Group: property development

- i. At the date of this Company Admission Document, the application for permits to convert existing space situated at the top floor of the Gzira boutique hotel into hotel rooms, develop the adjacent property as an extension to the existing room stock, as well as convert the lower floors of the property into catering establishments have not yet been submitted to the Planning Authority and/or approved. Furthermore, the third party appeal (PAB/00167/18) against approval of PA/03805/17 on the St. Julian's boutique hotel is still pending. Although the FES Group can still operate the Gzira boutique hotel as a 28-room guest house in its existing form should the permits not be obtained, the operation of the St. Julian's boutique hotel is subject to the appeal being denied by the Environment Planning Review Tribunal, and that following such rejection, the appellant does not successfully seek further redress as afforded by law. There can be no certainty that any given application/appeal will result in planning consent being granted, or, that if granted, will not be so granted on unduly onerous terms. Consequently, should the necessary approvals and permits not be obtained for whatever reason the FES Group will not be in a position to operate the Gzira boutique hotel as a 56-room hotel and/or operate the St. Julian's boutique hotel, according to the Group's projections.

In the event that the abovementioned permit in relation to the St. Julian's property is not obtained, the Issuer shall convene a Bondholders' meeting in line with section 22.15.1 and shall also update its financial projections and make a company announcement to that effect.

- ii. At the date of this Company Admission Document, the terms of the acquisition of the Gzira boutique hotel and emphyteutical grant of the St. Julian's boutique hotel are set out in two preliminary agreements and therefore the acquisitions are subject to the successful conclusion of the final deed of sale and the signing of the deed establishing the emphyteutical grant respectively. Should the seller of the Gzira boutique hotel and/or St. Julian's boutique hotel and/or the Guarantor fail to appear on the final deed of sale/concession agreement for whatever reason including but not limited to the non-fulfilment of the conditions to which completion is subject, the Guarantor will not be in a position to manage and operate the Gzira boutique hotel and/or St. Julian's boutique hotel and benefit from the revenue generated from the operation of such boutique hotels.

It should be noted that the finalisation of the emphyteutical grant of the St. Julian's boutique hotel is subject to the successful completion of certain conditions which do not depend on the FES Group and are out of the FES Group's control, such as the condition that the other party manages to successfully acquire the property from the present third party owner with which the former has concluded a promise of sale agreement.

- iii. The Group plans to initiate development of the Boutique Hotels upon receipt of the Bond proceeds. Consequently, the Group will be subject to a number of specific risks normally encountered in similar developments, including: the risk of delays in obtaining the necessary planning permissions; the risk of cost overruns; and the risk of insufficiency of resources risk of licensing transactions not being effected at the prices and timeframes envisaged, higher interest costs, erosion of revenue generation, risk of suspension of works from any applicable authority or administrative body, and the possibility of legal disputes. If these risks were to materialise, they could have an adverse and material effect on the FES Group's financial condition and the results of its operations.
- v. Laws and regulations impose liability for the presence of certain materials or substances or the release thereof from a real estate development. The Group may become liable for the costs of removal, investigation or remediation of any such substances. Moreover, any activity FES Group undertakes to carry out in the property development sector will be subject to extensive regulations and policies. Non-compliance therewith may adversely affect the Group.
- vi. There are inherent risks to health and safety arising from the nature of property development projects, which require a developer to adopt a rigorous health and safety programme. Any failure in health and safety performance may result in penalties for noncompliance with the law. A failure which results in a significant health and safety incident may be costly in terms of potential liabilities and generate adverse publicity, thereby having a negative impact on the Group's reputation.
- vii. The Group may incur significant costs in connection with the assessment of potential property investment opportunities (such as costs associated with property surveys and valuation reports). If a proposed real estate investment were not to proceed to

completion after such costs have been incurred, the Group will be unable to recoup same from that investment, which could negatively impact profitability.

Risks relating to the FES Group: property investment

- i. Properties such as those in which the Group has invested and may in the future invest are relatively illiquid. Planning regulations may reduce the pool of potential purchasers of such properties. Furthermore, such illiquidity may affect the Group's ability to vary, dispose or liquidate part of, its portfolio in a timely fashion and for satisfactory prices in accordance with its strategy or in response to changes in economic and, or real estate market conditions. This could have an adverse effect on the results of the Group's operations.
- ii. The valuation of property is intrinsically subjective. Factors such as regulatory requirements and consumer spending power may influence valuations. As a result, the net realisable value of the Group's property may decline after purchase.

D.3 Essential information on the key risks specific to the Secured Bonds

An investment in the Secured Bonds involves certain risks, including those set out below in this section. In deciding whether to make an investment in the Secured Bonds, prospective investors are advised to carefully consider, with their own independent financial and other (including tax, 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 Company Admission Document:

- i. Prior to the Bond Issue, there has been no public market nor trading record of the Secured Bonds within or outside Malta. Due to the absence of any prior market for the Secured Bonds, there can be no assurance that the Bond Issue Price will correspond to the price at which the Secured Bonds will trade in the market subsequent to the Bond Issue.
- ii. Only upon successful admission, may the Secured Bonds be traded on Prospects MTF but will NOT be traded on any regulated market. Hence, the market for the Secured Bonds may be less liquid than a regulated market and a Bondholder may find it more difficult to identify willing buyers for their Secured Bonds. The existence of an orderly and liquid market depends on a number of factors that may not necessarily subsist. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell or otherwise trade in the Secured Bonds at all.
- iii. Investment in the Secured Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Secured Bonds.
- iv. A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Secured Bonds (€) and the investor'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 Secured Bonds prevailing from time to time.

- vi. The Issuer is entitled to issue Secured Bonds bearing a fixed rate of interest. Investment in such fixed rate Secured Bonds involves the risk that subsequent changes in market interest rates may adversely affect the market value of the said Secured Bonds. Investors should also be aware that the price of the fixed rate bonds moves adversely to changes in interest rates.
- vii. The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Secured Bonds will be repayable in full upon maturity on the Redemption Date unless the Secured Bonds are previously re-purchased and/or cancelled.
- viii. Application has been made to the MSE for the Secured Bonds to be admitted and traded on Prospects MTF. Prospects MTF is a market regulated as a multilateral trading facility and operated by the MSE and provides a venue for SMEs to float their securities. Consequently, this market is designed primarily for companies to which a higher risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial advisor.
- ix. Even after the Secured Bonds are admitted to trading on Prospects MTF, the Issuer is required to remain in compliance with certain requirements relating, *inter alia*, to the free transferability, clearance and settlement of the Secured Bonds in order to remain eligible to trade on Prospects MTF in terms of the Prospects MTF Rules issued by the Exchange as amended from time to time. Moreover, the MSE has the authority to suspend trading of the Secured 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 MSE may discontinue the trading of the Secured Bonds on Prospects MTF. Any such trading suspension or discontinuance of admission could have a material adverse effect on the liquidity and value of the Secured Bonds.
- x. The Secured Bonds, as and when issued and allotted, shall constitute the general, direct, and unconditional obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under said Secured Bonds by the Guarantor. The Secured Bonds shall at all times rank *pari passu* without any priority or preference among themselves. The Secured Bonds shall be secured by the Collateral and accordingly shall rank with priority or preference with respect to the Security Property. Notwithstanding that the Bonds constitute the general, direct, unconditional and secured obligations of the Company, as guaranteed by the Guarantor, they may rank after causes of preference which may arise by operation of law. There can be no guarantee that privileges accorded by law in specific situations will not arise during the course of the business of each of the Company and the Guarantor which may rank with priority or preference over the Collateral.

In view of the fact that the Secured Bonds are being guaranteed by the Guarantor on a joint and several basis, the Security Trustee, for the benefit of the Bondholders, shall be entitled to request the Guarantor to pay both the interest due and the principal amount under said Secured Bonds if the Issuer fails to meet any amount when due in terms of the Company Admission Document.

The joint and several Guarantee also entitles the Security Trustee to take action against the Guarantor without having to first take action against the Issuer. The strength of this undertaking on the part of the Guarantor and, therefore, the level of

recoverability by the Security Trustee from the Guarantor of any amounts due under any of the Secured Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantor.

The Guarantee is further supported by the Collateral that is to be granted over the Security Property. In terms of the Security Trust Deed, the Security Trustee reserves the right to demand to the Issuer that additional or alternative immovable (and unencumbered) property owned by the Group from time to time be given as security in addition to and/or in place of the Security Property, should at any given time the value of the Security Property be reported, pursuant to an independent architect's valuation report, to be lower than the nominal value of outstanding Bonds in issue plus interest yet to accrue until the Redemption Date. In such case, the Issuer shall identify, at its discretion, which of the unencumbered property forming part of the Group's portfolio as at the date thereof, if any, would replace or be added to the existing Security Property for the purposes of securing the Bonds, and procure that the Group takes such steps as may be necessary for such unencumbered property to replace or be added to the existing Security Property. In the event that, upon such request being made by the Security Trustee, the Group's property portfolio does not comprise any immovable property which is unencumbered, the Issuer shall procure that the Group shall either: provide a cash guarantee in favour of the Security Trustee sufficient to cover the difference between the nominal value of outstanding Bonds in issue (plus interest yet to accrue until the Redemption Date) and the revised value of the Security Property as set out in the abovementioned independent architect's valuation report; or take such steps as may be necessary to free any one or more of the immovable properties in its property portfolio from any existing encumbrances, and grant a first ranking special hypothec thereon in favour of the Security Trustee for the purpose of securing the Bonds. Whilst the Collateral grants the Security Trustee a right of preference and priority for repayment over the Security Property, there can be no guarantee that the value of the Security Property over the term of the Secured Bond will be sufficient to cover the full amount of the principal outstanding under the Bonds. This may be caused by a number of factors not least of which, general economic factors that could have an adverse impact on the value of the Security Property. If such circumstances were to arise or subsist at the time that the Collateral is to be enforced by the Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Secured Bonds.

It should be further noted that in terms of the Security Trust Deed, the Group retains the right to substitute any of the Security Property with another immovable (and unencumbered) property which it owns or may in future own, subject: (i) to an independent architect's valuation report confirming that the value of the immovable property added as a Security Property is at least equal to the value of the immovable property removed as a Security Property, or otherwise sufficient to ensure that the value of the aggregate Security Property remains equal to or in excess of the nominal value of outstanding Bonds in issue; and (ii) to obtaining the Issuer's and Security Trustee's prior consent and the prior written consent of the Exchange until such time as the Bonds are admitted on Prospects MTF or any of its markets.

- xi. The issue and allotment of the Secured Bonds is conditional upon: (i) the Secured Bonds being admitted to the Prospects MTF List; (ii) on the Collateral being constituted in favour of the Security Trustee; and (iii) the pledge over the Insurance Policy having been duly constituted. In the event that either of the aforesaid

conditions is not satisfied, the Security Trustee shall return the Bond Issue proceeds to Bondholders.

- xii. The Issuer has not sought, nor does it intend to seek, the credit rating of an independent rating agency and there has been no assessment by any independent rating agency of the Secured Bonds.
- xiii. By acquiring the Bonds, the Bondholder is considered to be bound by the terms of the Trust Deed as if he had been a party to it. The Trust Deed contains a number of provisions, which prospective investors ought to be aware of prior to acquiring the Bonds. For instance, in terms of the Trust Instrument:
 - a) the Security Trustee shall not be liable to the Issuer or any of the Bondholders, as the case may be, for any loss or expense attributable to any action taken or omitted to be taken by the Security Trustee, or any person appointed by the Security Trustee under or in connection with this Security Trust Deed or the Bonds, as the case may be, unless the loss or expense is shown to have been caused by the negligence, wilful misconduct, or fraud of the Security Trustee or the person appointed by the Security Trustee; and the Issuer and/or Bondholders shall not make any claims against the Security Trustee or against any person appointed by the Security Trustee in respect of such loss or expense unless he is shown to have acted with such negligence, wilful misconduct, or fraud.;
 - b) the Security Trustee shall be indemnified against all liabilities incurred by it in the performance or execution of its functions under this Security Trust Deed, whether such liabilities have arisen as a result of any act, omission or judgment exercised by the Security Trustee, provided that the Security Trustee shall not be entitled to be indemnified for any breach of this Security Trust Deed wilfully caused or caused by the negligence, wilful misconduct or fraud on the part of the Security Trustee;
 - c) the Security Trustee is not bound to declare the Bonds to have become immediately due and repayable in the case of an event of default, described in section 22.12 of this Admission Document, unless requested to do so by a resolution passed by Bondholders holding not less than sixty per centum (60%) in nominal value of the Bonds then outstanding at a meeting of the Bondholders and/or of the Corporate Advisor appointed under the Prospects MTF Rules and acting in its duty of care to the Exchange, the market and the Bondholders; and
 - d) the Security Trustee may pay itself out of the trust fund all sums owing to it in respect of the remuneration costs, charges, expenses or interest or by virtue of any indemnity from the Company to which it is entitled under the Trust Deed or by law or by virtue of any release or indemnity granted to it and all such sums as aforesaid shall be so retained and paid in priority to the claims of the Bondholders and shall constitute an additional charge upon the property charged with the Collateral.
- xiv. In the event that the Issuer wishes to amend any of the Terms and Conditions of the issue of the Secured Bonds it shall call a meeting of Bondholders in accordance with the provisions of section 22.15 of the Company Admission Document with the prior written approval of the Exchange until such time as the Bonds remain admitted on Prospects MTF or any of its markets. These provisions permit defined majorities to

bind all Bondholders, including Bondholders who do not attend and vote at the relevant meeting and Bondholders who vote in a manner contrary to the majority.

- xv. The Secured Bonds and the Terms and Conditions of the Bond Issue are based on the requirements of the Prospects MTF Rules, the Companies Act and applicable regulations in effect as at the date of the Company Admission Document. No assurance can be given as to the impact of any possible judicial decision or change in law or administrative practice after the date of the Company Admission Document.
- xvi. The funds or assets constituting the Sinking Fund (as described in section 22.23 of this Company Admission Document) shall be managed by the Issuer and administered by the Board of Directors in line with the treasury management policy as outlined by company announcement on the market for such time as the Bonds remain admitted on Prospects MTF. In accordance with section 302 of the Act, in the event of winding up of the Issuer with insufficient assets to meet its liabilities, the right of secured and unsecured creditors and the priority and ranking of their debts shall be regulated by the law for the time being in force.

SECTION E – SECURITIES

E.1 USE OF PROCEEDS

The proceeds from the Bond Issue, which net of issue expenses are expected to amount to approximately €4,898,000, will be used by the Issuer for the following purposes in the following order of priority, and should the amount not be utilised in full, such additional proceeds will be used for the following purposes:

- A. a maximum amount of €3,320,000 of the proceeds from the Secured Bonds will be advanced under title of loan to the Guarantor to acquire the Gzira boutique hotel. €2,650,000 are due as consideration for the acquisition of the property; €500,000 are due as consideration for the movables being acquired together with the immovable; and the remaining €170,000 shall be utilized in order to cover transaction costs. Until such time the said payment becomes legally due, the proceeds shall be held on escrow by the Escrow Agent;
- B. a maximum amount of €467,000 of the proceeds from the Secured Bonds will be advanced under title of loan to the Guarantor to convert/develop the Gzira boutique hotel. Until such time the said payment becomes legally due, the proceeds shall be held on escrow by the Escrow Agent;
- C. a maximum amount of €1,111,000 of the proceeds from the Secured Bonds will be advanced under title of loan to the Guarantor to acquire the St. Julian's site by means of an emphyteutical grant and to develop same into a boutique hotel. Until such time
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the said payment becomes legally due, the proceeds shall be held on escrow by the Escrow Agent;

- D. any remaining balance of the net Bond Issue proceeds will be advanced under title of loan to the Guarantor and will be used for general corporate funding purposes.

All proceeds from the Bond Issue shall be held by the Escrow Agent and released in accordance with the above and the Escrow Agreement.

In accordance with the Escrow Agreement, in the event that any of the disbursements contemplated above are not disbursed by the end of the term of the Bonds, the Escrow Agent shall cease to hold the balance of the Bond Issue proceeds on escrow and shall surrender and refund the same to the Issuer at the expiration of the said term of the Bonds, when the outstanding Bonds are due for redemption, so that the aforementioned Bond Issue proceeds are utilised for effecting the appropriate redemption in accordance with this Company Admission Document.

The issue and allotment of the Secured Bonds is conditional upon: (i) the Secured Bonds being admitted to the Prospects MTF List; (ii) the first special hypothec forming part of the Collateral being constituted in favour of the Security Trustee in accordance with the provisions of the Security Trust Deed; and (iii) the pledge over the Insurance Policy having been duly constituted. Subject to admission on Prospects MTF, the Issuer shall make a prompt announcement on the same day registration of the said first special hypothec and pledge over the Insurance Policy. In this respect and with reference to the amounts to be utilised for the purposes of acquiring the aforementioned immovable property not yet owned by the Group, the Bond proceeds shall only be released in accordance with this Company Admission Document.

In the event that either of the aforesaid conditions is not satisfied, the Escrow Agent shall return Bond Issue proceeds to the Bondholders.

E.2	<p>Subject to the terms of the offer being made pursuant to this Company Admission Document (refer to Company Admission Document Part II), the Bonds are open for subscription by Authorised Intermediaries through an Intermediaries' Offer. The total amount of the Secured Bonds is being reserved for subscription by Authorised Intermediaries participating in the Intermediaries' Offer. In this regard, the Issuer may enter into conditional subscription agreements with a number of Authorised Intermediaries for the subscription of Secured Bonds, whereby it will bind itself to allocate the Secured Bonds thereto up to the total amount of €5.0 million as aforesaid during the Intermediaries' Offer.</p> <p>In terms of each subscription agreement entered into with an Authorised Intermediary, the Issuer will be conditionally bound to issue, and each Authorised Intermediary will conditionally bind itself to subscribe for, a number of Secured Bonds as indicated therein, without prejudice to the terms of the offer being made pursuant to this Company Admission Document, and subject to the Secured Bonds being admitted to trading on the Prospects MTF and the Collateral being constituted in favour of the Security Trustee. Authorised Intermediaries subscribing for Secured Bonds may do so for their own account or for the account of underlying customers, including retail customers, and shall, in addition, be entitled to distribute any portion of the Secured Bonds subscribed for upon commencement of trading.</p> <p>Applications for subscriptions to the Secured Bonds may be made through the Placement Agent, Manager and Registrar during the Issue Period on a first-come-first-served basis. The</p>
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Issue Period shall close immediately upon attaining full subscription or on the last day of the Issue Period, whichever is the earliest. It is expected that notification of allotment will be announced to Bondholders within five (5) Business Days from the closing of the Issue Period.

The following is a synopsis of the general Terms and Conditions applicable to the Secured Bonds. A Bondholder is deemed to have invested only after having received, read and understood the contents of the Company Admission Document, including the full terms and conditions contained therein and in the annexes thereto:

1. Form, Denomination and Title

The Secured Bonds will be issued in fully registered form in denominations of any integral multiple of €100 provided that on subscription the Bonds will be issued for a minimum of €5,000 per individual Bondholder. Authorised Intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €5,000 to each underlying client.

2. Redemption and purchase

Unless previously purchased and cancelled, the Issuer hereby irrevocably covenants in favour of each Bondholder that the Secured Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 18 March 2029. Subject to the provisions of this paragraph, the Issuer may at any time purchase Secured Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike. All Secured Bonds so purchased will be cancelled forthwith and may not be re-issued or re-sold.

3. Payments

Payment of the principal amount of the Secured Bonds will be made within 7 days of the Redemption Date in Euro by the Issuer to the person in whose name such Secured 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. Payment of Interest on a Secured Bond will be made to the person in whose name such Secured 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 7 days of the Interest Payment Date.

4. Interest and Yield

The Secured Bonds shall bear interest at the rate of 5% per annum payable annually on 18 March of each year. Interest shall accrue as from 19 March 2019. The first Interest Payment Date following the issuance of this Company Admission Document shall be 18 March 2020. Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.

The gross yield calculated on the basis of the interest, the Bond Issue Price and the redemption value of the Secured Bonds at Redemption Date, is 5%

5. Status of the Secured Bonds and Security

The Secured Bonds shall constitute the general, direct and unconditional obligations of the Issuer, guaranteed by the Guarantor and shall at all times rank *pari passu*, without any priority or preference among themselves. The Secured Bonds shall rank with priority or preference with respect to the Security Property, save for such exceptions as may be provided by applicable law. The payment of the principal under the Bonds and interest thereon shall be secured by a first special hypothec over the Security Property which the Guarantor (in the event that the Gzira boutique hotel is acquired directly) has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders.. Also, the Secured Bonds shall be guaranteed, in respect of both the interest and the principal amount due, by the Guarantor in terms of the Guarantee.

6. Events of Default

Pursuant to the Trust Deed, the Security Trustee may in its absolute and unfettered discretion, and shall upon the request in writing of not less than 60% in value of the Bondholders qua primary beneficiaries and/or of the Corporate Advisor appointed under the Prospects MTF Rules and acting in its duty of care to the Exchange, the market and the Bondholders, by notice in writing to the Issuer and the Guarantor declare the Secured Bonds to have become immediately due and repayable at their principal amount, together with any accrued interest, upon the happening of the events of default set out in Section 22.12.

7. Transferability of the Secured Bonds

The Secured Bonds are freely transferable and once admitted to the Prospects MTF, shall be transferable only in whole (in multiples of €100) in accordance with the rules and regulations of Prospects MTF and the MSE applicable from time to time. If the Secured Bonds are transferred in part, such an attempted partial transfer will not be cleared and the transferee thereof will not be registered as a Bondholder or become entitled to claim from the Issuer any purported benefit therefrom.

8. Register of Bondholders

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

9. Further Issues

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either having the same terms and conditions as any outstanding debt securities of any series (including the Secured 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 Secured Bonds), or upon such terms as the Issuer may determine at the time of their issue, provided that no issue may be made that would rank prior to the Secured Bonds in respect of the Collateral.

10. Meetings of Bondholders

The Terms and Conditions of the Secured Bonds may be amended or waived with the approval of the Bondholders at a meeting called for that purpose by the Issuer through the Security Trustee subject to the prior written consent of the Exchange until such time as the Bonds remain admitted on Prospects MTF or any of its markets.

11. Governing Law and Jurisdiction

The Secured Bonds have been created, and the Bond Issue relating thereto is being made, in accordance with the Companies Act. The Secured Bonds, and all contractual arrangements arising therefrom, 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 Guarantor arising out of or in connection with the Secured Bonds and/or the Company Admission Document shall be brought exclusively before Maltese courts and the Bondholder shall be deemed to acknowledge that it is submitting to the exclusive jurisdiction of such courts.

12 Sinking Fund

The Issuer undertakes that as from the financial year ending 31 December 2024 it shall, over a period of five years, build a Sinking Fund the value of which will by the Redemption Date be equivalent to 50% of the value of the issued Bonds.

The Issuer shall make periodic payments for the purpose of building up the Sinking Fund. The following table sets out the minimum amounts to be paid by the Issuer for this purpose:

€000	FY2024	FY2025	FY2026	FY2027	FY2028
Annual contribution	500	500	500	500	500
Cumulative balance	500	1,000	1,500	2,000	2,500

The Sinking Fund shall be administered by the Board. Upon the occurrence of any of the Events of Default, the Security Trustee, in its capacity as trustee of the FES Trust, shall promptly take control over the Sinking Fund and the Issuer shall release an immediate company announcement to that effect.

13. Security Trust

The Bondholders shall have the benefit of the following security:

- a) a first special hypothec over the Security Property;
- b) a pledge over the Insurance Policy required under clause 5(1) (h) of the Security Trust Deed; and
- c) the Guarantee

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

The Issuer and the Guarantor have entered into a Security Trust Deed with the Security Trustee which consists of the covenants of the Issuer and the Guarantor to pay the principal amount under the Secured Bonds on the Redemption Date and interest thereon in terms of the Company Admission Document and the Guarantee, and to grant all the rights and benefits under the Security Trust Deed. The Collateral will be vested in the Security Trustee for the benefit of the Bondholders in proportion to their respective holding of Secured Bonds.

The Security Trustee's role includes holding of the Collateral for the benefit of the Bondholders and the enforcement of the said Collateral upon the occurrence of certain events. The Security Trustee shall have no payment obligations to Bondholders under the Secured Bonds which remain exclusively the obligations of the Issuer, or, in the case of default by the Issuer, of the Guarantor.

The Guarantor has agreed to grant the Guarantee in favour of the Security Trustee in its capacity as trustee for the benefit of Bondholders, as security for the outstanding amount due to the Bondholders in terms of the Company Admission Document in relation to the Secured Bonds, together with amounts of interest and charges thereon. The initial Security Trustee is Manduca Randon & Co Ltd.

The property held under trust shall include the following:

- i. 4,6,7 and 8, Ponsomby Street, Gzira, Malta, referred to throughout this document as the Gzira boutique hotel; a pledge over the Insurance Policy required under clause 5(1) (h) of the Security Trust Deed; and the Guarantee granted by the Guarantor in relation to the repayment of both Interest and the principal amount due under the Secured Bonds; and/or
- ii. future property, in addition or in substitution to the property described in subparagraph (i) above, which shall be settled into the FES Trust, at any time during the term of the Trust, but to the extent only as may be allowed under the terms of this Company Admission Document.

Without prejudice to other powers and discretions of the Security Trustee in terms of the Trust Deed, the Security Trustee shall have the discretion to enforce the Collateral on its own accord or upon receiving notice from the Bondholders and/or of the Corporate Advisor appointed under the Prospects MTF Rules and acting in its duty of care to the Exchange, the market and the Bondholders, that any of the Events of Default has occurred in accordance with the provisions of the Company Admission Document.

E.3 The Placement Agent, Manager and Registrar may hold clients' money on their behalf in a clients' accounts.

Save for the subscription for Secured Bonds by the Authorised Intermediaries (which include the Placement Agent, Manager and Registrar) and any fees payable to Financial Planning Services Limited as Placement Agent, Manager and Registrar in connection with the Bond Issue, to the best of the Issuer's knowledge no person involved in the Issue has an interest material to the Bond Issue.

E.4 Professional fees and costs related to publicity, advertising, printing, registration, selling commission and other miscellaneous costs incurred in connection with this Bond Issue are estimated not to exceed €102,000 and shall be borne by the Issuer.

2.1.1 Expected Timetable

1. Application Forms Available	6 March 2019
2. Issue Period	6 March 2019 to 18 March 2019
3. Commencement of Interest on Secured Bonds	19 March 2019
4. Expected date of constitution of Security	by 9 April 2019
5. Expected date of notification of registration	by 12 April 2019
6. Expected date of Admission of the Secured Bonds to Prospects MTF	12 April 2019
7. Expected date of commencement of trading in the Secured Bonds	15 April 2019

The Issuer reserves the right to close the offer of the Secured Bonds before the 18 March 2019 at 12:00 CET in the event that the Secured Bonds are fully subscribed prior to the said date and time. In such an eventuality, the events set out in steps three (3) to seven (7) above shall be brought forward although the number of working days between the respective events shall not be altered.

COMPANY ADMISSION DOCUMENT: PART ONE

3 RISK FACTORS

AN INVESTMENT IN THE SECURED 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 THIS COMPANY ADMISSION DOCUMENT, BEFORE DECIDING TO MAKE 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 GUARANTOR 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 GUARANTOR'S FINANCIAL RESULTS AND TRADING PROSPECTS AND ON THE ABILITY OF THE ISSUER TO FULFILL ITS OBLIGATIONS UNDER THE SECURITIES ISSUED IN TERMS OF THE COMPANY ADMISSION DOCUMENT AND OF THE GUARANTOR TO HONOUR ITS OBLIGATIONS UNDER THE GUARANTEE. THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AS SUCH BY THE DIRECTORS OF THE ISSUER AND THE GUARANTOR AS AT THE DATE OF THE COMPANY ADMISSION DOCUMENT, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE ISSUER AND GUARANTOR MAY FACE. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE ISSUER'S AND/OR GUARANTOR'S 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 GUARANTOR.

NEITHER THE COMPANY ADMISSION DOCUMENT NOR ANY OTHER INFORMATION SUPPLIED HEREIN IN CONNECTION WITH THE SECURED BONDS 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 GUARANTOR OR THE CORPORATE ADVISOR OR THE PLACEMENT AGENT, MANAGER AND REGISTRAR OR AUTHORISED INTERMEDIARIES THAT ANY RECIPIENT OF THE COMPANY ADMISSION DOCUMENT OR 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.

3.1 Forward-looking statements

The Company Admission Document and the documents incorporated therein by reference or annexed thereto contain forward-looking statements that include, among others, statements concerning the Issuer's and/or Guarantor's strategies and plans relating to the attainment of its objectives, capital requirements and other statements of expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts and which may involve predictions of future circumstances. Prospective investors can generally identify forward-looking statements by the use of terminology such as "may", "will", "expect", "intend", "plan", "estimate", "forecast", "anticipate", "believe" or similar phrases. Such forward-looking statements are inherently subject to a number of risks, uncertainties and assumptions, a few of which are beyond the Issuer's and/or Guarantor's control.

Important factors that could cause actual results to differ materially from the expectations of the Issuer's and/or Guarantor's directors include those risks identified under this heading "Risk Factors" and elsewhere in the Company Admission Document. If any of the risks described were to materialise, they could have a material adverse effect on the Issuer's and/or Guarantor's financial results, trading prospects and the ability of the Issuer to fulfil its obligations under the securities to be issued in terms of the Company Admission Document and of the Guarantor to honour its obligations under the Guarantee.

Accordingly, the Issuer and Guarantor 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/or Guarantor 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.

Prospective investors are advised to read the Company Admission Document in its entirety and, in particular, the sections entitled "Risk Factors" for a further discussion of the factors that could affect the Issuer's and/or Guarantor's future performance. In the light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in the Company Admission Document may not occur. All forward-looking statements contained in the Company Admission Document are made only as at the date hereof. Subject to the Prospects MTF Rules, the Issuer, Guarantor 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.

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

3.2 Risks relating specifically to the Issuer

3.2.1 Risks relating specifically to the Issuer's reliance on the Guarantor and the FES Group

The Issuer was established on 15 November 2018 and, accordingly, has no trading record or history of operations. Furthermore, the Issuer itself does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company solely for the needs of the FES Group and, as such, its assets are intended to consist primarily of a loan issued to the Guarantor.

The Issuer is dependent on the business prospects of the FES Group and, consequently, the operating results of the FES Group have a direct effect on the Issuer's financial position and performance. Therefore, the risks intrinsic in the business and operations of the FES Group shall have a direct effect on the ability of the Issuer and the Guarantor to meet their respective obligations in respect of the payment of Interest on the Secured Bonds and repayment of principal when due. Accordingly, the risks of the Issuer are indirectly those of the FES Group and, in turn, all risks relating to the FES Group are the risks relevant to the Guarantor.

The interest payments and capital repayments to be affected by the Guarantor are subject to certain risks. More specifically, the ability of the Guarantor to effect payments to the Issuer will depend on the cash flows and earnings of the Guarantor, which may be restricted 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 Guarantor.

The occurrence of any such factor could, in turn, negatively affect the ability of the Issuer and the Guarantor to meet their respective obligations in connection with the payment of Interest on the Secured Bonds and repayment of principal when due.

3.2.2 Concentration of shareholding

The Parent company of the FES Group is owned exclusively by Christopher Vella and Reuben Debono, in equal proportions. Accordingly, the ultimate owners of the FES Group, who are also Directors of the Issuer and other FES Group companies, exercise effective control over the Issuer. These individuals are considered important to the success of the FES Group and the Issuer and the unexpected loss of any of these persons or a dilution in their influence over the Issuer and/or FES Group companies and their business could have an adverse effect on the Issuer. There can be no assurance that such individuals will not at any time during the term of the Secured Bonds dispose of any interest, direct or indirect, in the Issuer or the FES Group.

3.2.3 Issuer's potential exposure to certain financial risks

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

3.2.4 Risks inherent in forecasts

This Company Admission Document features projected revenues of the FES Group. Forecasts are inherently subject to the risks of adverse unexpected events which may affect the revenue streams and profitability of the FES Group or the Issuer. The forecasts set out in this Company Admission Document are dependent on a number of assumptions and future expectations that may or may not occur. The non-occurrence of those future expectations could have material effects on the financial position and results of the FES Group and the Issuer. The said forecasts are therefore merely an illustration of a possible future outcome which may or may not occur and the Issuer, its directors, officers and advisers make no representation as to their accuracy or likelihood of occurrence.

3.3 Risks relating to the FES Group and its business

3.3.1 General

The Group's business model is primarily reliant on the acquisition (either direct or by title of temporary emphyteusis) of real estate for development or re-development and the subsequent operation of that real estate as boutique hotels. In addition, the Group's assets and their operation will be concentrated in Malta and accordingly will be intimately dependent on the tourism industry and property market in Malta. Accordingly, the Group's prospects should be considered in the light of the risks and difficulties generally encountered by companies operating in the said or similar markets and industry sectors in Malta.

3.3.2 Risks relating to the political, economic and social environment in which the Group operates

The Group's business activities are concentrated in and aimed at the Maltese market. Accordingly, the Group will be generally exposed to the economic and political conditions which are prevalent in Malta from time to time, thereby rendering the Group's operations overly exposed to the social, political and economic stability in Malta, which, in the event of downward trend could have a material adverse impact on the operations of the Group. Such over-exposure to the Maltese market could render investment in the Group riskier than investments in more geographically diversified operations.

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

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

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

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

3.3.4 The FES Group's dependence on its Executive Directors and other skilled personnel

The Group's growth since inception is, in part, attributable to the efforts and abilities of the Executive Directors. If the Executive Directors are unable or unwilling to continue in their present position, they may not be replaceable within the short term, which could have an adverse effect on the Group's business, financial condition and results of operations. The Group's future success will also depend, among other things, on its future directors and management. Although no single person is instrumental in fulfilling the Group's business objectives, there is no guarantee that these objectives will be achieved to the degree expected following the loss of key personnel.

The Group also faces the challenge of attracting developing and retaining the right calibre of staff. The failure of the Group to recruit and retain skilled employees could adversely impact its sales performance, increase its wage costs, and adversely affect the Group's business, results of operations and financial condition.

3.3.5 Risk of litigation

All industries, including the hospitality industry and real estate development industry, are subject to legal claims, with or without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation and dispute resolution process, there can be no assurance that the resolution of any particular legal proceeding or dispute will

not have a material adverse effect on the Group's future cash flow, results of operations or financial condition.

3.3.6 The Group's insurance policies

The Group shall seek to take out an insurance policy covering third party liability and property insurance policy in respect of its the Boutique Hotels and their operations, and shall seek to ensure that the insurance is maintained at appropriate levels in light of the cost of cover and the risk profiles of the business in which the FES Group shall operate. With respect to losses for which the Group shall be covered by insurance policies, it may be difficult and may take time to recover such losses from insurers.

In addition, the Group may not be able to recover the full loss incurred from the insurer. No assurance can be given that the Group's insurance coverage will 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.

3.3.7 The Group may not be able to realise the benefits it expects from its growth strategy

The Group's growth plans envisage the acquisition (either direct or by title of temporary emphyteusis), development and operation of the boutique hotels. Property acquisition and development projects are subject to a number of specific risks, including the inability to source adequate opportunities, cost overruns, insufficiency of resources to complete the projects, higher interest costs, and the erosion of revenue generation. If these risks were to materialise, they would have an adverse impact on the Group's revenue generation, cash flows and financial performance.

Renovating, refurbishing or otherwise improving existing boutique hotels, and acquiring and developing new and commercially viable boutique hotels, is key to the Group's business and growth strategy. The development and/or improvement of the boutique hotels in the future presents a number of risks, including: market disruption or oversupply, which may result in the Group being unable to achieve appropriate room rates, potentially requiring changes in the Group's pricing strategy that could result in significant losses or charges; and construction delays, cost overruns, lender financial defaults or "acts of God" such as earthquakes, hurricanes, floods or fires, which could increase overall project costs or result in project cancellations.

Furthermore, the Group is subject to various counter-party risks, including the risk of counter-party default. Such parties may default or fail to perform on their obligations to the Group due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond the Group's control. If such risks, many of which are common to the real estate industry, were to materialise, they could have an adverse impact on the Group's revenue generation, cash flows and financial performance.

There is a risk that the FES Group may not be able to execute its long-term business strategy, given that the Group's ability to realise the full benefits that it expects from investments made in the boutique hotels will depend in turn on its ability to assess and minimise these risks in an efficient and cost effective manner. Further, the Group's theoretical growth projections may, in practice, and potentially for reasons over which it has little or no control, such as those described in section 3.3.1 of this Company Admission Document, be considerably slower or quicker than anticipated, in turn disrupting the Group's envisioned strategy and consequently the results of its operations. No assurance can be given that the Group will be able to deal with these risks in an efficient and cost effective manner.

3.3.8 Operating expenses

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

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

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

Such increases could have a material adverse effect on the Group's financial position.

3.3.9 The Group may not be able to obtain the capital it requires for the development or improvement of the boutique hotels on commercially reasonable terms, or at all

The FES Group may not be able to secure sufficient financing for its current and future investments. No assurance can be given that sufficient financing will be available on commercially reasonable terms or within the timeframes required by the FES Group, also taking into account the need from time to time for the Group's properties to undergo renovation, refurbishment or other improvements in the future. Any weakness in the capital markets may limit the Group's ability to raise capital for completion of projects that have commenced or for development of future boutique hotels. Failure to obtain, or delays in obtaining, the capital required to complete current or future developments and investments on commercially reasonable terms, including increases in borrowing costs or decreases in loan availability, may limit the FES Group's growth and materially and adversely affect its business, financial condition, results of operations and prospects.

3.3.10 The FES Group's dependence on its Operator and Manager of the Boutique Hotels

The Group's success will be attributable to the efforts and abilities of the Operator and Manager of the Boutique Hotels. If they are unable or unwilling to continue in their present position, they may not be replaceable within the short term, which could have an adverse effect on the Group's business, financial condition and results of operations.

3.3.11 The Group may not be able to obtain the capital it requires to redeem the Bond

It is the intention of the FES Group to finance the Bond repayments due at Redemption Date through the Sinking Fund money and bank financing and/or a roll-over of the Bond. Consequently, the FES Group may not be able to secure sufficient financing at Redemption Date and no assurance can be given that sufficient financing will be available on commercially reasonable terms. Any weakness in the

capital markets may limit the Group's ability to raise capital at Redemption Date. Failure to obtain, or delays in obtaining, the capital required may limit the FES Group's ability to redeem the Bond and could adversely affect its business, financial condition and prospects.

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

As set out in further detail in section 8 of this Company Admission Document, the FES Group's projected funding plan indicates that the gearing ratio (net debt: total net funding) is projected to peak at 66.4% as at 31 December 2020 following the issue of the Secured Bonds (refer to section 8.2.2 for calculation of this ratio). Gearing is then projected to decrease as the level of retained earnings improve the shareholder equity base and as borrowings decrease over time.

This represents a high level of gearing in the initial years, which gives rise to all the risks typically associated with such highly leveraged capital structures. The principal risk in this respect is the fact that the debt service obligations resulting from such a capital structure will absorb a significant portion of cash generation. Should the FES Group not manage to achieve its projected operating results, this will adversely impact gearing levels. Adverse changes to the FES Group's projected cash flows will reduce the projected level of debt service cover and may, therefore, adversely affect its ability to meet its debt service obligations.

3.3.13 Exposure to certain financial risks, including interest rate risk, which the Group may be unable to effectively hedge against

The FES Group's activities will potentially expose it to a variety of financial risks, including market risk (principally interest rate risk and fair value risk), credit risk and risks associated with the unpredictability of financial markets, all of which could have adverse effects on the financial performance of the FES Group.

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

3.3.14 Changes to laws and regulation

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

3.3.15 Failure to protect customers' confidential information could significantly impact the Group's reputation and expose the FES Group to litigation

The FES Group must comply with restrictions on the use of customer data and ensure that confidential information (including financial and personal data) is transmitted in a secure manner over public networks. Despite controls to ensure the confidentiality, availability and integrity of customer data, the FES Group may inadvertently breach restrictions or may be subject to attack from computer

programs that attempt to penetrate the network security and misappropriate confidential information. Due to advances in these programs, computing capabilities and other developments, there is no guarantee that the FES Group's security measures will be sufficient to prevent breaches. Any such breach or compromise of security could adversely impact the FES Group's reputation with current and potential customers, lead to litigation or penalties, and as a result, have a material adverse effect on its business, results of operations and overall financial condition.

3.3.16 Regulation regarding the use of personal data

The FES Group will process sensitive personal data (including possibly name, address, age, bank details and identification details) as part of its business and therefore will be required to comply with strict data protection and privacy laws and other regulatory restrictions, including industry standards and limitations. Such laws will restrict the ability of the FES Group to collect and use personal information including the marketing use of that information. The FES Group will rely on third party contractors and employees to maintain databases and seek to ensure that procedures are in place to comply with the relevant data protection regulations. Notwithstanding such efforts, the FES Group will be exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulations, by or on behalf of the Group. If the Group, or any of the third party service providers on which the FES Group relies, fails to transmit customer information, personal information and online payment details in a secure manner and in accordance with data protection rules, or if any such loss of personal data were otherwise to occur, the FES Group could face liability under data protection laws. This could also result in the loss of the goodwill of customers and deter new customers from the Group's products which would have a material adverse effect on the Group's businesses, financial condition and results of operations.

The FES Group's failure to keep apprised of, and comply with, privacy, data use and security laws, standards and regulations could result in the limitation, suspension or termination of services or the imposition of administrative, civil or criminal penalties, including fines which may result pursuant to the General Data Protection Regulation (GDPR) as adopted by the EU. In addition, such failure or non-compliance may cause existing or potential customers to be reluctant to do business with the Group, and could damage the FES Group's reputation and brand. Customer and regulator attitudes towards privacy and data protection are evolving, and there could be adverse changes or developments in customer or regulatory concerns regarding the extent to which business and personal information and data are stored, processed or shared with advertisers or other third parties. In addition, to the extent more restrictive laws, rules or industry security requirements relating to business and personal information and data are adopted in the future or by specific industry bodies, such changes could have an adverse impact on the FES Group by increasing its costs or imposing restrictions on its business processes. Accordingly, the FES Group's failure to keep apprised of, and comply with, privacy, data use and security laws, standards and regulations, and any adverse changes or developments regarding user or regulatory concerns towards privacy and data protection or otherwise in the regulatory or legal landscape could have a material adverse effect on the Group's reputation, business, financial condition, results of operations and prospects. The FES Group's financial exposure to any actual or alleged breach of such regulations or standards may either not be insured against or not fully covered through any insurance maintained by the FES Group.

Furthermore, the GDPR has introduced new obligations on data controllers and rights for data subjects, including, among others:

- accountability and transparency requirements, which require data controllers to demonstrate and record compliance with the GDPR and to provide more detailed information to data subjects regarding processing;

- enhanced data consent requirements, which includes “explicit” consent in relation to the processing of sensitive data;
- obligations to consider data privacy as any new products or services are developed and limit the amount of information collected, processed, stored and its accessibility;
- limitation on using data to profile data subjects;
- providing data subjects with personal data in a useable format on request and erasing personal data in various circumstances; and
- reporting of breaches without undue delay, at times within 72 hours.

The GDPR also introduced new fines and penalties for a breach of requirements, including fines for serious breaches of up to the higher of 4% of annual worldwide turnover or €20m and fines of up to the higher of 2% of annual worldwide turnover or €10m (whichever is highest) for other specified infringements.

The GDPR may require the FES Group to have in place certain procedures and policies. These requirements could adversely impact the FES Group’s business by increasing its operational and compliance costs. Further, there is a risk that the measures will not be implemented correctly or that individuals within the business will not be fully compliant with the procedures. If there are breaches of these measures, the FES Group could face significant administrative and monetary sanctions as well as reputational damage, as pointed out above, which may have a material adverse effect on its operations, financial condition and prospects.

3.4 Risks relating to the hospitality industry

3.4.1 No history in operating boutique hotels

As set out in section 21.1 of this Company Admission Document, the proceeds of the Bond will be used to acquire and further develop the Gzira boutique hotel, as well as develop a plot in St. Julian’s into a boutique hotel. Although the FES Group has no history in operating boutique hotels, the Group has appointed Casa Boutiques Ltd and Polymath & Boffin Limited to operate and manage the Gzira boutique hotel. It is the intention of the FES Group to appoint Casa Boutiques Ltd and Polymath & Boffin Limited to operate and manage the St. Julian’s boutique hotel. Consequently, should the boutique hotel operations be unprofitable, this could have a material adverse effect on its business, results of operations and financial condition.

3.4.2 Dependence on Operator and Manager

The Group’s Boutique Hotels shall be operated by Casa Boutiques Ltd and managed by Polymath & Boffin Limited pursuant to a three-year agreement (which can be renewed by a further three-years) and a ten-year agreement entered into respectively with FES Projects Limited. It is the intention of the FES Group to appoint Casa Boutiques Ltd and Polymath & Boffin Limited to operate and manage the St. Julian’s boutique hotel. The long-term success of FES Group’s operations depends, to a significant extent, on: (i) the ability of the Operator and Manager to identify and react to new hospitality industry trends; (ii) the ability of the Operator and Manager to develop marketing strategies to establish a reputation for the Group; (iii) the ability of the Operator and Manager to meet their targets; (iii) the continued relationship between the Group and the Operator and Manager respectively; and (iv) the continued success of both the Operator and Manager. There is no guarantee that such conditions will be met, and that the agreements will not be terminated early or that they will be renewed following expiration.

3.4.3 General risks associated with the hospitality industry

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

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

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

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

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

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

3.4.4 Term of emphyteutical concession

As explained further in section 6.2.3.2, the St. Julian's site will be held by title of temporary emphyteusis. This emphyteutical grant is due to expire within 49 years from the signing of the public deed establishing the emphyteutical grant, but may be terminated following expiration of the first 35 years by either party. There is no guarantee that the Group will be able to renew the emphyteutical grant on commercially acceptable terms upon its expiry, and if the Group is unable to do so, the potential loss of the St. Julian's boutique hotel could have an adverse effect on the Group's profits.

3.4.5 Exchange rate risk

Fluctuations in international currencies may make Malta less attractive as a vacation destination than other jurisdictions which can have an effect on the operating performance of the Group.

3.4.6 Relationships with suppliers

The FES Group's profitability of its hospitality activities depends in part on its ability to anticipate and react to changes in the cost of its supplies, and on its dependence on frequent and timely deliveries by its suppliers. The FES Group may not be able to acquire suitable products in sufficient quantities and/or on terms acceptable to it in the future. Any deterioration or change in the FES Group's relationships with its suppliers (including supplying on less favourable terms) could have an adverse effect on the FES Group.

3.4.7 Complaints and litigious claims

In any event where the FES Group operates a restaurant, or otherwise, it may be subject to complaints or claims from customers alleging food related illnesses, injuries suffered on premises operated by the FES Group or any related or third parties subcontracted by the FES Group, or other food quality, health or operations concerns. Adverse publicity from such allegations may materially affect sales revenue generated by FES's hospitality establishments, regardless of whether such allegations are true or whether the FES Group is ultimately held liable.

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

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

3.4.8 Regulatory compliance

The FES Group is subject to various laws and regulations affecting its business. Operating a boutique hotel is subject to licensing and regulation by a number of governmental authorities as well as local/international standards, which may include alcoholic beverage control, smoking laws, health and safety measures, disability access requirements and fire safety requirements. Difficulties in obtaining or maintaining the required licences or approvals or local/international standards, or the loss thereof, could adversely affect FES Group's business and results of its operations. Various bodies also have the power to conduct inspections of, and possibly close down the boutique hotels if the FES Group fails to comply with the relevant laws, regulations and or standards.

No assurance can be given that claims based on these laws will not be brought against the FES Group in the future, which in turn could have a material adverse effect on its business and profitability.

3.5 Risks relating to property development

3.5.1 Acquisition of Gzira boutique hotel subject to conclusion of final deed of sale

As at the date of this Company Admission Document, the terms of the purchase and acquisition of the Gzira boutique hotel are set out in a promise of sale agreement. The acquisition is subject to the successful conclusion of the final deed of sale (refer to section 6.2.3.1 for further detail). Should the vendor or the Guarantor fail to appear on the final deed of sale for whatever reason including but not limited to the fulfilment of the conditions to which completion is subject, the Guarantor will not be in a position to develop and operate the Gzira boutique hotel and benefit from the revenue generated from the operation of this boutique hotel.

3.5.2 Risks relating to the issuance of permits on the Gzira boutique hotel

At the date of this Company Admission Document, the Gzira boutique hotel is operating as a guest house. It is the intention of the FES Group to convert existing space situated at the top floor of the Gzira boutique hotel into hotel rooms, develop the adjacent property as an extension to the existing room stock, as well as convert the lower floors of the property into catering establishments. At the date of admission, permit application PA/01221/19 has been submitted to carry out internal alterations at intermediate level over ground floor of the Gzira boutique hotel which would enable the increase of its room stock from 28 rooms to 36 rooms and is subject for approval. Permit applications for the development of the adjacent property and the conversion of the lower floors have not yet been submitted to the Planning Authority. Securing planning consents by the Planning Authority, the Environment and Resources Authority, or any corresponding authority in a timely manner would be key to the Group's ability to realise value on the Gzira boutique hotel. There can be no certainty that any given application will result in planning consent being granted, or, that if granted, will not be so granted on particularly onerous terms, which could materially and adversely effect the Group's business. Furthermore, planning policies are subject to change, which may consequently impact the Group's strategy. Despite this, the Group would still be in a position to manage the Gzira boutique hotel as a guest house in its existing form, however this may have an adverse effect on the Group's business, financial condition and results of operations.

3.5.3 49-year temporary emphyteusis of St. Julian's boutique hotel subject to conclusion of emphyteutical grant

As at the date of this Company Admission Document, the terms of the 49-year temporary emphyteusis of the St. Julian's boutique hotel are set out in a preliminary agreement. The final deed is subject to the successful completion of certain conditions (refer to section 6.2.3.2 for further detail). It should be noted that certain conditions do not depend on the FES Group and are out of the FES Group's control, such as the condition that the other party manages to successfully acquire the property from the present third party owner with which the former has concluded a promise of sale agreement. Should either party fail to appear on the final deed for whatever reason including but not limited to the non-fulfilment of the conditions to which completion is subject, the FES Group will not be in a position to develop and operate the St. Julian's boutique hotel and benefit from the revenue generated from the operation of this boutique hotel.

3.5.4 Risks relating to the third party appeal against approval on the St. Julian's boutique hotel

At the date of this Company Admission Document, the third party appeal (PAB/00167/18) against approval of PA/03805/17, being the construction of Class 3A guest house and related amenities in lieu of previously approved villa covered by PA01576/12 is still pending. The development of the St. Julian's boutique hotel is subject to the appeal being denied by the Environment Planning Review Tribunal, and that following such rejection, the appellant does not successfully seek further redress as

afforded by law. Should the necessary approval not be obtained for whatever reason or if it is not received in a timely manner, the FES Group will not be in a position to develop and operate the St. Julian's boutique hotel, which would in turn have a material adverse effect on the Group's business, financial condition and results of operations.

In the event that the abovementioned permit is not obtained, the Issuer shall convene a Bondholders' meeting in line with section 22.15.1 and shall also update its financial projections and make a company announcement to that effect.

3.5.5 Property market and economic conditions generally

There are a number of factors that commonly affect the real estate development industry, many of which are beyond the control of the FES Group, and which could adversely affect the economic performance and value of any property under development. Such factors include:

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

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

3.5.6 Development risk

The FES Group may be subject to risks associated with the development of the real estate, including the risk relating to project financing, planning permits, delays, cost over-run, risk of insufficiency of resources, risk of licensing transactions not being effected at the prices and timeframes envisaged, higher interest costs, erosion of revenue generation, risk of suspension of works from any applicable authority or administrative body, and the possibility of legal disputes. If these risks were to materialise, they could have an adverse and material effect on the FES Group's financial condition and the results of its operations.

In addition, for the timely completion of development projects, the FES Group may place certain reliance on counterparties such as architects, engineers, contractors and sub-contractors, engaged in the demolition, excavation, construction and finishing of developments. Such counterparties may fail to perform or default on their obligations due to the FES Group, whether due to insolvency, lack of

liquidity, economic or market downturn, operational failure or other reasons, all of which are beyond the FES Group's control. Failure of such counterparties to perform their obligations owed to the FES Group could, in turn, materially adversely affect the financial condition of the FES Group and its future prospects. In addition, the inability of the FES Group to develop and maintain relationships with highly skilled, competent and reliable counterparties could have a material adverse effect on the FES Group's development projects.

Delays or refusals in obtaining the necessary planning permissions would have an adverse effect on the business, financial condition and profitability of the Group.

If any of the above mentioned risks, many of which are common to the construction industry, were to materialise, they could have an adverse impact on the Group's revenue generation, cash flows and financial performance.

3.5.7 Environmental and other regulatory liabilities

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

In addition to environmental constraints, any activity the FES Group undertakes to carry out in the property development sector in the future will be subject to extensive regulations, including national and local regulation and administrative requirements and policies which relate to, among other things, planning, developing, land use, local urban regeneration strategy, fire, health and safety, and others.

Laws and regulations, which may be amended over time, may impose liability for the presence of certain materials or substances or the release of certain materials or substances into the air, land or water or the migration of certain materials or substances from a real estate investment, including asbestos, and such presence, release or migration could form the basis for liability to third parties for personal injury or other damages. These regulations often provide broad discretion to the relevant authorities and non-compliance may adversely affect FES Group.

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

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

3.5.9 Costs incurred when proposed property investment is aborted

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

3.6 Risks relating to property investment

3.6.1 Real Estate investments are illiquid

Boutique hotels such as those in which the Group shall invest through the Bond proceeds, and may in the future invest in, are relatively illiquid. Planning regulations may further reduce the numbers and types of potential purchasers should the FES Group decide to dispose of any of the Boutique Hotels. Although it is not the intention of the FES Group to dispose of the Boutique Hotels and without prejudice to the Collateral, since immovable property is a relatively illiquid asset, such illiquidity may affect the FES Group's ability to dispose of or liquidate the Gzira boutique hotel and/or St. Julian's boutique hotel in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other conditions.

The lack of liquidity and alternative uses of real estate investments could significantly limit the Group's ability to respond to adverse changes in the performance of its properties thereby potentially harming their respective financial condition. The real estate market is affected by several factors which include general economic conditions, availability of financing, interest rates and other factors, such as supply and demand that are beyond the FES Group's control. These factors could have an adverse effect on the FES Group's financial condition and results.

3.6.2 Risk inherent in property valuation

The valuation referred to in this Company Admission Document is prepared by an independent qualified architect in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors. In providing a market value of the Gzira boutique hotel, the independent valuer has made certain assumptions which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends as reality may not match the assumptions. There can be no assurance that such property valuation and property-related asset will reflect actual market values.

3.7 Risks relating to the Guarantee

3.7.1 Status and entitlement under the Guarantee

The Secured Bonds, as and when issued and allotted, shall constitute the general, direct, and unconditional obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under said Secured Bonds by the Guarantor. The Secured Bonds shall at all times rank *pari passu* without any priority or preference among themselves. The Secured Bonds shall be secured by the Collateral and accordingly shall rank with priority or preference in respect of the Security Property. Notwithstanding that the Bonds constitute the general, direct, unconditional and secured obligations of the Company, as guaranteed by the Guarantor, they may rank after causes of preference which may arise by operation of law. There can be no guarantee that privileges accorded by law in specific situations will not arise during the course of the business of each of the Company and the Guarantor which may rank with priority or preference over the Collateral.

In view of the fact that the Secured Bonds are being guaranteed by the Guarantor on a joint and several basis, the Security Trustee, for the benefit of the Bondholders, shall be entitled to request the Guarantor to pay both the interest due and the principal amount under said Secured Bonds if the Issuer fails to meet any amount, when due in terms of the Company Admission Document.

The joint and several Guarantee also entitles the Security Trustee to take action against the Guarantor without having to first take action against the Issuer. The strength of this undertaking on the part of

the Guarantor and therefore, the level of recoverability by the Security Trustee from the Guarantor of any amounts due under any of the Secured Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantor.

The Guarantee is further supported by the Collateral that is to be granted over the Security Property. In terms of the Security Trust Deed, the Security Trustee reserves the right to demand to the Issuer that additional or alternative immovable (and unencumbered) property owned by the Group from time to time be given as security in addition to and/or in place of the Security Property, should at any given time the value of the Security Property be reported, pursuant to an independent architect's valuation report, to be lower than the nominal value of outstanding Bonds in issue plus interest yet to accrue until the Redemption Date. In such case, the Issuer shall identify, at its discretion, which of the unencumbered property forming part of the Group's portfolio as at the date thereof, if any, would replace or be added to the existing Security Property for the purposes of securing the Bonds, and procure that the Group takes such steps as may be necessary for such unencumbered property to replace or be added to the existing Security Property. In the event that, upon such request being made by the Security Trustee, the Group's property portfolio does not comprise any immovable property which is unencumbered, the Issuer shall procure that the Group shall either: provide a cash guarantee in favour of the Security Trustee sufficient to cover the difference between the nominal value of outstanding Bonds in issue (plus interest yet to accrue until the Redemption Date) and the revised value of the Security Property as set out in the abovementioned independent architect's valuation report; or take such steps as may be necessary to free any one or more of the immovable properties in its property portfolio from any existing encumbrances, and grant a first ranking special hypothec thereon in favour of the Security Trustee for the purpose of securing the Bonds. Whilst this grants the Security Trustee a right of preference and priority for repayment over the Security Property, there can be no guarantee that the value of the Security Property over the term of the Secured Bond will be sufficient to cover the full amount of the principal outstanding under the Bonds. This may be caused by a number of factors not least of which general economic factors that could have an adverse impact on the value of the Security Property. If such circumstances were to arise or subsist at the time that the Collateral is to be enforced by the Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Secured Bonds.

It should be further noted that in terms of the Security Trust Deed, the Group retains the right to substitute any of the Security Property with another immovable (and unencumbered) property which it owns or may in future own, subject: (i) to an independent architect's valuation report confirming that the value of the immovable property added as a Security Property is at least equal to the value of the immovable property removed as a Security Property, or otherwise sufficient to ensure that the value of the aggregate Security Property remains equal to or in excess of the nominal value of outstanding Bonds in issue; and (ii) to obtaining the Issuer's and Security Trustee's prior consent.

4 PERSONS RESPONSIBLE

This Company Admission Document includes information prepared in compliance with the Prospects MTF Rules for the purpose of providing Bondholders with information about the Issuer and Guarantor. The Directors, whose names appear in section 5.1, hereunder accept responsibility for the information contained in the Company Admission Document and the accuracy thereof. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Company Admission Document is true and fair, and is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

As at the date of this Company Admission Document there are no other facts or matters omitted from the Company Admission Document which were or are necessary to enable investors and their

investment advisors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Secured Bonds.

5 IDENTITY OF DIRECTORS, ADVISORS AND AUDITORS OF THE ISSUER AND GUARANTOR, AND OF THE OPERATOR AND MANAGER

This document includes information given in compliance with the Prospects MTF Rules for the purpose of giving information with regards to the Issuer.

5.1 Board of Directors of the Issuer

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

Dr Edward Woods	Chairman and Independent, non-Executive Director
Mr Christopher Vella	Executive Director
Dr Reuben Debono	Executive Director
Mr Paul Bugeja	Independent, non-Executive Director

All four Directors, serve on the Board of the Issuer. Mr Christopher Vella and Dr Reuben Debono occupy senior executive positions within the FES Group. The other two Directors, Dr Edward Woods and Mr Paul Bugeja serve on the Board of the Issuer in an independent, non-executive capacity. Dr Edward Woods and Mr Paul Bugeja are considered as independent Directors since they are free of any business, family, or other relationship with the Issuer that could create a conflict of interest such as to impair their judgement.

The business address of the Directors is 19-23, Conservatory Street, Floriana, Malta.

The company secretary and compliance officer in terms of the Prospects MTF Rules of the Issuer is Dr Reuben Debono.

The following are the respective *curriculum vitae* of the Directors and other officers of the Issuer:

Dr Edward Woods

Chairman and Independent, non-Executive Director

Edward is a lawyer by profession, whereby in 1987 he established his own legal firm, Woods & Associates (later WOODS ADVOCATES), specialising primarily in Civil and Commercial Law, focusing on marine disputes, particularly involving cargo claims, business partnerships, property and intellectual property law. He is today the senior and managing partner of the firm and heads the department of Civil and Commercial Law.

At present, Edward holds the position of Chairman of the Malta Communications Authority and accredited arbitrator with the Malta Arbitration Centre. Throughout the years he has held various positions, including legal consultant to Lohombus Bank Ltd, Chairman of the Malta Maritime Authority, Chairman of the Valletta Cruise Liner Terminal as well as a member of the Steering Committee, member of the Board of Governors of the Malta Arbitration Centre.

Edward is also a member of the Chamber of Advocates in Malta, an examiner with the Chartered Institute of Arbitration and a lecturer in Insurance Law at the International Maritime Law Institute (IMO) at the University of Malta.

Mr Christopher Vella

Executive Director

Christopher has graduated with honours in Mathematical Sciences from Dublin City University, having specialised in modelling in finite fields, namely permutation polynomials and simply sortable permutations. As a result he is an expert in modelling operative and financial structures and is experienced in the fields of research and development of technology and markets. Prior to co-founding the FES Group, Christopher's employment was in the development of economics editorial on emerging markets for leading publications, namely: The Times, International Herald Tribune, USA Today and Forbes. Christopher later held a number of commercial, and business development director roles, for AA corporations developing their export markets.

Christopher founded Polymath & Boffin Limited, of which he is the sole shareholder and director, a business solutions development company, focused on assisting clients attain a higher level of security and return from their business. This company services assets worth close to €600 million.

Dr Reuben Debono

Executive Director, company secretary and compliance officer

Reuben is a notary by profession. He graduated from the University of Malta with a Bachelor of Arts in Law and International Relations in 2001, and a year after he obtained the Diploma of Notary Public. He then obtained the LL.D in 2004 and in the same year obtained the warrant to practice as a Notary.

Reuben set up the Notarial Firm named D Notaries and the same firm has published more than 6,000 contracts mostly in real estate transactions. D Notaries provides all notarial services including property conveyancing, financing and mortgaging, estate and succession planning and also acting as Commissioner for Oaths. He was awarded a certificate in trust law and administration by the Institute of Financial Services Practitioners Malta.

Mr Paul Bugeja

Non-Executive Director

Paul is an accountant by profession, obtaining his CPA warrant in 1989. He is presently Chairman and CEO of Malta Med Air, a newly formed airline company. Previously, he held the post of Chief Executive Officer of the Malta Tourism Authority since September 2014, mainly focusing on the marketing, promoting and monitoring the tourism industry of the Maltese Islands. The role at Malta Tourism Authority, followed a 35 year career with the Malta based, international hotel group, the Corinthia Group of Companies. Since joining the Corinthia Group in 1979, Paul worked in various locations, both locally and overseas taking up several key senior posts in management, finance and internal auditing within corporate office. Besides overseeing the operating company's administration and finance functions of the entire group's hotel operations, he was involved as part of the support team in all of Corinthia's major local and international developments, including takeovers and pre-openings in over 14 countries. He subsequently also formed part of the Corinthia group's hotel monitoring boards.

Paul also held the role of President of the Malta Hotels and Restaurants Association (MHRA) and was a member of the Malta Tourism Authority's Board of Directors during his tenure as MHRA President.

5.2 Board of Directors of the Guarantor

As at the date of this Company Admission Document, the board of directors of the Guarantor is constituted by the following persons:

Mr Christopher Vella	Executive director
Dr Reuben Debono	Executive director

The business address of the directors of the 19-25, Conservatory Street, Floriana, Malta.

The company secretary of the Guarantor is Dr Reuben Debono.

The curriculum vitae of the directors of the Guarantor are set out in section 5.1 above.

5.3 Profile of Operator of the Boutique Hotels

As explained in section 6.2.3.3, the Gzira boutique hotel shall be operated by Casa Boutiques Ltd, and it is the intention of the FES Group that the St. Julian's boutique hotel shall also be managed by Casa Boutiques Limited. Casa Boutiques Ltd was founded in early 2018 by Frankie Spiteri and Thomas Cremona, two experts in the hospitality and property management field. Casa Boutiques Ltd's unique professional hotel management services provides investors with a tailor-made plan for maximising the returns on their investment, supported by an excellent seasoned team, and value-for-money proposition in all that relates to the hospitality asset.

In 2014, Thomas Cremona founded Casa Rooms, a property management venture specialised in positioning residential property to provide optimal rental results. He identified a niche in the property management market, whereby he leveraged his qualifications and background in finance to provide a service that gives property owners more visibility on the expected return on their rental property as well as a financial plan to enable them to manage their investment better. Casa Rooms' commitment in property management is to give property owners the best return on their investment. Today the managed property portfolio extends to over a hundred properties through the Maltese Islands, with a combined market value of circa €30 million.

5.4 Profile of Manager of the Boutique Hotels

As explained in section 6.2.3.3, the Gzira boutique hotel shall be managed by Polymath & Boffin Limited, and it is the intention of the FES Group that the St. Julian's boutique hotel shall also be managed by Polymath & Boffin Limited. Founded at the height of the financial crisis in 2011, Polymath & Boffin Limited operates on the assumption that challenges are there to be confronted. It strives to do away with dependence on the economy, instead focusing its energies on crafting tools that will help it forge a new path into the future.

The team hails from fields as diverse as startup advisory, corporate finance, IT and the creative industries, adept at research and development, commerce modelling and business finance, as well as management and productivity systems. To date, Polymath & Boffin Limited is operational in four economic sectors: finance and corporate advisory, real estate, aviation, and the creative and cultural

sector. Polymath & Boffin Real Estate Management Solutions Limited (P&B REMS) is at the forefront of its operations. Operating for just under three years, it has already effected restructuring procedures for over 70 entrepreneurs, turning the tide of misfortune, taking on 264 properties which are under or have completed work-out procedures.

5.5 Advisors to the Issuer

Corporate Advisor and Reporting Accountant

Name: Grant Thornton
Address: Fort Business Center, Mriehel Bypass, Birkirkara, BKR 3000, Malta



Placement Agent, Manager, Registrar and Escrow Agent

Name: Financial Planning Services Limited
Address: 4, Marina Court, Giuseppe Cali Street, Ta' Xbiex, XBX 1421, Malta



The organisations listed above have advised and assisted the Directors of the Issuer and the directors of the Guarantor in the drafting and compilation of the Company Admission Document.

Save for the subscription for Secured Bonds by the Placement Agent, Manager and Registrar and any fees payable to the Placement Agent, Manager and Registrar in connection with the Bond Issue, to the best of the Issuer's knowledge no person involved in the Issue has an interest material to the Bond Issue.

5.6 Auditor of the Issuer and the Guarantor

Name: BDO Malta
Address: Triq it-Torri, Msida, MSD 1824, Malta

The Issuer and Guarantor were set up on 15 November 2018 and 6 December 2017 respectively and from incorporation to the date of this Company Admission Document no financial statements have been prepared. The Issuer and Guarantor have appointed BDO Malta as their auditors.

BDO Malta is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta).

5.7 Security Trustee

Name: Manduca Randon & Co Ltd
Address: Level 1, Britannia House, 9, Old Bakery Street, Valletta VLT 1450, Malta

6 INFORMATION ABOUT THE ISSUER AND THE GUARANTOR

6.1 Historical development of the Issuer

Full legal and commercial name of the Issuer:	FES Finance p.l.c.
Registered address:	19-23, Conservatory Street, Floriana, Malta
Place of registration and domicile:	Malta
Company registration number:	C 89431

Date of registration:	15 November 2018
Legal form:	The Issuer is lawfully existing and registered as a public limited company in terms of the Act
Telephone numbers:	+356 2033 0043
Email:	info@fes.com.mt
Website:	www.fes.com.mt

The Issuer is, except for two ordinary B shares, which are held respectively by Mr Christopher Vella and Dr Reuben Debono, a fully-owned subsidiary of the Guarantor, which latter entity is the parent company of the FES Group.

The Issuer was registered as FES Finance p.l.c. on 15 November 2018 registered in terms of the Companies Act, with company registration number C 89431. The Issuer is domiciled in Malta, having its registered office at 19-23, Conservatory Street, Floriana, Malta. As at the date of the Company Admission Document, the Issuer has an authorised and issued share capital of €50,000, divided into 49,998 ordinary A shares and 2 ordinary B shares, all of €1 each, and all fully paid up. At present, the shares in the Issuer are subscribed to and held as indicated in section 10.1 of this Admission Document.

The principal objects of the Issuer relate to carrying on the business of a finance company. Furthermore, the issue of Secured Bonds falls within the objects of the Issuer, however, to date the Issuer has no track record in raising finance from capital markets.

The Issuer does not intend to undertake any trading activities itself apart from the raising of capital and the advancing thereof to the Guarantor. Accordingly, the Issuer is economically dependent principally on the financial and operating performance of the Guarantor.

The Issuer does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company. The Issuer is, therefore, intended to serve as a vehicle through which the FES Group will continue to finance its future projects, principally and in the immediate future.

The Issuer is managed by a Board of Directors (refer to section 5.1), which is entrusted with the overall direction, administration and management of the Issuer.

The Issuer has set up a website (www.fes.com.mt) which includes an “Investor Information” section from which investors can obtain current information on the Company. The said section shall include all electronic communications for all information required to be disclosed under the Rules and/or applicable law to all holders of Secured Bonds.

The Issuer operates exclusively in and from Malta.

6.2 Historical development of the Guarantor and overview of the FES Group’s business

6.2.1 Introduction

Full legal and commercial name of the Guarantor:	FES Projects Ltd
Registered address:	19-25, Conservatory Street, Floriana, Malta
Place of registration and domicile:	Malta
Company registration number:	C 83872
Date of registration:	6 December 2017

Legal form:	The Guarantor is lawfully existing and registered as a private limited company in terms of the Act
Telephone numbers:	+356 2033 0043
Email:	info@fes.com.mt
Website:	www.fes.com.mt

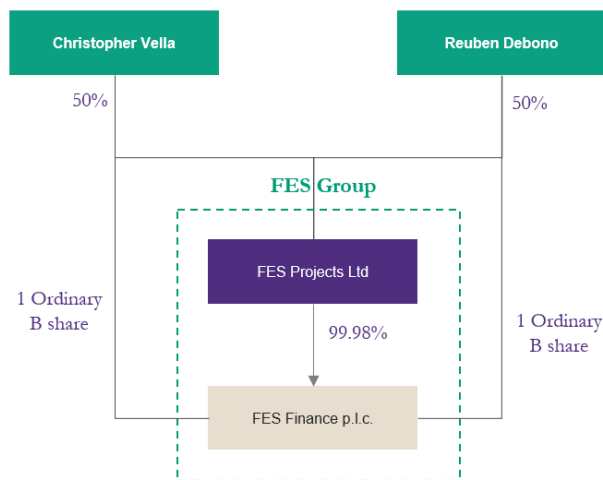
The Guarantor is a private limited liability company incorporated and registered in Malta with company registration number C 83872, having its registered office at 19-25, Conservatory Street, Floriana, Malta. The Guarantor is the parent company of the FES Group, holding shares in the Issuer.

The main activity of the Guarantor is that of overseeing the management of the boutique hotels, as well as acting as a holding company and invest in subsidiary companies.

As at the date of the Company Admission Document the Guarantor has an authorised share capital of 601,250 ordinary shares of €1 each and an issued share capital of 401,250 ordinary shares of €1 each, all fully paid up and subscribed to and held as indicated in section 10.2 of this Admission Document.

6.2.1 Organisational structure

The organisational structure of the FES Group as at the Company Admission Document is illustrated in the diagram below:



6.2.2 Group dependencies

As the Issuer itself does not carry on any trading activities, the Issuer is economically dependent on the business prospects of the FES Group. More specifically, the Issuer is dependent on the receipt of interest income from the Parent/Guarantor in relation to the Bond proceeds advanced by the Issuer to its Parent/Guarantor. It is the intention of the Issuer to advance the funds and such advances will be documented through a loan agreement entered into between the two parties. In principle, the loan agreement shall provide that the funds will be advanced at agreed rates of interest, on an arms' length basis for a ten-year duration which will be repaid in line with a repayment schedule.

6.2.3 Principal activities of the Guarantor and overview of the FES Group's business

As stated above, the Guarantor is the parent company of the FES Group. The Group intends on making the following investments and will therefore apply the Bond proceeds to acquire the Boutique Hotels as outlined in the following sections. Following the acquisition of the Boutique Hotels, the principal activity of the Guarantor shall be the management of the Boutique Hotels, which will be carried out either directly or indirectly through subsidiary companies.

6.2.3.1 Gzira boutique hotel, Gzira

On 27 February 2019 FES Projects Limited entered into a promise of sale agreement with SJM Enterprises Limited to acquire the following property:

- (i) a 28-room guest house (except for the underlying tenement 'Ali Baba Restaurant'), with all of its airspace, built over five levels (ground floor, first floor, second floor, third floor and fourth floor level), with external entrances and access from number six, seven and eight, Ponsomby Street, Gzira; and
- (ii) an adjacent duplex maisonette including all of its overlying roof and airspace, in part overlying third party property and with its underlying subsoil/subterrain levels, for that part which does not overlie third party property, situated on number four, Ponsomby Street, Gzira. This building is subject to an annual and perpetual and non-revisable ground rent of €5.82.

As at the date of the Company Admission Document, the property is operating as a 28-room guest house under the name Euro Guest House, and operates between April and October of each year, closing during the winter months. It also holds a guest house and restaurant licence.

It is the intention of the FES Group to convert existing unutilised space situated on the top floor into hotel rooms, thereby increasing the room stock from 28 to 36 rooms, as well as convert the lower floors of the guesthouse and adjacent property into a 120-cover restaurant and takeaway outlet. These works are expected to be carried out soonest after the issuing of the relevant permits. Consequently, as from 1 July 2019, the FES Group shall manage a 36-room boutique hotel operating all year round, with the commercial outlets sub-contracted to third parties. The boutique hotel shall be operated by the Operator and managed by the Manager as explained further in section 5.3, 5.4 and 6.2.3.3.

It is the intention of the FES Group to convert the duplex maisonette into additional hotel rooms accessed from the same premises, between November 2019 and March 2020, thereby increasing total room stock to 56 rooms. Consequently, on 1 April 2020, the FES Group shall manage a 56-room boutique hotel, consisting of 51 double/twin rooms, 3 single rooms and 2 apartments, provided the necessary works are completed on time in advance of that date following the issue of the relevant permits.

As at the date of the Company Admission Document, the application for a permit (PA/01221/19) to carry out internal alterations to the intermediate level over ground floor enabling the increase of the room stock from 28 to 36 rooms has been submitted to the Planning Authority and is pending approval. The application of permits to convert the adjacent property and lower floors and develop the additional hotel rooms and commercial outlets have not yet been submitted to the Planning Authority and approved.

The Issuer is aware that the guesthouse has additional rooms than the 24 rooms that are authorised but it is confident that the matter will be duly regularised and sanctioned with the pending application (PA/01221/19).

The property is being sold as free and unencumbered for an aggregate consideration of €3.25 million, with all its rights and appurtenances, free from any burdens, servitudes, hypothecs and privileges and

free from any rights whether real or personal in favour of any person or other property, with free and vacant possession, free from any requisition or expropriation orders. The property is being sold inclusive of any rights on the name of the guest house, namely Euro Guest House. A deposit of €100,000 has been paid as at the date of the Company Admission Document.

The promise of sale shall remain valid until 19 March 2019.

A valuation on the Gzira boutique hotel has been carried out by Architect and Civil Engineer Adrian Mangion of Archi+ Architects' Studio and is attached hereon in Annex B. The said valuation has been drawn up in accordance with the standards issued by the Royal Institute of Chartered Surveyors (RICS). According to the said valuation the current value of the Gzira boutique hotel may be estimated at €5,250,000.

6.2.3.2 St Julian's boutique hotel, St Julian's

On 15 December 2017, FES Projects Limited entered into a preliminary agreement with a third party to obtain a 49-year temporary emphyteusis commencing from the signing of the public deed establishing the emphyteutical grant, on a site including airspace, as well as an adjacent plot of land situated on 21, Triq Wied Ghomor, St. Julian's. The preliminary agreement is valid until 12 June 2019.

The temporary emphyteusis can be terminated following expiration of the first 35-years by either party, unless the FES Group defaults in the payments of ground rent, in which case the agreement may be immediately terminated by the other party and the property would be promptly relinquished.

It is the intention of the FES Group to develop the current property into a 23-room boutique hotel, consisting of 10 superior rooms and 13 suites, with views, pool and decking area, breakfast area, roof top bar and café. All development works are expected to be carried out soonest after the issuing of the relevant permits, with the boutique hotel expected to be operational as from 1 July 2020. The boutique hotel shall be operated by the Operator and managed by the Manager as explained further in sections 5.3, 5.4 and 6.2.3.3

At the date of this Company Admission Document, the third party appeal (PAB/00167/18) against approval of PA/03805/17, being the construction of Class 3A guest house and related amenities in lieu of previously approved villa covered by PA01576/12 is still pending. The development of the St. Julian's boutique hotel is subject to the appeal being denied by the Environment Planning Review Tribunal, and that following such rejection, the appellant does not successfully seek further redress as afforded by law. The last hearing before the Environment Planning Review Tribunal took place on 6 December 2018. The hearing was deferred for the Environment Planning Review Tribunal to deliver its decision.

The property shall be granted as free and unencumbered, save for any privileges afforded by law, in return for an annual ground rent payable one year in advance, with all its rights and appurtenances, with free and vacant possession, free from any requisition or expropriation orders.

6.2.3.3 Agreements with Operator and Manager

The arrangement in place with Casa Boutiques Ltd, the Operator, is regulated by a three-year agreement dated 24 October 2018, which can be extended by mutual agreement for further three year periods, to regulate the operations of the Gzira boutique hotel. In terms of the agreement the Operator is responsible for the management, supervision and operation of the Gzira boutique hotel, in return for a fee based on monthly revenue generated. The ordinary maintenance (created through the wear and tear of regular use) of the Boutique Hotels shall be undertaken by the Operator, whilst extraordinary repair or extraordinary maintenance, or structural alterations, additions or improvements require the Guarantor's prior written consent and shall be carried out at the Guarantor's own expense.

The Guarantor may, during the term of the agreement, terminate said agreement if material events of default occur (for instance, if the Operator registers a gross operating loss in the first year of operations). The Operator may terminate the agreement if the Guarantor materially breaches said agreement and fails to cure the breach within 60 days, should a cure be possible within the stipulated time period. Termination by the Operator shall be subject to a three month notice period.

The Gzira boutique hotel shall be managed by Polymath & Boffin Limited, the Manager, and the arrangement in place is regulated by a ten-year agreement dated 31 January 2019. In terms of the agreement the Manager is responsible for property management, property management and preparation of accounts in return for a fixed annual fee. The Manager is also responsible for extraordinary activities which may occur including business consultancy aimed at rectifying shortfalls in the Operator's performance and analysis and planning of potential financial and operational restructuring, which are billed at an hourly rate.

It is the intention of the FES Group to appoint both the Operator and the Manager to operate and manage respectively, the St. Julian's boutique hotel.

6.2.4 Principal markets

The FES Group operates exclusively in and from Malta.

6.2.5 Business development strategy

The Group's business strategy focuses on achieving positive and sustainable financial and operational results together with long-term appreciation in the value of Group properties.

In implementing the Group's development strategy, the directors aim to identify and acquire/lease real estate in Malta, particularly in the Sliema, Gzira and St Julian's area, which they believe has the potential to be developed and/or refurbished into boutique hotels, which will be subsequently operated by an operator and managed by the Manager.

The Group aims to provide services at the Group's boutique hotels in line with the expectations of customers typically seeking accommodation in 3 star and 4 star boutique hotels or similar accommodation. Through the provision of better quality offerings, the appointment of an operator specialising in boutique hotels and the adoption and implementation of strategies that allow it the flexibility to adapt to changing market conditions, the Group will be able to achieve its objective of improving occupancy levels and average room rates.

The directors are aware that electronic booking portals have in recent times gained importance in generating room reservations. In this respect, the Group shall continuously optimise the websites of its boutique hotels, and develop an online reservation system and invest in online marketing.

From a cost perspective, improved results shall be achieved through the implementation of cost-control and energy efficient measures in Group properties, as well as the appointment of an operator, who shall be responsible for the day-to-day running of the boutique hotels.

6.2.6 Security Property

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

Address	Value as at date of Registration Document (€)
4, 6, 7 and 8, Ponsomby Street, Gzira, Malta	5,250,000
Total	5,250,000

In terms of the Trust Deed, the Security Trustee shall reserve the right to demand further immovable property owned by the Group or the Guarantor's shareholders to be given as Security Property for the purposes of the Secured Bonds, should at any given time the value of Security Property, pursuant to an independent architect's valuation report, be lower than the nominal value of outstanding Secured Bonds in issue.

Pursuant to the Security Trust Deed, the Guarantor and the Company agree to jointly and severally between them guarantee the punctual performance by the Company of the Secured Bond obligations by entering into the Guarantee, which shall become effective upon the full subscription of the Secured Bonds. In support of the Guarantee and as part of the Collateral the Guarantor has agreed to grant a first special hypothec over the Security Property for the full amount of €5,250,000

The Collateral will secure the claim of the Security Trustee, for the benefit and in the interest of Bondholders, for the repayment of the principal and interest under the Secured Bonds by a preferred claim over the Security Property.

Accordingly, following the issue of the Secured Bonds and application of the Bond Issue proceeds in accordance with the terms of the Company Admission Document, Part Two, the Security Trustee will have the benefit of a first special hypothec over the Security Property for the full amount of €5,250,000.

6.2.7 Dynamics for closing

Following the Bond Issue, all proceeds shall be held by the Escrow Agent who shall, save for the payment of the expenses related to the Bond Issue, retain all remaining Bond Issue proceeds until all security for the benefit of Bondholders has been duly perfected and registered and the Secured Bonds are admitted to the Prospects MTF List of the Malta Stock Exchange, as outlined in the Security Trust Deed.

Indeed, the Secured Bonds shall not be admitted to the Prospects MTF List of the Malta Stock Exchange unless the Security Property has been hypothecated in accordance with the provisions of the Security Trust Deed. It is expected that within 15 Business Days from the close of the Bond Issue, whilst the Bond net proceeds shall remain under the control of the Escrow Agent to be released only in accordance with this Company Admission Document and the Escrow Agreement:

- I. The Guarantor shall appear on a deed of sale and purchase the Gzira boutique hotel and the Escrow Agent shall release out of the Bond Issue proceeds the amount of €3,320,000, in accordance with the Escrow Agreement, required to discharge the cash portion of the purchase consideration of the said immovable property and any related costs of acquisition; and
- II. The Issuer and/or the Guarantor, as applicable, and the Security Trustee simultaneously with sub-paragraph (I), will then enter into a notarial deed pursuant to which the Issuer and/or the Guarantor shall constitute a first special hypothec over the Security Property.

Following registration of the notarial deeds described above and the presentation to the Security Trustee of the appropriate notes of hypothec, the Escrow Agent shall release the remaining net proceeds of the Bond Issue to the Issuer for the purposes and in the manner outlined below, only as and when the relevant payments are legally due, as indicated in the Escrow Agreement:

- (i) **Conversion/Development of Gzira boutique hotel:** An amount of up to €467,000 is to be utilised for the purposes of conversion/development of the said existing property into a 56-room boutique hotel.
- (ii) **Establishment of emphyteutical grant in relation to, and development of, the St. Julian's boutique hotel:** An amount of up to €1,111,000 is to be utilised for the purposes of development of the said existing property into a 23-room boutique hotel, and the acquisition thereof by means of an emphyteutical grant.

With respect to the acquisition of immovable property set out above, the Escrow Agent shall be empowered to take all such measures as it may consider appropriate or necessary to ensure that any portion of the purchase consideration due to the respective seller is paid directly to creditors of the said seller who may have registered security interests over the lands being purchased by the Issuer provided the requisite simultaneous cancellation of the said security interests shall have been duly assured, so as to ensure that the purchase is made as free and unencumbered of any such security interests and to enable the Security Trustee to take the security interests over the said immovable property in question.

The Bond Issue proceeds are to be made available to the Guarantor by way of an intra-group loan, whereby the Issuer and Guarantor shall enter into loan agreement for the amount of €4,898,000, having a term of not more ten years, and which carries a fixed interest rate and capital repayments in line with the sinking fund transfers.

7 TREND INFORMATION AND FINANCIAL PERFORMANCE

7.1 Trend information of the Issuer

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

There has been no material adverse change in the prospects of the Issuer since its incorporation.

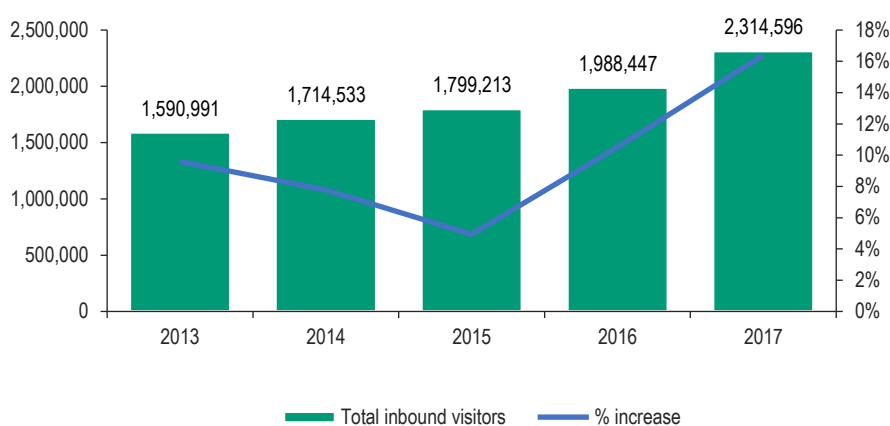
7.2 Trend information of the Guarantor

7.2.1.1 The overall tourism performance in Malta

The Maltese tourism industry has, in recent years, been renowned for its unabated growth, with each passing year yielding new record highs of inbound tourists visiting the island. Indeed, the tourism industry is considered to be a crucial pillar of the economy as, directly and indirectly, it is estimated to account for 29% of Malta's GDP (National Tourism Policy 2015-2020) and 49,500 jobs, or 27.8% of total employment (WTTC 2017 Economic Impact report for Malta).

The resilient performance in the tourism sector observed over the past few years has persisted over the past five years in terms of inbound tourists. NSO data for 2017, revealed that the influx for the year stood at 2.3 million tourists – representing an increase of 16.4% over the previous year, with a further increase of 15.2% between January to August 2018, when compared to the same period in 2017. Over the past 5 years (2013-2017), there has been an average increase of 9.8% per annum. According to the NSO, this improvement was mostly driven by an increase in the number of leisure tourists. The below diagram illustrates the development of the Maltese tourism industry over the past 5 years, showing both percentage growth as well as growth in absolute terms.

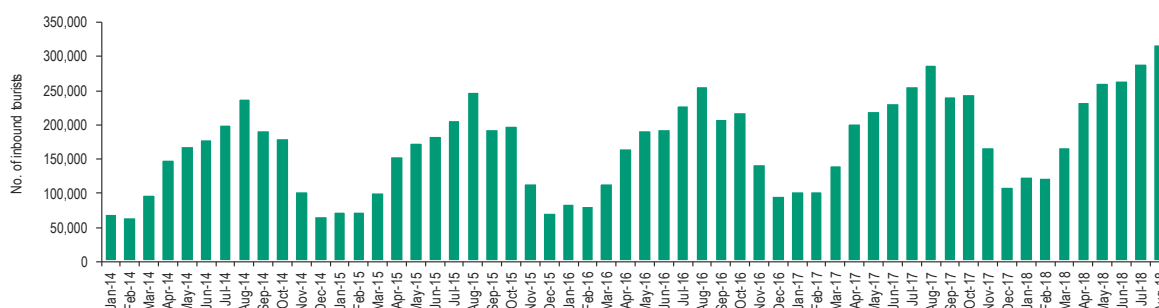
Malta inbound tourism growth over the past 5 years



Sources: National Statistics Office

As illustrated in the chart below, the number of tourists visiting Malta peak between April and September (two thirds of inbound tourists arrive during this period), due to the fact that Malta is principally perceived by tourists as a ‘sun and culture’ destination. Furthermore, repeat tourism also flourished between January and December 2017, with 27% of inbound tourists being repeat tourists. Moreover, the peak months of July and August attracted a lower percentage of repeat tourists than the average for the period, indicating that a higher percentage of inbound tourists returned to Malta during less busy months to spend more time exploring what the Maltese islands have to offer.

Seasonality of inbound tourists between January 2014 and August 2018



Sources: National Statistics Office

Along with the substantial increase in tourist head count over recent years came a complimentary increase in the aggregate level of tourist expenditure in each year. According to NSO statistics, total tourist expenditure in Malta between January and December 2017 reached €2.0 billion, representing an increase of 13.9% and 4.3% over the total expenditure in 2016 and 2015 respectively. However, the expenditure per capita (which consists of air/sea fares, accommodation and other expenditure) has gradually decreased over time. This decrease in expenditure per capita was partly due to the fact that air/sea fares have decreased, as well as due to a decrease in the average length of stay, as an increasing number of tourists opted to visit Malta for shorter breaks.

Malta tourism expenditure over the past 5 years

Year	Total expenditure (€000)	Expenditure per capita (€)
2013	1,440,379	910

2014	1,528,765	905
2015	1,639,067	919
2016	1,708,952	869
2017	1,946,894	856

Sources: National Statistics Office

The United Kingdom and Italy are Malta's main tourism source, accounting for 25% and 16% of inbound tourists in 2017 respectively, followed by Germany and France with each accounting for around 8% of total inbound tourists.

Going forward, the prospects of the local tourism industry continue to look positive. The unstable socio-political economic situations of some of Malta's closest competitors around the Mediterranean, as well as the continuing upgrading of the local tourism product in general are set to remain drivers of growth. In fact, the WTTC expects the Maltese tourism industry to contribute a total of €4.0 billion to GDP by 2027, representing 34.6% of GDP in 2027. Total contribution to employment is also expected to grow to 66,000 jobs by 2027, representing an annual increase of 2.7%. This further highlights the significant role tourism is expected to play in Malta's economic performance going forward. On the downside, competition from other Mediterranean countries is likely to remain strong. Efforts by the Malta Tourism Authority have been aimed to attract more visitors from new markets, as this strategy aims to ensure that the Maltese hospitality industry remains competitive and sustainable in the years to come.

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

7.2.1.2 Accommodation trends in Malta

Tourist accommodation capacity in Malta consisted of 33,014 beds in 2017, spread across 122 hotels in the two, three, four and five star categories. This increases to 44,378 beds, spread across 193 serviced accommodation units and 2,005 self-catering accommodation units, when additional forms of serviced accommodation and self-catering accommodation are included, as set out in the table below.

Tourist accommodation capacity Malta, 2017

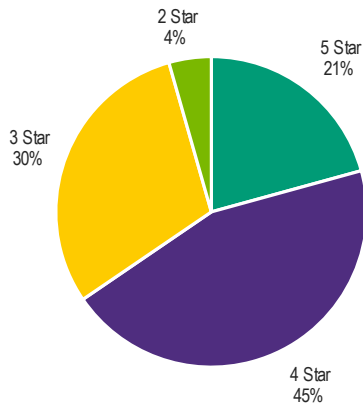
	Units	Beds
5 Star	13	6,842
4 Star	37	14,772
3 Star	52	9,946
2 Star	20	1,454
Hotels	122	33,014
Tourist village	1	612
Guest houses/hostels	70	3,368
Total Serviced Accommodation	193	36,994
Self-Catering Accommodation	2,005	7,384
Total Tourist Accommodation	2,198	44,378

Sources: Malta Tourism Authority

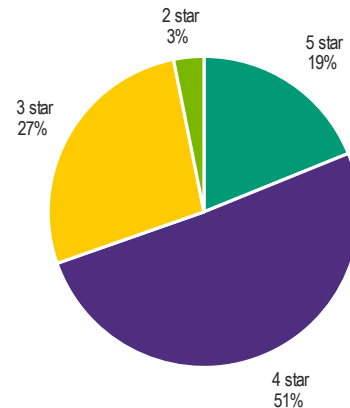
Total nights spent by inbound tourists in 2017 went up by 10%, reaching 16.5 million nights. During 2017, total guests (residents and non-residents) in collective accommodation establishments situated in Malta surpassed 1.7 million, an increase of 13.0% over the same period in 2016. Guest nights in collective accommodation in Malta, reached almost 9.2 million nights, with an average stay of 5.3 days per guest. Within the collective accommodation establishments situated in Malta, the 4 star and 3 star hotels gained 83,345 guests (+12.4%) and 76,695 guests (+20.3%) respectively in 2017 when compared to a year earlier.

As depicted in the below charts, although three and four star hotels accommodate 75% of all hotel beds in Malta, 78% of guest nights (including residents and non-residents) were spent in three and four star hotels.

Hotel bed capacity in Malta



Guest nights in Malta



Sources: Malta Tourism Authority

7.2.1.3 The hospitality trends in Malta

The hospitality industry in Malta has welcomed the increase in tourist arrivals throughout the past four years with a complementary increase in performance. Data from the Malta Hotels and Restaurants Association illustrates that over the past four years all hotel categories managed to register year-on-year increases in both occupancy and average daily rate. The improvement in both the average daily rate and occupancy has positively impacted the industry's bottom-line. In fact, as set out below, over the past five years, the Gross Operating Profit per Available Room (GOPAR) of all hotel categories increased by 89.8%, 98.9%, and 61.7% in the 5-star, 4-star, and 3-star categories respectively.

Occupancy



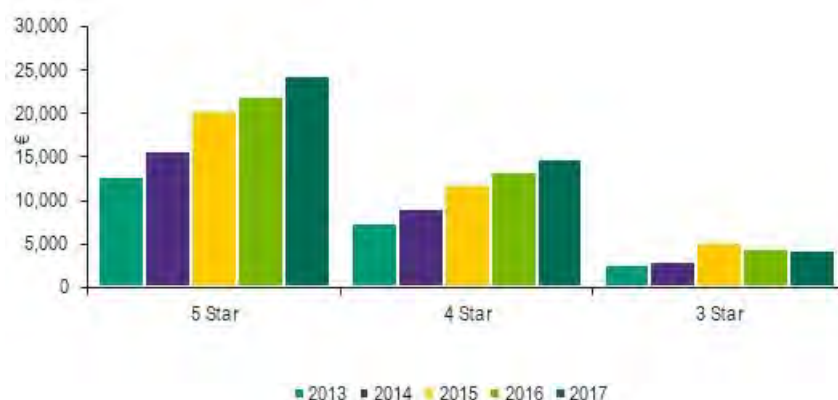
Sources: Malta Hotels and Restaurants Association

Average daily rates



Sources: Malta Hotels and Restaurants Association

Gross Operating Profit per Available Room



Sources: Malta Hotels and Restaurants Association

7.2.1.4 Competitor analysis of average daily rates in St. Julian's/Gzira area

As set out in section 8, the Guarantor is expecting to attract an average daily rate per available room of €77 on the Gzira boutique hotel and €134 on the St. Julian's boutique hotel. For comparison purposes, reference is made to the average rates extracted from Booking.com for comparable guesthouses/hotels within St. Julian's/Gzira area, excluding VAT. Such a comparison highlights that the rates per sqm included in the projections are in line with market rates of those guesthouses/hotels in the vicinity of the Boutique Hotels.

Boutique hotel	Location	Standard double room ADR (excl VAT)	Superior double room ADR (excl VAT)
Hotel Valentina	St. Julian's	€135	n/a
The George Hotel	St. Julian's	€108	€137
Hotel Argento	St. Julian's	€107	€136
Bayview Hotel	Gzira	€69	n/a
115 The Strand Hotel	Gzira	€87	n/a
Hotel Kennedy Nova	Gzira	€79	n/a
Sliema Marina Hotel	Gzira	€89	n/a

Notes: Average daily rate is based on www.booking.com prices for the period October 2018 to September 2019 excluding VAT
Sources: Booking.com

8 HISTORICAL FINANCIAL INFORMATION

8.1 Financial information on the Issuer

The Issuer was set up on 15 November 2018 to issue the Secured Bonds and lend the proceeds to FES Projects Ltd. The Issuer has not conducted any business and has no trading record. Since incorporation to the date of this Admission Document, no financial statements have been prepared in respect of the Issuer.

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

8.2 Financial information of the Guarantor

The Guarantor was registered and incorporated on 6 December 2017 and has not conducted any business since the date of its incorporation except for the preliminary agreements entered into with respect to the Gzira boutique hotel and the St. Julian's boutique hotel, and the agreements with the Operator and Manager in respect to the Gzira boutique hotel. Consequently, the Guarantor has no trading record and since incorporation to the date of this Document, no financial statements have been prepared in respect of the Guarantor.

There has not been any significant change in the financial or trading position of the Guarantor, which has occurred since the company's date of incorporation.

Set out below are projections for the financial years ending 31 December 2019, 2020, 2021 and 2022, based on the consolidated position of the FES Group, which includes the projected financial statements of the Guarantor and the Issuer. The projections assume that:

- a) the interest commences on 1 April 2019;
- b) that the Gzira boutique hotel is acquired and operates as a 36 room boutique hotel as from 1 July 2019, and as a 56 room boutique hotel as from 1 April 2020;
- c) that the development on the St. Julian's boutique hotel is complete by 1 July 2020

8.2.1 Income statement

Consolidated income statement

'€000	FY2019	FY2020	FY2021	FY2022
Revenue	499	1,350	1,814	2,035
Cost of sales	(190)	(483)	(642)	(710)
Gross profit	309	867	1,172	1,325
Administrative expenses	(673)	(587)	(690)	(742)
Operating profit	(364)	280	482	583
Net finance costs	(263)	(330)	(331)	(332)
Profit before tax	(627)	(50)	151	251
Tax expense	64	4	(82)	(117)
Profit after tax	(563)	(46)	69	134

Sources: FES Group projections for the years ending 2019, 2020, 2021 and 2022

Turnover

Revenue shall be generated through the operation of the Group's Boutique Hotels, which include the:

- i) Acquisition of a 28-room guest house in Gzira and conversion into a 36-room boutique hotel, with revenue expected to commence as from 1 July 2019. Further development works are expected to be carried out in winter 2019/2020, thereby increasing room stock 56 rooms as from 1 April 2020. As a result, as depicted in the below chart, revenue from the Gzira boutique hotel is projected to stabilise at €1.2 million as from FY2021, based on

a 73% occupancy and average daily rate of €77/room (excl VAT), as well as the sub-contracting of the commercial outlets;

- ii) Development of the site situated in St. Julian's into a 23-room boutique hotel, which is expected to be inaugurated on 1 July 2020. Following a gradual increase in occupancy levels, revenue is expected to stabilise at €0.8 million in FY2022, based on a 70% occupancy and average daily rate of €134/room (excl VAT).

Analysis of turnover



As illustrated in the above chart, turnover is projected to total €499k during FY2019, increasing to €1.4 million in FY2020 and stabilising at €2.0 million as from FY2022 onwards.

Direct costs

Direct costs are expected to stabilise at c. €0.7 million per annum as from FY2022 and shall consist of direct wages and other costs directly related to the hotel operations, including consumables, laundry and commissions. As a result, the FES Group is expected to generate a gross profit margin of c. 65%.

Administrative expenses

Administrative expenses shall primarily comprise the Manager and Operator fee, marketing costs, professional fees, insurance costs and ongoing bond issue costs. Such costs are expected to stabilise to c. €500k per annum from FY2021. Amortisation and depreciation costs shall stabilise at c. €200k per annum and shall include the amortisation of bond issue costs and right of use asset, as well as depreciation on the Boutique Hotels.

As a result, operating profit is expected to stabilise at €0.6 million as from FY2022.

Finance costs

Finance costs consist of interest on the Bond and the unwinding of interest on the finance lease liability, given that the temporary emphyteusis entered into on the St. Julian's hotel is accounted for under IFRS 16 *Leases*. As from FY2024, the FES Group will be contributing towards a sinking fund, which is expected to generate interest income of 1.5% net of final withholding tax.

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The FES Group's profit after tax is expected to improve with continuous profits expected to be generated as from FY2022. FES Group shall not be distributing any dividends to its shareholders during the first three years of the Bond.

8.2.2 Statement of financial position

Consolidated statement of financial position

€000	FY2019	FY2020	FY2021	FY2022
ASSETS				
Non-current assets				
Property, plant and equipment	7,997	8,649	8,523	8,398
Intangible assets	94	84	74	64
Deferred tax asset	83	111	54	-
Total non-current assets	8,174	8,844	8,651	8,462
Current assets				
Inventories	6	19	26	30
Trade and other receivables	39	111	152	172
Cash and cash equivalents	602	52	282	586
Total current assets	647	182	460	788
Total assets	8,821	9,026	9,111	9,250
EQUITY AND LIABILITIES				
Equity				
Share capital	401	601	601	601
Revaluation	2,085	2,077	2,070	2,063
Retained earnings	(563)	(609)	(540)	(406)
Total equity	1,923	2,069	2,131	2,258
Non-current liabilities				
Borrowings	5,000	5,000	5,000	5,000
Finance lease liability	1,537	1,542	1,549	1,556
Deferred tax liability	291	288	284	280
Total non-current liabilities	6,828	6,830	6,833	6,836
Current liabilities				
Trade and other payables	20	53	73	82
Borrowings	-	-	-	-
Finance lease liability	50	74	74	74
Total current liabilities	70	127	147	156
Total liabilities	6,898	6,957	6,980	6,992
Total equity and liabilities	8,821	9,026	9,111	9,250
Gearing (net debt/net debt + equity) including finance lease liability	75.7%	76.0%	74.8%	72.8%
Gearing (net debt/net debt + equity) excluding finance lease liability	69.6%	70.5%	68.9%	66.2%

Sources: FES Group projections for the years ending 2019, 2020, 2021 and 2022

The FES Group's financial position is expected to remain rather stable throughout the projected period.

The Group's non-current assets are expected to reach €8.2 million by 31 December 2019. These include:

- a) the acquisition and development works on the Boutique Hotels, whereby based on the valuation report set out in Annex B, the projections include a revaluation on the Gzira boutique hotel during FY2019 to €5.25 million;
- b) the right-of-use asset, which is the capitalisation of the temporary emphyteusis as required under IFRS 16 *Leases*. Non-current assets are projected to decrease over time in line with the depreciation on property, plant and equipment and the amortisation of the right-of-use asset which is expensed equally over the emphyteutical term.

A sinking fund will be built up gradually between FY2024 and FY2029. The sinking fund money will firstly be used to buy back any Bonds on the stock market, with any excess cash invested in bonds and/or treasury bills.

Working capital requirements, which includes inventory and trade and other receivables net of trade and other payables are expected to remain stable at €0.1 million in the projected period, with both receivables and payable days expected to stabilise at 30 days.

As at 31 December 2019 FES Group's indebtedness is expected to amount to €5.0 million and comprises of the Secured Bonds in issue, but increases to €6.5 million when the finance lease liability is also factored in. As a result, gearing peaks at 76% as at 31 December 2020, when calculated inclusive of the finance lease liability, but peaks at 71%, when calculated exclusive of the finance lease liability. Total equity is expected to total €1.9 million as at 31 December 2019, following the revaluation of the St. Julian's boutique hotel based on the valuation report set out in Annex C, net of a 35% deferred tax and the accounting of negative goodwill arising on the acquisition of the Gzira boutique hotel, combined with the revaluation of the Gzira property in line with the valuation report set out in Annex B.

8.2.3 Statement of cash flow

Consolidated statement of cash flows

€000	FY2019	FY2020	FY2021	FY2022
Cash flows from operating activities				
Operating profit	(364)	280	482	583
Add back depreciation and amortisation	140	187	194	202
Payment of ground rent	-	(50)	(74)	(74)
Working capital adjustments				
Changes in inventory	(6)	(13)	(8)	(3)
Changes in receivables	(39)	(73)	(41)	(19)
Changes in payables	20	34	19	10
Operating cash flow	(249)	365	572	699
Interest paid	(188)	(250)	(250)	(250)
Tax paid	(19)	(25)	(25)	(65)
Net cash (used in)/ generated from operating activities	(456)	90	297	384
Cash flow from investing activities				
Payments for property, plant and equipment	(4,141)	(840)	(69)	(78)
Net cash used in investing activities	(4,141)	(840)	(69)	(78)
Cash flow from financing activities				
Proceeds from issue of shares	300	200	-	-
Proceeds from bond issue	5,000	-	-	-
Bond issue costs	(102)	-	-	-
Net cash generated from financing activities	5,198	200	-	-
Movement in cash and cash equivalents	601	(550)	228	306
Cash and cash equivalents at the beginning of the year	1	602	52	280
Cash and cash equivalents at end of year	602	52	280	586

Sources: FES Group projections for the period 1 September 2018 to 31 December 2019 and the years ending 2020, 2021 and 2022

The Bond proceeds, net of issue costs, will be fully invested in the Boutique Hotels. In fact, with the €5.0 million Bond Issue, the FES Group is planning to:

- acquire and further develop the Gzira boutique hotel;
- develop the site in St. Julian's into a boutique hotel;

as outlined in section 22.1.

Resultant cash reserves are expected to reach €0.6 million by 31 December 2022. As from FY2024 the Group will gradually transfer part of its cash balance towards a sinking fund, in preparation for the redemption of the Bonds.

8.3 Capital resources

The following table sets out the projected capitalisation and indebtedness of the FES Group as at 31 December 2019 and the estimate after reflecting the issue of the Secured Bonds:

Projected indebtedness of FES Group as at 31 December 2019 and the estimate after reflecting the issue of the Bonds:

	€000
Funding	
Bond issue	5,000
Less: cash and cash equivalents	(602)
Net debt after bond issue	4,398
Equity	
Projected equity as at 31 December 2019	1,923
Equity	1,923
Gearing ratio after bond issue (net debt/net debt + equity)	69.6%

Sources: FES Group projections for year ended 31 December 2019

Gearing was calculated as net debt after Bond Issue divided by the aggregate equity, but excludes the finance lease liability.

9 MANAGEMENT AND ADMINISTRATION

9.1 The Issuer

9.1.1 The Board of Directors of the Issuer

The Memorandum of Association of the Issuer provides that the affairs of the Issuer shall be managed and administered by a Board of Directors to be composed of not less than three (3) and not more than seven (7) Directors, who are appointed by the shareholders.

Directors of the Issuer are appointed by means of a resolution in general meeting. Accordingly, the Guarantor is empowered to appoint the Directors of the Issuer, thereby putting it in a position to appoint an absolute majority of the Directors of the Issuer and, accordingly, have control over the management and operations of the Issuer.

The Issuer is currently managed by a Board of four (4) Directors, who are responsible for the overall direction and management of the Issuer. The Board currently consists of two executive Directors, who are entrusted with the Issuer's day-to-day management and two non-executive Directors, all of which are independent of the Issuer, whose main functions are to monitor the operations of the executive Directors. In line with generally accepted principles of sound corporate governance, at least one (1) of the Directors shall be a person independent of the FES Group. All of the Directors of the Issuer were elected by the shareholders upon the Issuer's incorporation. No Directors have been removed since the Issuer's inception.

As at the date of the Company Admission Document, the Board of the Issuer is composed of the individuals listed in section 5.1 of this Company Admission Document.

None of the Directors of the Issuer have been:

- a) convicted in relation to fraud or fraudulent conduct in the last five (5) years;
- 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 in the last five (5) years.

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

9.1.2 Non-Executive Directors

The non-executive Directors' main functions are to monitor the operations of the executive Directors and their performance, as well as to review any proposals tabled by the executive Directors.

The Non-Executive Directors are Mr Paul Bugeja and Dr Edward Woods.

9.1.3 Directors' service contracts

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

9.1.4 Conflict of interest

Mr Christopher Vella and Dr Reuben Debono, in addition to sitting on the Board of Directors of the Issuer, also act as directors of the Guarantor. Moreover, Mr Christopher Vella also forms part of the Audit Committees of the Issuer. In addition, Mr Christopher Vella sits on the board of the Manager (Polymath & Boffin Limited) and Polymath & Boffin Real Estate Management Solutions Limited. Conflicts of interest could potentially arise in relation to transactions involving the Issuer and the Guarantor and Polymath & Boffin Limited, when considering that the latter company has been appointed as manager of the Boutique Hotels.

In light of the foregoing, such Directors are susceptible to conflicts between the potentially diverging interests of the Issuer and the Guarantor, as the case may be, and the Manager (Polymath & Boffin Limited), 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 directors are handled in the best interest of the Issuer, the Guarantor and the FES Group and according to law. The fact that the Audit Committee of the Issuer is constituted with a majority of non-executive Directors, who are also independent of the FES Group and the Manager (Polymath & Boffin Limited), provides an effective measure to ensure that transactions between related parties are vetted by the Audit Committee are determined on an arm's length basis at all times and on a continuing basis.

Additionally, the Audit Committee has, pursuant to the relative terms of reference, been granted express powers to be given access to the financial position of the Issuer, the Guarantor and any other entity comprising the FES Group on a quarterly basis. To this effect, the Issuer, the Guarantor and any other entity forming part of the FES Group are to submit to the Audit Committee quarterly accounts, as well as comparisons of actuals against projections.

To the extent known or potentially known to the Issuer and the Guarantor, as at the date of the Company Admission Document, there are no other potential conflicts of interest between any duties of the Directors of the Issuer and the Guarantor and their private interests and/or their other duties which require disclosure in terms of the Prospects MTF Rules.

9.1.5 Loans to Directors

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

9.1.6 Removal of Directors

In terms of the Issuer's Articles of Association, unless appointed for a longer or shorter period, or unless they resign or are removed, Directors shall hold office for a period of one (1) year. Provided that no appointment may be made for a period exceeding three (3) years. Provided further that an election of Directors shall take place every year. All Directors, except a Managing Director, shall retire from office once at least in each three (3) years, but shall be eligible for re-election. The Directors of the Issuer currently in office are expected to remain in office at least until the next annual general meeting of the Issuer.

The present directors shall remain in office until they resign, retire or are removed at any time by the shareholders.

9.1.7 Powers of Directors

By virtue of the provisions of the Articles of Association of the Issuer, the Directors are empowered to transact all business which is not by the Articles expressly reserved for the shareholders in general meeting. Specifically, the Directors are vested with the management of the Issuer and their powers of management and administration emanate directly from the Memorandum and Articles of Association and the law. The Directors are empowered to act on behalf of the Issuer and, in this respect, have the authority to enter into contracts, sue and be sued in representation of the Issuer.

Directors may not vote on any contract, arrangement or investment in which they have a personal material interest, whether direct or indirect.

In terms of the Memorandum and Articles of Association, the Board of Directors may exercise all the powers of the Issuer to borrow money and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligations of the Issuer or of any third party as it thinks fit, subject to any limit as may be established in the Articles of Association and the overriding authority of the shareholders in general meeting to change, amend, restrict and/or otherwise modify such limit and the Directors' borrowing powers.

The Non-Executive directors' main functions are to monitor the FES Group operations as well as ensure that the interests of the Bondholders are upheld at all times.

9.1.8 Aggregate emoluments of Directors

Pursuant to the Issuer's Articles of Association, the maximum annual aggregate emoluments that may be paid to the Directors are approved by the shareholders in general meeting.

The remuneration of Directors is a fixed amount per annum and does not include any variable component relating to profit sharing, share options or pension benefits.

For the financial period ending on the 31 December 2019 it is expected that the Issuer will pay an aggregate of €30,000 to its Directors.

9.1.9 Employees

The Issuer does not have any employees of its own and is, therefore, reliant on the Guarantor and Manager for administrative support.

9.1.10 Working capital

As at the date of the Company Admission Document, the Directors of the Issuer and the directors of the Guarantor are of the opinion that the working capital available to the Issuer and the Guarantor respectively, is sufficient for the attainment of their objects and the carrying out of their respective business for the next twelve (12) months of operations.

9.2 The Guarantor

9.2.1 The Board of Directors of the Guarantor

The Memorandum of Association of the Guarantor provides that the board of directors shall be composed of not less than two (2) and not more than four (4) directors. As at the date of the Company Admission Document, the board of directors of the Guarantor is composed of two directors as listed in section 5.2 of this Company Admission Document.

9.2.2 Directors' service contracts

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

9.2.3 Removal of the Guarantor's directors

A director of the Guarantor may, unless he resigns, be removed by an ordinary resolution of the shareholders as provided by Article 140 of the Act. The directors of the Guarantor currently in office are expected to remain in office at least until the next annual general meeting of the Guarantor.

9.2.4 Loans to the directors

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

9.2.5 Aggregate emoluments of the Guarantor's directors

The maximum annual aggregate emoluments that may be paid to the Directors shall be fixed according to any applicable law.

The remuneration of directors is a fixed amount per annum and does not include any variable component relating to profit sharing, share options or pension benefits.

For the financial period ending on the 31 December 2019 it is expected that the Guarantor shall not pay any emoluments to its directors.

10 MAJOR SHAREHOLDERS

10.1 Major shareholders of the Issuer

The Issuer has an authorised and issued share capital of €50,000 divided into 49,998 ordinary A shares and 2 ordinary B shares, all of a nominal value of €1 each which are subscribed to and allotted as fully paid shares, as follows:

Name of shareholder	Number of shares held
FES Projects Ltd	49,998 ordinary A shares
Mr Christopher Vella	1 ordinary B share
Dr Reuben Debono	1 ordinary B share

To the best of the Issuer's knowledge there are no arrangements in place as at the date of the Company Admission Document, the operation of which may at a subsequent date result in a change in control of the Issuer.

The Issuer adopts measures in line with the Code of Principles of Good Corporate Governance forming part of the Listing Rules (the "Code") with a view to ensuring that the relationship with its major shareholders is retained at an arm's length, including adherence to rules on related party transactions requiring the sanction of the Audit Committee, which is constituted in the majority by non-executive Directors, all of which are independent. Mr Paul Bugeja also acts as Chair. The Audit Committee has the task of ensuring that any potential abuse is detected, managed, controlled and resolved in the best interests of the Issuer. The composition of the Board, including the presence of two non-executive Directors, effectively minimises the possibility of any abuse of control by any major shareholder.

10.2 Major shareholders of the Guarantor

The Guarantor's current authorised share capital is €601,250 divided into 601,250 ordinary shares of a nominal value of €1 each whilst the issued share capital is €401,250 divided into 401,250 ordinary shares of a nominal value of €1 each, which are subscribed to and allotted as fully paid shares, as follows:

Name of shareholder	Number of shares held
Mr Christopher Vella	200,625 ordinary shares
Dr Reuben Debono	200,625 ordinary shares

11 BOARD COMMITTEES

11.1 Audit Committee of the Issuer

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

The Board has set formal rules 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 once every three months, is a sub-committee of the Board and is directly responsible and accountable to the Board. The Board reserves the right to change the Committee's terms of reference from time to time.

The terms of reference of the Audit Committee have been formally set out in a separate charter. Briefly, the Audit Committee is expected to deal with and advise the Board on:

- a) its monitoring responsibility over the financial reporting processes, financial policies, internal control structures and audit of the annual and consolidated financial statements;
- b) monitoring the performance of the entity borrowing funds (the Guarantor) from the Company;
- c) maintaining communications on such matters between the Board, management and the independent auditors;
- d) facilitating the independence of the external audit process and addressing issues arising from the audit process; and
- e) preserving the Issuer's assets by understanding the Issuer's risk environment and determining how to deal with those risks.

Additionally, the Audit Committee has the role and function of considering and evaluating *a priori* the arm's length nature of any proposed transactions to be entered into by the Issuer/Guarantor and a related party, given the role and position of the Issuer/Guarantor within the FES Group, to ensure that the execution of any such transaction will, indeed be, at arm's length and on a sound commercial basis and, ultimately, in the best interests of the Issuer/Guarantor. In this regard, the Audit Committee 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.

For this purpose, the Audit Committee has, pursuant to the relative terms of reference, been granted express powers to be given access to the financial position of the Issuer, the Guarantor, and all other entities forming part of the FES Group on a quarterly basis.

The Audit Committee of the Issuer is presently composed of Mr Christopher Vella, Mr Paul Bugeja and Dr Edward Woods, whereby Mr Paul Bugeja and Dr Edward Woods act as independent, non-executive members. The Audit Committee is chaired by Mr Paul Bugeja, whilst Mr Christopher Vella, and Dr Edward Woods act as members. Mr Christopher Vella performs the duties of secretary to the

Audit Committee. As stipulated by the terms of reference of the Audit Committee, the Chairman shall have a casting vote in the case of a deadlock.

In compliance with the Prospects MTF Rules, Mr Paul Bugeja is the independent, non-executive Director who is competent in accounting and/or auditing matters. In his capacity as chairman of the Audit Committee Mr Paul Bugeja 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. The CVs of the said Directors may be found in section 5.1 above.

The Directors believe that the current set-up is sufficient to enable the Issuer to fulfil the objectives of the Prospects MTF Rules' terms of reference in this regard.

12 COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

12.1 The Issuer

The Issuer supports the Prospects MTF Rules in their entirety and also the stipulations of the said rules in relation to dealing restrictions.

The Issuer supports The Code of Principles of Good Corporate Governance annexed to the Listing Rules (the "Code") with the exceptions mentioned below and is confident that the adoption of the Code shall result in positive effects accruing to it. The Issuer adopts measures in line with the Code with a view to ensuring that all the transactions are carried out at arm's length.

The Board of Directors sets the strategy and direction of the Issuer and retains direct responsibility for appraising and monitoring the Issuer's financial statements and annual report. The activities of the Board are exercised in a manner designed to ensure that it can effectively supervise the operations of the Issuer so as to protect the interests of Bondholders, amongst other stakeholders. The Board is also responsible for making relevant public announcements and for the Issuer's compliance with its continuing obligations in terms of the Prospects MTF Rules.

As required by the Act and the Prospects MTF Rules, the Issuer's financial statements are to be subject to annual audit by the Issuer's external auditors. Moreover, the non-executive Directors will have direct access to the external auditors of the Issuer who attend Board meetings at which the Issuer's financial statements are approved. Moreover, in ensuring compliance with other statutory requirements and with continuing Prospects MTF admission obligations, the Board is advised directly, as appropriate, by its appointed Placement Agent, Manager and Registrar, Corporate Advisor and the external auditors. Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Issuer's expense.

As at the date hereof, the Board considers the Issuer to be in compliance with the Code save for the following exceptions:

Principle 7: "Evaluation of the board's performance"

Under the present circumstances, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is always under scrutiny of the shareholders of the Issuer.

Principle 8: "Committees"

The Board of Directors 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 officers or employees 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 of Directors 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.

12.2 The Guarantor

The Guarantor is a private company, and accordingly, is not bound by the provisions of the Code set out in the Listing Rules. Whilst the Guarantor is not required to adopt the provisions of the Code, the Audit Committee of the Issuer has been specifically tasked with keeping a watching brief over the financial performance of the Guarantor and any other FES Group subsidiaries, if any, as well as ensuring that rules regarding related party transactions carried out with the Guarantor are adhered to at all times, as set out in section 9.1.4 above.

13 LITIGATION PROCEEDINGS

As mentioned above in Section 3.5.4, the Guarantor has entered into a preliminary agreement to acquire the temporary emphyteusis for a term of forty-nine (49) years in respect of the St. Julian's boutique hotel which will be developed as aforesaid. The St. Julian's boutique hotel currently the subject of a Planning Permit PA3805/17 for the construction of a Class 3A Guest house in lieu of a previously approved villa covered by PA1576/12:- Site at Wied il-Ghomor. The said development permit is however the subject of a third party appeal with the reference number PAB 00167/18 and the development of the said St. Julian's boutique hotel is thus subject to the said appeal being denied by the Environment Planning Review Tribunal, and that following such rejection, the appellant does not successfully seek further redress as afforded by law. Although neither the Issuer nor the Guarantor is a party to the said appeal having been lodged by the said third party against the current direct land owner, the Issuer and the Guarantor are both interested in the outcome of the said appeal, and any further proceedings which may ensue in relation thereto, as it may have a material adverse impact on the Issuer and the Group's business, financial condition and results of operations in view of the Group's plans in respect of the development and operation of the St. Julian's boutique hotel.

Other than the above appeal proceedings, there are no further pending or threatened governmental, legal or arbitration proceedings or dispute from the date of incorporation to the date of the Company Admission Document which may have, or have had, in the recent past, significant effects on the financial position or profitability of the Issuer, Guarantor and/or the FES Group, taken as a whole.

14 ADDITIONAL INFORMATION

14.1 Memorandum and articles of association of the Issuer

14.1.1 Incorporation

The Issuer was incorporated on 15 November 2018 as a public limited company in terms of the Companies Act, 1995, with company registration number C 89431.

In terms of Clause 3 of its Memorandum of Association, the Issuer is authorised to float its capital (including equity or debt) on the Prospects MTF, and to borrow and raise funds through the issue of Secured Bonds.

The Memorandum and Articles of Association of the Issuer otherwise regulate matters customarily dealt with therein, including matters such as voting rights and restrictions thereof, and the appointment and powers of Directors, as elaborated upon in section 9 above.

14.1.2 Share capital

The Issuer has, as at the date hereof, an authorised share capital of €50,000 divided into 50,000 ordinary shares of a nominal value of €1 each. The issued share capital of the Issuer amounts to €50,000 divided into 49,998 ordinary A shares and 2 ordinary B shares, all having a nominal value of €1 and being fully paid up shares.

The shares of the Issuer are not admitted on Prospects MTF or on the MSE, nor has an application ever been filed for the shares of the Issuer to be quoted on any trading platform. There is no capital of the Issuer which has been issued to the public as from the date of incorporation to date of the Company Admission Document, nor is it expected that the Issuer issues during the next financial year any shares to the public, 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.

14.1.3 Objects

The Memorandum and Articles of Association of the Issuer are registered with the Registry of Companies, Malta. The objects of the Issuer include carrying on the business of a finance company thereby to lend and advance money or otherwise give credit to related companies, in such manner as the Issuer shall think fit and to invest and deal with the moneys of related companies in such manner as the Issuer shall think fit. The issue of Secured Bonds falls within the objects of the Issuer. Clause 3 of the Memorandum of Association contains the full list of objects of the Issuer.

The Memorandum and Articles of Association of the Issuer otherwise regulate matters customarily dealt with therein, including matters such as voting rights and restrictions thereof, and the appointment and powers of Directors.

A copy of the Memorandum and Articles of Association of the Issuer may be inspected during the lifetime of the Company Admission Document at the registered office of the Issuer as set out under the heading “Documents available for inspection” in section 17 of this Company Admission Document and at the Malta Registry of Companies during the lifetime of the Issuer.

14.1.4 Voting rights

In terms of the Memorandum of Association of the Issuer, ordinary “A” shares grant the right of one (1) vote for every share held and are participating shares entitled to receive dividend distributions as deemed fit by the Board of Directors and shall rank *pari passu* in all respects including dividend and capital repayment rights. Subscribers of ordinary “B” shares are entitled to receive notice of any general meeting in terms of the Articles of Association of the Issuer, and to attend general meetings, but do not hold any voting rights except for the purposes of participating in the appointment or election of Directors. Furthermore, holders of ordinary “B” shares are not entitled to receive any dividend distributions nor are they entitled to any assets upon dissolution or winding up of the Issuer in excess of the nominal value of the shares held by them.

14.2 Memorandum and articles of association of the Guarantor

14.2.1 Objects

The memorandum and articles of association of the Guarantor are registered with the Registry of Companies, Malta. The main objects of the Guarantor's activities are set out in Clause 3 of the memorandum of association, which include, but are not limited to carry on the business of a property management company.

A copy of the memorandum and articles of association may be inspected during the lifetime of the Company Admission Document at the registered office of the Guarantor as set out under the heading "Documents available for inspection" in section 17 of this Company Admission Document and at the Malta Registry of Companies during the lifetime of the Guarantor.

14.2.2 Voting rights

All shares grant the right of one (1) vote for every share held.

14.2.3 Appointment of Directors

In terms of the applicable law, the directors shall be appointed by the members of the Guarantor.

15 MATERIAL CONTRACTS

The Issuer and the Guarantor have not entered into any material contracts which are not in the ordinary course of its business which could result in either the Issuer or the Guarantor being under an obligation or entitlement that is material to the Issuer's or Guarantor's ability to meet its obligations to Bondholders in respect of the Secured Bonds being issued pursuant to, and described in, the Company Admission Document, Part Two.

16 THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATION OF ANY INTEREST

16.1 Valuation reports

The Company commissioned Architect Adrian Mangion of Archi+ Architects' Studio to issue a valuation report on the freehold value of the Gzira boutique hotel and the value of the St. Julian's boutique hotel. The business address of Archi+ Architects' Studio is BS Building, Mosta Road, Lija, LJA 9012, Malta.

Prospects MTF Rule 4.13.04.03 provides that property valuations to be included in a company admission document must not be dated (or be effective from) more than 60 days prior to the date of publication of the Company Admission Document. The valuation report on the Gzira boutique hotel and St. Julian's boutique hotel are dated 25 January 2019.

16.2 Accountants' report on prospective financial information

The Issuer engaged Grant Thornton, a firm of Certified Public Accountants, to issue the Accountants' Report dated 6 March 2019. The following are the details of the said expert:

Name: Grant Thornton

Address: Fort Business Centre, Mriehel Bypass, Birkirkara, BKR 3000, Malta

16.3 Interests of experts and advisors

Save for the valuation report and works estimate prepared in relation to the Properties and the accountants' report on the consolidated profit forecast, the Company Admission Document does not contain any statement or report attributed to any person as an expert. The valuation reports on the freehold value of the Gzira boutique hotel and the value of the St. Julian's boutique hotel are available for inspection at the registered address of the Company and a version is included in Annex B and Annex C respectively, of this Company Admission Document.

The valuation report on the Gzira boutique hotel and St. Julian's boutique hotel dated 25 January 2019 have been included in the form and context in which they appear with the authorisation of Architect Adrian Mangion of Archi+ Architects' Studio, which have given and have not withdrawn their consent to the inclusion of such report herein. Architect Adrian Mangion does not have any material interest in the Company. The Company confirms that the valuation report has been accurately reproduced in the Company Admission Document and that there are no facts of which the Company is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

The accountants' report on the consolidated profit forecast dated 6 March 2019 has been included in Annex D of the Company Admission Document in the form and context in which it appears with the authorisation of Grant Thornton of Fort Business Centre, Mriehel Bypass, Birkirkara, BKR 3000, Malta, which has given and has not withdrawn its consent to the inclusion of said report herein.

17 DOCUMENTS AVAILABLE FOR INSPECTION

For the duration of the Company Admission Document, the following documents (or copies thereof) may be inspected at the registered office of the Issuer during office hours:

- a. Memorandum and Articles of Association of the Issuer;
- b. Memorandum and Articles of Association of the Guarantor;
- c. the consolidated profit forecast and accountants' report for the period ending 31 December 2019, and for the years ending 2020, 2021 and 2022;
- d. the original Guarantee given by the Guarantor in respect of the Secured Bonds, as set out in Annex A of the Company Admission Document;
- e. the independent expert's property valuation report dated 25 January 2019 and prepared at the Issuer's request in respect of the Boutique Hotels;
- f. the promise of sale agreement on the Gzira boutique hotel;
- g. the preliminary agreement on the St. Julian's boutique hotel;
- h. the Security Trust Deed;
- i. the Escrow Agreement;
- j. the Insurance policy and pledge on the same policy.

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The documents listed in (a) to (e) above are also available for inspection in electronic form on the Issuer's website www.fes.com.mt.

COMPANY ADMISSION DOCUMENT: PART TWO

18 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 SECURED BONDS WILL BE REPAYABLE IN FULL UPON MATURITY, UNLESS THE SECURED BONDS ARE PREVIOUSLY RE-PURCHASED AND/OR CANCELLED. THE ISSUER SHALL REDEEM THE SECURED BONDS ON THE REDEMPTION DATE.

AN INVESTMENT IN THE SECURED 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 THIS COMPANY ADMISSION DOCUMENT, BEFORE DECIDING TO MAKE AN INVESTMENT IN THE SECURED BONDS. SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE ISSUER IS NOT IN A POSITION TO EXPRESS A VIEW ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING. THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE ISSUER'S FINANCIAL RESULTS AND TRADING PROSPECTS AND THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE SECURED BONDS ISSUED BY THE ISSUER.

THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AS SUCH BY THE DIRECTORS OF THE ISSUER, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE ISSUER FACES. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE ISSUER'S DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL IMPACT ON THE FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE OF THE ISSUER THAT COULD LEAD TO A DECLINE IN VALUE OF THE SECURED BONDS.

NEITHER THIS COMPANY ADMISSION DOCUMENT NOR ANY OTHER INFORMATION SUPPLIED HEREIN IN CONNECTION WITH THE SECURED BONDS 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 GUARANTOR OR THE CORPORATE ADVISOR OR THE PLACEMENT AGENT, MANAGER AND REGISTRAR OR AUTHORISED INTERMEDIARIES THAT ANY RECIPIENT OF THE COMPANY ADMISSION DOCUMENT, OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, IS TO PURCHASE ANY SECURED BONDS ISSUED BY THE ISSUER.

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

18.1 Forward-looking statements

The Company Admission Document 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 by their nature involve a number of risks, uncertainties and assumptions, a few of which are beyond the Issuer's and Guarantor's control, and important factors that could cause actual risks to differ materially from the expectations of the Issuer's and/or Guarantor's directors. Such forecasts and projections do not bind the Issuer and/or the Guarantor with respect to

future results and no assurance can be given that the future results or expectations will be achieved.

18.2 General

In so far as prospective investors seek advice from Authorised Intermediaries concerning an investment in the Secured Bonds, Authorised Intermediaries are to determine the suitability of prospective investors' investment in the Secured Bonds in the light of said prospective investors' own circumstances. The Secured Bonds may not be a suitable investment for all investors. In particular, Authorised Intermediaries should determine whether each prospective investor:

- a) has sufficient knowledge and experience to make a meaningful evaluation of the Secured Bonds, the merits and risks of investing in the Secured Bonds and the information contained or incorporated by reference in the Company Admission Document or any applicable supplement;
- b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of his/her/its particular financial situation, an investment in the Secured Bonds and the impact the Secured Bonds will have on his/her/its overall investment portfolio;
- c) has sufficient financial resources and liquidity to bear all the risks of an investment in the Secured Bonds, including where the currency for principal or interest payments is different from the prospective investor's currency;
- d) understands thoroughly the terms of the Secured Bonds and is familiar with the behaviour of any relevant indices and financial markets; and
- e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect his/her/its investment and his/her/its ability to bear the applicable risks.

18.3 Risks relating to the Secured Bonds

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

- (i) Prior to the Bond Issue, there has been no public market nor trading record of the Secured Bonds within or outside Malta. Due to the absence of any prior market for the Secured Bonds, there can be no assurance that the Bond Issue Price will correspond to the price at which the Secured Bonds will trade in the market subsequent to the Bond Issue;
- (ii) Only upon successful admission, may the Secured Bonds be traded on Prospects MTF but will NOT be traded on any regulated market. Hence, the market for the Secured Bonds may be less liquid than a regulated market and a Bondholder may find it more difficult to identify willing buyers for their Secured Bonds. The existence of an orderly and liquid market depends on a number of factors. Accordingly, there can be no assurance that an active secondary market for the Secured Bonds will develop, or if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell or otherwise trade in the Secured Bonds at all;

- (iii) A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Secured Bonds (€) and the investor's currency of reference, if different;
- (iv) No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Secured Bonds prevailing from time to time;
- (v) The Issuer is entitled to issue Secured Bonds bearing a fixed rate of interest. Investment in such fixed rate Secured Bonds involves the risk that subsequent changes in market interest rates may adversely affect the market value of the said Bonds. Investors should also be aware that the price of the fixed rate bonds moves adversely to changes in interest rates;
- (vi) The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Secured Bonds will be repayable in full upon maturity on the Redemption Date unless the Secured Bonds are previously re-purchased and/or cancelled;
- (vii) Application has been made to the MSE for the Secured Bonds to be admitted and traded on Prospects MTF once the Secured Bonds are authorised as admissible by the MSE. Prospects MTF is a market regulated as a multilateral trading facility and operated by the MSE and provides a venue for SMEs to float their securities. Consequently, this market is designed primarily for companies to which a higher risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial advisor;
- (viii) Even after the Bonds are admitted to trading on Prospects MTF, the Issuer is required to remain in compliance with certain requirements relating, *inter alia*, to the free transferability, clearance and settlement of the Secured Bonds in order to remain eligible to trade on Prospects MTF in terms of the Prospects MTF Rules issued by the Exchange as amended from time to time. Moreover, the MSE has the authority to suspend trading of the Secured 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 MSE may discontinue the trading of the Secured Bonds on Prospects MTF. Any such trading suspension or discontinuance of admission could have a material adverse effect on the liquidity and value of the Bonds;
- (ix) The Secured Bonds, as and when issued and allotted, shall constitute the general, direct, and unconditional obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under said Secured Bonds by the Guarantor. The Secured Bonds shall at all times rank *pari passu* without any priority or preference among themselves. The Secured Bonds shall be secured by the Collateral and accordingly shall rank with priority or preference with respect to the Security Property. Notwithstanding that the Bonds constitute the general, direct, unconditional and secured obligations of the Company, as guaranteed by the Guarantor, they may rank after causes of preference which may arise by operation of law. There can be no guarantee that privileges accorded by

law in specific situations will not arise during the course of the business of each of the Company and the Guarantor which may rank with priority or preference over the Collateral.

In view of the fact that the Secured Bonds are being guaranteed by the Guarantor on a joint and several basis, the Security Trustee, for the benefit of itself and the Bondholders, shall be entitled to request the Guarantor to pay both the interest due and the principal amount under said Secured Bonds if the Issuer fails to meet any amount, when due in terms of the Company Admission Document.

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

The Guarantee is further supported by the Collateral that is to be granted over the Security Property. In terms of the Security Trust Deed, the Security Trustee reserves the right to demand to the Issuer that additional or alternative immovable (and unencumbered) property owned by the Group from time to time be given as security in addition to and/or in place of the Security Property, should at any given time the value of the Security Property be reported, pursuant to an independent architect's valuation report, to be lower than the nominal value of outstanding Bonds in issue plus interest yet to accrue until the Redemption Date. In such case, the Issuer shall identify, at its discretion, which of the unencumbered property forming part of the Group's portfolio as at the date thereof, if any, would replace or be added to the existing Security Property for the purposes of securing the Bonds, and procure that the Group takes such steps as may be necessary for such unencumbered property to replace or be added to the existing Security Property. In the event that, upon such request being made by the Security Trustee, the Group's property portfolio does not comprise any immovable property which is unencumbered, the Issuer shall procure that the Group shall either: provide a cash guarantee in favour of the Security Trustee sufficient to cover the difference between the nominal value of outstanding Bonds in issue (plus interest yet to accrue until the Redemption Date) and the revised value of the Security Property as set out in the abovementioned independent architect's valuation report; or take such steps as may be necessary to free any one or more of the immovable properties in its property portfolio from any existing encumbrances, and grant a first ranking special hypothec thereon in favour of the Security Trustee for the purpose of securing the Bonds. Whilst this grants the Security Trustee a right of preference and priority for repayment over the Security Property, there can be no guarantee that the value of the Security Property over the term of the Secured Bond will be sufficient to cover the full amount of the principal outstanding under the Bonds. This may be caused by a number of factors not least of which general economic factors that could have an adverse impact on the value of the Security Property. If such circumstances were to arise or subsist at the time that the Collateral is to be enforced by the Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Secured Bonds.

It should be further noted that in terms of the Security Trust Deed, the Group retains the right to substitute any of the Security Property with another immovable (and unencumbered) property which it owns or may in future own, subject: (i) to an independent architect's valuation report confirming that the value of the immovable property added as a Security Property is at least equal to the value of the immovable property removed as a Security Property, or otherwise sufficient to ensure that the value of the aggregate Security Property remains equal to or in excess of the nominal value of outstanding Bonds in issue; and (ii) to obtaining the Issuer's and Security Trustee's prior consent.

- (x) The attention of prospective investors in the Secured Bonds is drawn to the concluding paragraph of section 21.1 of this Company Admission Document, which provides that the issue and allotment of the Secured Bonds is conditional upon: (i) the Secured Bonds being admitted to the Prospects MTF List; (ii) on the first special hypothec forming part of the Collateral being constituted in favour of the Security Trustee; and (iii) the pledge over the Insurance Policy having been duly constituted, and that in the event that either of the aforesaid conditions is not satisfied, the Escrow Agent shall return Bond Issue proceeds to Bondholders. Subject to admission on Prospects MTF, the Issuer shall make a prompt announcement on the same day registration of the said first special hypothec and pledge over the Insurance Policy.
- (xi) The Issuer has not sought, nor does it intend to seek, the credit rating of an independent rating agency and there has been no assessment by any independent rating agency of the Secured Bonds;
- (xii) By acquiring the Bonds, the Bondholder is considered to be bound by the terms of the Trust Deed as if he had been a party to it. The Trust Deed contains a number of provisions, which prospective investors ought to be aware of prior to acquiring the Bonds. For instance, in terms of the Trust Instrument:
 - a) the Security Trustee shall not be liable to the Issuer or any of the Bondholders, as the case may be, for any loss or expense attributable to any action taken or omitted to be taken by the Security Trustee, or any person appointed by the Security Trustee under or in connection with this Security Trust Deed or the Bonds, as the case may be, unless the loss or expense is shown to have been caused by the negligence, wilful misconduct, or fraud of the Security Trustee or the person appointed by the Security Trustee; and the Issuer and/or Beneficiaries shall not make any claims against the Security Trustee or against any person appointed by the Security Trustee in respect of such loss or expense unless he is shown to have acted with such negligence, wilful misconduct, or fraud;
 - b) the Security Trustee shall be indemnified against all liabilities incurred by it in the performance or execution of its functions under this Security Trust Deed, whether such liabilities have arisen as a result of any act, omission or judgment exercised by the Security Trustee, provided that the Security Trustee shall not be entitled to be indemnified for any breach of this Security Trust Deed wilfully caused or caused by the negligence, wilful misconduct or fraud on the part of the Security Trustee;
 - c) the Security Trustee is not bound to declare the Bonds to have become immediately due and repayable in the case of an event of default, described in

section 22.12 of this Admission Document, unless requested to do so by a resolution passed by Bondholders holding not less than sixty per centum (60%) in nominal value of the Bonds then outstanding at a meeting of the Bondholders; and

- d) the Security Trustee may pay itself out of the trust fund all sums owing to it in respect of the remuneration costs, charges, expenses or interest or by virtue of any indemnity from the Company to which it is entitled under the Trust Deed or by law or by virtue of any release or indemnity granted to it and all such sums as aforesaid shall be so retained and paid in priority to the claims of the Bondholders and shall constitute an additional charge upon the property charged with the Collateral.
- (xiii) In the event that the Issuer wishes to amend any of the Terms and Conditions of the issue of the Secured Bonds with the prior approval of the Exchange until such time as the Bonds remain admitted on any of its markets it shall call a meeting of Bondholders in accordance with the provisions of section 22.15 of the Company Admission Document. These provisions permit defined majorities to bind all Bondholders, including Bondholders who do not attend and vote at the relevant meeting and Bondholders who vote in a manner contrary to the majority;
- (xiv) The Secured Bonds and the Terms and Conditions of the Secured Bond Issue are based on the requirements of the Prospects MTF Rules, the Companies Act and applicable regulations in effect as at the date of the Company Admission Document. No assurance can be given as to the impact of any possible judicial decision or change in law or administrative practice after the date of the Company Admission Document.
- (xv) The funds or assets constituting the Sinking Fund (as described in section 22.23 of this Company Admission Document) shall be held by the Issuer and administered by the Board of Directors in line with the treasury management policy. In accordance with section 302 of the Act, in the event of winding up of the Issuer with insufficient assets to meet its liabilities, the right of secured and unsecured creditors and the priority and ranking of their debts shall be regulated by the law for the time being in force.

19 PERSONS RESPONSIBLE

This Document includes information given in compliance with the Prospects MTF Rules for the purpose of providing prospective investors with information with regard to the Issuer and the Guarantor and the Secured Bonds. The Directors, whose names appear in section 5.1 of the Company Admission Document: Part One, accept responsibility for the information contained in this Company Admission Document.

To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Company Admission 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.

20 CONSENT FOR USE OF THE COMPANY ADMISSION DOCUMENT

Consent required in connection with the Intermediaries' Offer in terms of section 22.2 of this Company Admission Document:

As explained in section 22.2 of this Company Admission Document, the **Secured** Bonds shall be made available for subscription by Authorised Intermediaries through an Intermediaries' Offer.

For the purposes of any subscription for Secured Bonds by Authorised Intermediaries pursuant to such an Intermediaries' Offer and any subsequent resale, placement or other offering of Secured Bonds by Authorised Intermediaries participating in the Intermediaries' Offer, the Issuer consents to the use of this Company Admission Document: Part Two (and accepts responsibility for the information contained therein) with respect to any such subsequent resale, placement or other offering of Secured Bonds, provided this is limited only:

- i. in respect of Secured Bonds subscribed for in terms of the Intermediaries' Offer by Authorised Intermediaries participating in the Intermediaries' Offer;
- ii. to any resale, placement or other offering of Secured Bonds subscribed for as aforesaid, taking place in Malta;
- iii. to any resale or placement of Secured Bonds taking place within the period of 60 days from the date of the Company Admission Document;

Provided further that any such subsequent resale is in accordance with Article 2(3)(b) of the Companies Act.

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

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

None of the Issuer, the Placement Agent, Manager and Registrar, the Security Trustee or any of their respective advisors take any responsibility for any of the actions of any Authorised Intermediary, including their compliance with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to a resale or placement of Secured Bonds, except for the Placement Agent, Manager and Registrar when acting in its capacity as an Authorised Intermediary.

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

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

No person has been authorised to give any information or to make any representation not contained in or inconsistent with this Company Admission Document. If given or made, it must not be relied upon as having been authorised by the Issuer or Placement Agent, Manager and Registrar. The Issuer does not accept responsibility for any information not contained in this Company Admission Document.

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

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

Any Authorised Intermediary using this Company Admission Document in connection with a resale, placement or other offering of Secured Bonds subsequent to the Secured Bond Issue shall, limitedly for the period of 60 days from the date of the Company Admission Document, publish on its website a notice to the effect that it is using this Company Admission Document 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 Intermediaries unknown at the time of the approval of this Company Admission Document will be made available through a company announcement made out by the Issuer and published on the Prospects MTF Website and also be made available on the Issuer's website: www.fes.com.mt.

21 KEY INFORMATION

21.1 Reasons for the Issue and Use of Proceeds

The proceeds from the Bond Issue, which net of issue expenses are expected to amount to approximately €4,898,000 will be used by the Issuer for the following purposes in the following order of priority,

- A. a maximum amount of €3,320,000 of the proceeds from the Secured Bonds will be advanced under title of loan to the Guarantor to acquire the Gzira boutique hotel. €2,650,000 are due as consideration for the acquisition of the property; €500,000 are due as consideration for the movables being acquired together with the immovable; and the remaining €170,000 shall be utilized in order to cover transaction costs. Until such time the said payment becomes legally due, the proceeds shall be held on escrow by the Escrow Agent;
- B. a maximum amount of €467,000 of the proceeds from the Secured Bonds will be advanced under title of loan to the Guarantor to convert/develop the Gzira boutique hotel. Until such time the said payment becomes legally due, the proceeds shall be held on escrow by the Escrow Agent;

- C. a maximum amount €1,111,000 will be advanced under title of loan to the Guarantor to acquire the St. Julian's site by means of an emphyteutical grant and to develop same into a boutique hotel. Until such time the said payment becomes legally due, the proceeds shall be held on escrow by the Escrow Agent;
- D. any remaining balance of the net Secured Bond Issue proceeds will be advanced under title of loan to the Guarantor and will be used for general corporate funding purposes.

All proceeds from the Bond Issue shall be held by the Escrow Agent pending the release of funds in accordance with the above and the Escrow Agreement.

In accordance with the Escrow Agreement, in the event that any of the disbursements contemplated above are not disbursed by the end of the term of the Bonds, the Escrow Agent shall cease to hold the balance of the Bond Issue proceeds on escrow and shall surrender and refund the same to the Issuer at the expiration of the said term of the Bonds, when the outstanding Bonds are due for redemption, so that the aforementioned Bond Issue proceeds are utilised for effecting the appropriate redemption in accordance with this Company Admission Document.

The issue and allotment of the Secured Bonds is conditional upon: (i) the Secured Bonds being admitted to the Prospects MTF List; (ii) the first special hypothec forming part of the Collateral being constituted in favour of the Security Trustee; and (iii) the pledge over the Insurance Policy having been duly constituted in accordance with the provisions of the Security Trust Deed. Subject to admission on Prospects MTF, the Issuer shall make a prompt announcement on the same day registration of the said first special hypothec and pledge over the Insurance Policy. In this respect and with reference to the amounts to be utilised for the purposes of acquiring the aforementioned immovable property not yet owned by the Group, the Bond Issue proceeds shall only be released in accordance with the terms of the Escrow Agreement

In the event that either of the aforesaid conditions is not satisfied, the Escrow Agent shall return Bond Issue proceeds to the Bondholders, however should the Issuer not receive subscriptions for the full €5.0 million in Secured Bonds, the Issuer will proceed with the admission of the amount of Secured Bonds subscribed for. Any residual amounts required by the Issuer for the purposes of the uses specified in this section which shall not have been raised through the Secured Bond Issue shall be financed from the FES Group's general cash flow and/or bank financing.

21.2 Estimated expenses and proceeds of the Issue

Professional fees and costs related to publicity, advertising, printing, admission, registration, management, registrar fees, selling commission and other miscellaneous costs incurred in connection with this Secured Bond Issue, are estimated not to exceed €102,000 and shall be borne by the Issuer. The amount of the expenses will be deducted from the proceeds of the Secured Bond Issue, which, accordingly, will bring the estimated net proceeds from the Secured Bond Issue to €4,898,000. There is no particular order of priority with respect to such expenses.

21.3 Issue Statistics

Amount	€5.0 million;
Application Forms made available	6 March 2019;

Bond Issue Price	at par (€100 per Bond);
Closing date for Applications to be received	18 March 2019 at 1200 hours (CET);
Denomination	Euro (€);
Events of Default	The events listed in section 22.12 of this Company Admission Document: Part Two;
Form	The Secured Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by an appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD;
Governing law and jurisdiction	The Company Admission Document and the Secured Bonds are governed by and shall be construed in accordance with Maltese Law. The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Company Admission Document and/or the Secured Bonds;
Interest	The Secured Bonds shall bear Interest from and including 19 March 2019 at the rate of 5% per annum payable annually in arrears on the Interest Payment Dates;
Interest Payment Date	annually on the 18 March as from 18 March 2020 (the first interest payment date);
Intermediaries' Offer	The Secured Bonds shall form part of an Intermediaries' Offer as set out in section 22.2 of this Company Admission Document: Part Two. The Issue Period shall close immediately upon attaining full subscription or on the last day of the Issue Period, whichever is the earliest;
ISIN	MT0002231208;
Issue	the Secured Bonds denominated in Euro having a nominal value of €100 each, which will be issued at par and shall bear interest at the rate of 5% per annum;
Issue Period	the period between 08:30 hours (CET) on 6 March 2019 and 12:00 hours (CET) on 18 March 2019 (or such earlier date as may be determined by the Issuer) during which the Secured Bonds are available for subscription;
Minimum amount per subscription and additional subscription amounts	five thousand Euro (€5,000) and multiples of one hundred Euro (€100) thereafter;

Plan of Distribution	The Bonds are open for subscription by Authorised Intermediaries pursuant to the Intermediaries' Offer;
Redemption Date	18 March 2029;
Status of the Bonds	The Secured Bonds shall constitute the general, direct and unconditional obligation of the Issuer, guaranteed by the Guarantor, and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves. Save for such exceptions as may be provided by applicable law, the Secured Bonds shall be secured by the Collateral and accordingly, shall rank with priority or preference with respect to the Security Property;
Underwriting	The Bonds are not underwritten;

21.4 Interest of Natural and Legal Persons involved in the Issue

Save for the possible subscription for Secured Bonds by Authorised Intermediaries (which includes Financial Planning Services Limited), and any fees payable in connection with the Bond Issue to Financial Planning Services Limited as Placement Agent, Manager and Registrar, so far as the Issuer is aware no person involved in the Bond Issue, other than the Issuer and the Guarantor, has an interest material to the Bond Issue.

21.5 Security

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

- (a) a first special hypothec over the Security Property;
- (b) a pledge over the Insurance Policy required under clause 5(1) (h) of the Security Trust Deed; and
- (c) the Guarantee.

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

The Issuer and the Guarantor have entered into a Trust Deed with the Security Trustee which consists of the covenants of the Issuer and the Guarantor to pay the principal amount under the Secured Bonds on the Redemption Date and interest thereon, to grant the hypothecary rights under the Deed of Hypothec, and all the rights and benefits under the Security Trust Deed. The Collateral will be vested in the Security Trustee for the benefit of the Bondholders in proportion to their respective holding of Secured Bonds. No Secured Bonds shall be issued and allotted until the first special hypothec forming part of the Collateral has been duly constituted in accordance with the provisions of the said Trust Deed and the Malta Stock Exchange admits the Secured Bonds on its Prospects MTF List. In the event of admission on Prospects MTF, the Issuer will update the market accordingly through the issue of a company announcement furnishing the relevant details of the setting up of the Collateral.

The Security Trustee's role includes holding of the Collateral for the benefit of the Bondholders and the enforcement of the said Collateral upon the happening of certain events. The Security Trustee shall have no payment obligations to Bondholders under the Secured Bonds which remain exclusively the obligations of the Issuer (or, in the case of default by the Issuer, of the Guarantor).

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

21.6 Expected timetable of principal events

1. Application Forms made available	6 March 2019
2. Issue Period	6 March 2019 to 18 March 2019
3. Commencement of interest on the Secured Bonds	19 March 2019
4. Expected date of constitution of Security	by 9 April 2019
5. Expected date of notification of registration	by 12 April 2019
6. Expected date of Admission of the Secured Bonds to Prospects MTF	12 April 2019
7. Expected date of commencement of trading in the Secured Bonds	15 April 2019

The Issuer reserves the right to close the Intermediaries' Offer of the Secured Bonds before 18 March 2019 at 12:00 hours CET in the event that the Secured Bonds are fully subscribed prior to said date and time. In such eventuality the events set out in steps three (3) to seven (7) above shall be brought forward, although the number of working days between the respective events shall not be altered.

22 INFORMATION CONCERNING THE SECURED BONDS

Each Secured Bond shall be issued subject to the Terms and Conditions set out in this Company Admission Document: Part Two and, by subscribing to or otherwise acquiring the Secured Bonds, the Bondholders are deemed to have knowledge of all the Terms and Conditions of the Secured Bonds hereafter described and to accept and be bound by the said Terms and Conditions.

22.1 General

22.1.1 Each Secured Bond forms part of a duly authorised issue of 5% secured bonds 2029 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €5.0 million (except as otherwise provided under section 22.14 "*Further Issues*" below).

22.1.2 The issue date of the Secured Bonds is 6 March 2019.

22.1.3 The currency of the Secured Bonds is Euro (€).

- 22.1.4** The Secured Bonds shall bear Interest at the rate of 5% per annum payable annually in arrears on 18 March of each year, the first interest falling on 18 March 2020. Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.
- 22.1.5** Subject to admission of the Secured Bonds to the Prospects MTF, the Bonds are expected to be assigned ISIN: MT0002231208.
- 22.1.6** The issue of the Secured Bonds is made in accordance with the requirements of the Prospects MTF Rules.
- 22.1.7** The Secured Bonds are expected to be admitted on the Prospects MTF List on 12 April 2019 and dealing is expected to commence on 15 April 2019.
- 22.1.8** The Issuer reserves the right that should any Secured Bonds be sold on the secondary market, such Secured Bonds may be purchased by the Issuer, at the price they would be trading at the time, prior to the Secured Bonds' Redemption Date.
- 22.1.9** All outstanding Secured Bonds, not previously purchased and cancelled, shall be redeemed by the Issuer at par (together with interest accrued to the date fixed for redemption) on the Redemption Date.
- 22.1.10** Should any Application not be accepted, or be accepted for fewer Bonds than those applied for, the monies or the balance of the amount paid but not allocated will be returned by the Placement Agent, Manager and Registrar without interest by direct credit into the Applicant's bank account as indicated by the Applicant in the Application Form within five (5) Business Days from the date of final allocation. Neither the Issuer nor the Placement Agent, Manager and Registrar will be responsible for any charges, loss or delays in transmission of the refunds. In this regard, save as otherwise may be established by the applicable law, any monies returnable to Applicants may be retained pending clearance of the remittance and any verification of identity or compliance with customer acceptance policy as required by the Prevention of Money Laundering Act (Cap. 373 of the laws of Malta) and regulations made thereunder. Such monies will not bear interest while retained as aforesaid.
- 22.1.11** There are no special rights attached to the Secured Bonds other than the right of the Bondholders to payment of capital and interest (as detailed below) and in accordance with the ranking specified in section 22.4 of this Company Admission Document.
- 22.1.12** The minimum subscription amount of Secured Bonds that can be subscribed for by Applicants is €5,000, and in multiples of €100 thereafter.
- 22.1.13** The Bond Issue is not underwritten. In the event that the Bond Issue is not fully subscribed the Issuer will proceed with the admission of the amount of Secured Bonds subscribed for.

22.2 Intermediaries' Offer

The total amount of €5.0 million of Secured Bonds is being reserved for subscription by Authorised Intermediaries participating in the Intermediaries' Offer.

In this regard, the Issuer has entered into conditional subscription agreements with Authorised Intermediaries for the subscription of the Secured Bonds, whereby it will bind itself to allocate Secured Bonds thereto up to the total amount of €5.0 million as aforesaid during the Intermediaries' Offer .

In terms of the subscription agreement entered into with the Authorised Intermediary, the Issuer will be conditionally bound to issue, and the Authorised Intermediary will conditionally bind itself to subscribe for, a number of Secured Bonds as indicated therein subject to the Secured Bonds being admitted to trading on the Prospects MTF and the first special hypothec forming part of the Collateral being constituted in favour of the Security Trustee. The subscription agreement will become binding on each of the Issuer and the respective Authorised Intermediaries upon delivery, provided that these intermediaries would have paid to the Placement Agent, Manager and Registrar all subscription proceeds in cleared funds on delivery of the subscription agreement.

Authorised Intermediaries subscribing for Bonds may do so for their own account or for the account of underlying customers, including retail customers, and shall, in addition, be entitled to distribute any portion of the Secured Bonds subscribed for upon commencement of trading.

22.3 Plan of Distribution and Allotment

The Issuer has appointed Financial Planning Services Limited as Placement Agent, Manager and Registrar for the purposes of this Bond Issue. Subject to the terms of this Company Admission Document, applications for subscriptions to the Secured Bonds shall be made through the Placement Agent, Manager and Registrar or any of the Authorised Intermediaries during the Issue Period on a first-come-first-served basis. The Issue Period shall close immediately upon attaining full subscription or on the last day of the Issue Period, whichever is the earliest. Subscription to the Secured Bonds must be accompanied by full price of the Secured Bonds applied for in Euro and in cleared funds at the Issue Price. If the Application Form(s) and proof of payment of cleared funds do not reach the Placement Agent, Manager and Registrar, as applicable, by the close of the Issue Period, the Application will be deemed to have been declined.

It is expected that notification of allotment will be announced to Bondholders within five (5) Business Days of the closing of the Issue Period.

Dealings in the Secured Bonds shall not commence prior to: (i) the Secured Bonds being admitted to the Prospects MTF List; (ii) the first special hypothec forming part of the Collateral being constituted in favour of the Security Trustee; and (iii) the pledge over the Insurance Policy having been set up as above-mentioned. Subject to admission on Prospects MTF, the Issuer shall make a prompt announcement on the same day registration of the said first special hypothec and pledge over the Insurance Policy.

22.4 Status and Ranking of the Secured Bonds

The Secured Bonds shall constitute the general, direct and unconditional obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves. The Secured Bonds shall be guaranteed in respect of both the interest due and the principal amount under said Secured Bonds by the Guarantor in terms of the Guarantee. In respect of the Guarantor, the Secured Bonds shall rank *pari passu*, without any priority or preference to all other present and future unsecured obligations of the Guarantor, and with first ranking and priority over the Security Property.

Pursuant to the Trust Deed, the Guarantor with respect to the property owned by it, has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders as Beneficiaries, a special hypothec over the Security Property.

The first special hypothec will secure the claim of the Security Trustee, for the benefit and in the interest of Bondholders, for the repayment of the principal under the Bonds by a preferred claim over the Security Property. The Security Trustee shall maintain an interest in the Insurance Policy by means of a pledge thereon.

Accordingly, following the issue of the Bonds and application of the proceeds as set out above, the Security Trustee for the benefit of Bondholders will have the benefit of a first special hypothec over the Security Property for the full amount of €5,250,000.

22.5 Rights attaching to the Secured Bonds

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

- i. the payment of interest;
- ii. the payment of capital;
- iii. the benefit of the Collateral through the Security Trustee;
- iv. attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and
- v. enjoy all such other rights attached to the Secured Bonds emanating from the Company Admission Document.

22.6 Interest

22.6.1 The Secured Bonds shall bear Interest from and including 19 March 2019 at the rate of 5% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first Interest payment will be effected on 18 March 2020 (covering the period 19 March 2019 to 18 March 2020). Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. Each Secured Bond will cease to bear Interest from, and including, its due date for redemption, unless payment of the principal in respect of the Secured Bond is improperly withheld or refused or unless default is otherwise made in respect of payment, in any of which events Interest shall continue to accrue at the highest rate applicable by law. 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 Secured Bonds is barred by the lapse of five (5) years.

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

22.7 Yield

22.7.1 The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Secured Bonds at Redemption Date is 5%.

22.8 Registration, Form, Denomination and Title

22.8.1 Certificates will not be delivered to Bondholders in respect of the Secured Bonds in virtue of the fact that the entitlement to Secured Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses,

identity card numbers (in the case of natural persons), registration numbers (in the case of body corporates), LEI and MSE account numbers of the Bondholders and particulars of the Secured Bonds held by them respectively; and the Bondholders shall have, at all reasonable times during business hours, access to the register of Bondholders held at the CSD for the purpose of inspecting information held on their respective account.

22.8.2 The CSD will issue, upon a request by a Bondholder, a statement of holdings to such Bondholder evidencing his/her/its entitlement to Secured Bonds held in the register kept by the CSD in accordance with the MSE's applicable terms and conditions.

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

22.8.4 The Secured Bonds will be issued in fully registered form, in denominations of any integral multiple of €100 per Bond, provided that on subscription the Secured Bonds will be issued for a minimum of €5,000 per individual Bondholder. Authorised Intermediaries subscribing to the Secured Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €5,000 to each underlying client.

22.8.5 Any person in whose name a Secured 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 Secured Bond. Title to the Secured Bonds may be transferred as provided below under the heading "Transferability of the Secured Bonds" in section 22.13 of the Company Admission Document.

22.9 Pricing

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

22.10 Payments

22.10.1 Payment of the principal amount of the Secured Bonds will be made in Euro by the Issuer to the person in whose name such Secured 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. Upon payment of the Redemption Value, the Secured Bonds shall be redeemed and the appropriate entry shall be made in the electronic register of the Secured Bonds at the CSD.

22.10.2 In the case of Secured Bonds held subject to usufruct, payment of interests will be made out in favour of usufructuary while the redemption payment will be made out only 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 Secured Bonds.

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

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

22.10.5 No commissions or expenses shall be charged by the Issuer to the Bondholders in respect of payments made in accordance with this section 22.10. The Issuer shall not be liable for charges, expenses and commissions levied by parties other than the Issuer.

22.11 Redemption and Purchase

22.11.1 Unless previously purchased and cancelled, the Issuer hereby irrevocably covenants in favour of each Bondholder that the Secured Bonds will be redeemed at their nominal value (together with accrued interest) on 18 March 2029. In such a case the Issuer shall be discharged of any and all payment obligations under the Bonds upon payment made net of any withholding or other taxes due or which may be due under Maltese Law and which is payable by the Bondholders.

22.11.2 Subject to the provisions of this section 22.11, the Issuer may at any time purchase Secured Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.

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

22.12 Events of Default

Pursuant to the Trust Deed, the Security Trustee may in its absolute and unfettered discretion, and shall upon the request in writing of not less than 60% in value of the Bondholders qua primary beneficiaries and/or of the Corporate Advisor appointed under the Prospects MTF Rules and acting in its duty of care to the Exchange, the market and the Bondholders, by notice in writing to the Issuer and the Guarantor, declare the Secured Bonds to have 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 and/or Guarantor shall fail to pay any Interest on any Secured Bond when due and such failure shall continue for thirty (30) days after written notice thereof shall have

- been given to the Issuer and/or Guarantor, as the case may be, by the Security Trustee; and/or
- ii. the Issuer and/or Guarantor shall fail to pay the principal amount of the Secured Bond on the date fixed for its redemption; and such failure continues for thirty (30) days after written notice thereof shall have been given to the Issuer and/or Guarantor, as the case may be, by the Security Trustee; and/or
 - iii. 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 Secured Bonds and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by any Bondholder; and/or
 - iv. an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer and/or Guarantor; or
 - v. in terms of article 214(5) of the Act, a Court order or other judicial process is levied or enforced upon or sued out against any part of the property of the Issuer and is not paid out, withdrawn or discharged within one month; and/or
 - vi. the Issuer stops payment of its debts (whether of principal or interest) or ceases or threatens to cease to carry on its business; and/or
 - vii. the Issuer fails to maintain a valid Insurance Policy; and/or
 - viii. the Issuer or the Guarantor is unable to pay its debts within the meaning of article 214(5) of the Act, or any statutory modification or re-enactment thereof;
 - ix. a judicial or provisional administrator is appointed upon the whole or any part of the property of the Issuer or the Guarantor; and such appointment is certified by the Security Trustee to be prejudicial, in its opinion, to the Bondholders;
 - x. an order is made or an effective resolution is passed for winding up of the Issuer or the Guarantor, except for the purpose of a reconstruction, amalgamation or division, the terms of which have been approved in writing by the Security Trustee;
 - xi. the Issuer or the Guarantor substantially changes the object or nature of its business as currently carried on; and/or
 - xii. the Issuer or the Guarantor commits a breach of any of the covenants or provisions contained in the Trust Deed and on its part to be observed and performed and the said breach still subsists for 30 days after having been notified by the Security Trustee (other than any covenant for the payment of interests or principal monies owing in respect of the Bonds);
 - xiii. the security constituted by any privilege, hypothec, pledge or charge upon the whole or any part of the undertaking or assets of the Issuer or the Guarantor shall become enforceable and steps are taken to enforce the same and the taking of such steps shall be certified in writing by the Security Trustee to be in its opinion prejudicial to the Bondholders;
 - xiv. any representation or warranty made or deemed to be made or repeated by or in respect of the Issuer or the Guarantor is or proves to have been incorrect in any material respect in the sole opinion of the Security Trustee;

- xv. any material indebtedness of the Issuer or the Guarantor is not paid when properly due or becomes properly due and payable or any creditor of the Issuer or the Guarantor (as the case may be) becomes entitled to declare any such material indebtedness properly due and payable prior to the date when it would otherwise have become properly due or any guarantee or indemnity of the Issuer or the Guarantor in respect of indebtedness is not honoured when properly due and called upon; PROVIDED THAT for the purposes of this provision, material indebtedness shall mean an amount exceeding €500,000; and/or
- xvi. any consent, permit, authorisation, licence or approval of, or registration with, or declaration to governmental, statutory or public bodies, or authorities or courts, required by the Issuer or the Guarantor in connection with the Boutique Hotels and their development and construction; or pursuant to the execution, delivery, validity, enforceability or admissibility in evidence hereof, or the performance by the Issuer of its obligations hereunder, is substantially modified in the sole opinion of the Security Trustee, or is not granted, or is revoked, or terminated, or expires and is not renewed, or otherwise ceases to be in full force and effect;
- xvii. it becomes unlawful at any time for the Issuer or the Guarantor to perform all or any of its obligations hereunder or to manage the Boutique Hotels; and/or
- xviii. the Issuer or the Guarantor repudiates, or does or causes or permits to be done any act or thing evidencing an intention to repudiate the Bonds and/or the Trust Deed; or
- xix. all, or in the sole opinion of the Security Trustee, a material part, of the undertakings, assets, rights, or revenues of or shares or other ownership interests in the Issuer or the Guarantor are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government.
- xx. there shall have been entered against the Issuer a final judgement by a court of competent jurisdiction from which no appeal may be or is made for the payment of money in excess of half a million Euro (€500,000) or its equivalent and ninety (90) days shall have passed since the date of entry of such judgement without its having been satisfied or stayed.

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

Provided that in the event of any breach by the Issuer of any of the covenants, obligations or provisions herein contained due to any fortuitous event of a calamitous nature beyond the control of the Issuer, then the Security Trustee may, but shall be under no obligation so to do, give the Issuer such period of time to remedy the breach as in its sole opinion may be justified in the circumstances and if in its sole opinion the breach is remediable within the short term and without any adverse impact on the Bondholders. Provided further that in the circumstances contemplated by this proviso, the Security Trustee shall at all times act on and in accordance with any instructions it may receive in a meeting of Bondholders satisfying the conditions set out in the Trust Deed and/or with any written notice to the Issuer and the Guarantor and copied to the Security Trustee, given by the Corporate Advisor appointed under the Prospects MTF Rules and acting in its duty of care to the Exchange, the market and the Bondholders, declaring the Secured Bonds to have become immediately due and repayable at their principal amount, together with any accrued interest. The Security Trustee shall not be bound to take any steps to ascertain whether any event of default or other condition, event or circumstance has occurred or may occur, and, until it shall have actual knowledge or express notice to the contrary, the Security Trustee shall be entitled to assume that no such event of default or

condition, event or other circumstance has happened and that the Issuer is observing and performing all the obligations, conditions and provisions on its part contained under the Bonds and the Company Admission Document. Provided further that, in the event that the Security Trustee becomes aware of the fact that an Event of Default has occurred or is likely to occur, it shall notify in writing the Malta Stock Exchange, the Corporate Advisor and the Bondholders of such fact without delay.

22.13 Transferability of the Secured Bonds

22.13.1 The Secured Bonds are freely transferable and, once admitted to the Prospects MTF, shall be transferable only in whole (in multiples of €100) in accordance with the rules and regulations of the Prospects MTF and the MSE applicable from time to time. If Secured Bonds are transferred in part, such attempted partial transfer will not be cleared and the transferee thereof will not be registered as a Bondholder or claim from the Issuer any purported benefit therefrom.

22.13.2 Any person becoming entitled to a Secured Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may, from time to time, properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Secured 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 Secured Bond, or procuring the transfer of the Bond, in favour of that person. Provided always that if a Secured 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.

22.13.3 All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Secured Bonds and to any applicable laws and regulations.

22.13.4 The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the person to whom the transfer/transmission has been made.

22.13.5 The Issuer will not register the transfer or transmission of Secured Bonds for a period of fifteen (15) days preceding the Interest Payment Date or the due date for redemption.

22.14 Further Issues

22.14.1 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 Secured 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 Secured Bonds), or upon such terms as the Issuer may determine at the time of their issue, provided that no issue may be made that would rank prior to the Bonds in respect of the Collateral.

22.15 Meetings of Bondholders

22.15.1 The Issuer may, through the Security Trustee, from time to time, call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of any of the following: (i) considering and approving any matter affecting their interest, including any change in the use of proceeds from the Bond Issue in relation to the amount allocated for development and acquisition by means of an emphyteutical grant of the St. Julian's boutique hotel, the amendment, modification, waiver, abrogation or substitution of any of the Terms and Conditions of the Secured Bonds and the rights of the Bondholders arising under the Company Admission Document; (ii) considering and approving the exchange or substitution of the Secured Bonds by, or the conversion of the Secured Bonds into, shares, debentures or other obligations or securities of the Issuer; and (iii) obtaining the consent of Bondholders on other matters which in terms of the Company Admission Document require the approval of a Bondholders' meeting in accordance with section 22.15.3 below.

22.15.2 A meeting of Bondholders shall be called by the Directors by giving the Security Trustee not less than 21 days' notice in writing. Upon receiving due notice from the Directors, the Security Trustee shall call a meeting of Bondholders by giving all Bondholders listed on the register of Bondholders as at a date being not more than thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (14) days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Company Admission Document 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 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

22.15.3 The amendment or waiver of any of the Terms and Conditions of Issue of the Secured Bonds may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.

22.15.4 A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose, at least two (2) Bondholders present, in person or by proxy, representing not less than 50% in nominal value of the Secured Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to Bondholders present at that meeting. The Issuer shall within two (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting the number of Bondholders present at the commencement of the meeting, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.

- 22.15.5 Any person who in accordance with the Memorandum and Articles of Association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.
- 22.15.6 Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event that decisions are required to be taken at the meeting, the Directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.
- 22.15.7 The voting process shall be managed by the Issuer's Company Secretary under the supervision and scrutiny of the auditors of the Issuer and the Security Trustee.
- 22.15.8 The proposal placed before a meeting of Bondholders shall only be considered approved if at least sixty per cent (60%) in nominal value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.
- 22.15.9 Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

22.16 Authorisations and Approvals

The Directors authorised the Bond Issue and the publication of the Company Admission Document pursuant to a board of directors' resolution passed on 6 March 2019. The Guarantee being given by the Guarantor in respect of the Secured Bonds has been authorised by a resolution of the board of directors of the Guarantor dated 6 March 2019.

22.17 Admission to Trading

- 22.17.1 Application has been made to the Malta Stock Exchange for the Secured Bonds being issued pursuant to the Company Admission Document to be admitted and traded on its Prospects MTF.
- 22.17.2 While the MSE has disclaimed responsibility for the contents of this CAD, it has authorised the issue of the said Admission Document in respect of this Application.
- 22.17.3 The Secured Bonds are expected to be admitted to the Malta Stock Exchange with effect from 12 April 2019 and trading is expected to commence on 15 April 2019. Dealing may commence prior to notification of the amount allocated being issued to Applicants.

22.18 Representations and Warranties

22.18.1 The Issuer represents and warrants to Bondholders and to the Security Trustee for the benefit of 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 Company Admission Document 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 Company Admission Document.

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

22.19 Secured Bonds held jointly

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

22.20 Secured Bonds held subject to usufruct

In respect of a Secured Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed *vis-a-vis* the Issuer to be the holder of the Secured Bond/s so held and shall have the right to receive interest on the Secured Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Secured Bond/s, have the right to dispose of the Secured Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Secured Bond (payable on the joint instruction of both usufructuary and bare owner).

22.21 Governing law and jurisdiction

22.21.1 The Secured Bonds are governed by and shall be construed in accordance with Maltese Law.

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

22.22 Notices

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

22.23 Sinking Fund

The Issuer hereby undertakes that as from the financial year ending 31 December 2024 it shall, over a period of five (5) years, build a Sinking Fund the value of which will by the Redemption Date be equivalent to 50% of the value of the issued Secured Bonds. The Issuer shall primarily use the Sinking Fund to repay the Secured Bonds on the Redemption Date or in any other manner in accordance with this Company Admission Document. The Issuer shall make periodic payments for the purpose of building up this Sinking Fund. Below is a table with the minimum amounts to be paid by the Issuer for this purpose:

Sinking fund contribution for the years ending 31 December

€000	FY2024	FY2025	FY2026	FY2027	FY2028
Annual contribution	500	500	500	500	500
Cumulative balance	500	1,000	1,500	2,000	2,500

The Sinking Fund shall be managed by the Issuer and administered by its Board of Directors in line with the treasury management policy.

The functions of the Board of Directors in relation to administering the Sinking Fund shall include the following activities:

- i. take control of the assets of the Sinking Fund which shall be segregated from the other assets of the Issuer;
- ii. monitor the Issuer's obligation to effect yearly payments to the Sinking Fund;
- iii. seek to ensure that by Redemption Date, the Sinking Fund would have accumulated 50% of the nominal amount of the Bonds still outstanding. In the event of a shortfall, the Board of Directors are to ensure that such discrepancy, caused by the Issuer, would be due to justifiable reasons;
- iv. The Board of Directors are to ascertain that the Issuer has applied the assets in accordance with the treasury management policy in the following order:
 - a) Buy-back its own Secured bonds on the secondary market should a Bondholder wish to sell the Bonds and/or;
 - b) At least 15% of the total amount following buy-back of any Secured Bonds shall be maintained in an interest bearing bank account denominated in euro and held with a bank established in the European Economic Area or invested in Malta treasury bills;
 - c) Not more than 85% of the total amount following buy-back of any Secured Bonds shall be invested in Malta Government Stocks or in local SICAVs that principally invest in Malta Government Stocks, debt instruments quoted on reputable stock exchanges and UCITS funds;
- v. monitor that the portfolio of assets within the Sinking Fund is being managed appropriately;

- vi. authorise the release of Sinking Fund assets in the event that the Issuer requires the use of such assets due to temporary liquidity problems as detailed below; and
- vii. draw up an annual report, addressed to the Bondholders, as to the extent of compliance by the Issuer with the provisions of this section 22.23, a copy of which shall be published through a company announcement and shall be included in the annual financial statements of the Issuer.

The Issuer may not create or permit to subsist security over the Sinking Fund assets, other than the creation of a general hypothec or privilege with a credit institution in the event that the Issuer is facing temporary liquidity problems. Prior to the utilisation of the Sinking Fund assets for such temporary use approval by the Board of Directors of the Issuer must be required.

Upon the occurrence of any of the Events of Default, the Security Trustee, in its capacity as trustee of the FES Trust, shall take control over the Sinking Fund.

Any future changes to the above mentioned treasury management policy shall be published by way of company announcement.

The Issuer shall on a half-yearly basis, in its interim and annual financial statements, explain the Issuer's compliance with the Sinking Fund requirements as detailed in this section 22.23 and if necessary explain the reasons for non-compliance, if any. The Bondholders will be informed on the publication of the said financial statements through the issuance of a company announcement by the Issuer. The financial information will be available for inspection at the registered office of the Issuer and in electronic form on the Issuer's website: www.fes.com.mt.

23 TAXATION

23.1 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 any income/gains derived therefrom or made on their transfer. The following is a summary of the anticipated tax treatment applicable to the Bonds and to Bondholders in so far as taxation in Malta is concerned at the time of issue of this Company Admission Document. 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 issue of the Company Admission Document, 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 prospective 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.

23.2 Malta Tax on Interest

Unless the Issuer is otherwise instructed by a Bondholder or if the Bondholder does not fall within the definition of “recipient” in terms of article 41(c) of the Income Tax Act (Cap. 123 of the laws of Malta), interest shall be paid to such person net of a final withholding tax, currently at the rate of 15% (10% in the case of certain types of collective investment schemes) of the gross amount of the interest pursuant to article 33 of the said Income Tax Act. Bondholders who do not fall within the definition of a “recipient” do not qualify for the said rate and should seek advice on the taxation of such income.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder need not declare the interest so received in his income tax return if 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.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax on it at the standard rates applicable to that person at that time. 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 (Cap. 123 of the laws of Malta).

The Issuer will report to the Malta Commissioner for Revenue on an annual basis in respect of all interest paid and of the identity of all such recipients.

23.3 Exchange of Information

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

Please note that this does not constitute tax advice and Applicants are to consult their own independent tax advisers in case of doubt.

23.4 Foreign Account Tax Compliance Act

The United States (US) enacted the Foreign Account Tax Compliance Act, 2010 (FATCA) that generally imposes a reporting regime and withholding requirements with respect to certain US source payments (including dividends and interest), gross proceeds from the disposition of property that can produce US source interest and dividends and certain payments made by, and financial accounts held with, entities that are classified as financial institutions under FATCA. The US entered into an intergovernmental agreement with Malta on 6 December 2013 regarding the implementation of FATCA. More specifically FATCA requires foreign financial institutions to provide the IRS with information on Specified US persons as defined holding accounts outside of the US, including certain non-US entities with US Controlling Persons. Non-compliance shall result in punitive withholding 30% tax on distributions captured by FATCA. Bondholders should choose any custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make ensure compliance with FATCA. The Issuer’s obligations under the Bonds are discharged once it has effected payment as stipulated in this Company Admission Document and therefore the Issuer has no responsibility for any amount thereafter transmitted through the payment chain. FATCA requires

reporting financial institutions, as defined, to satisfy applicable due diligence and reporting requirements in terms of the intergovernmental agreement entered into by Malta together with the relevant regulations and guidelines issued by the Commissioner for Revenue. Consequently, certain confidential information in relation to the Bondholders and/or other relevant persons may be reported to the Commissioner for Revenue and automatically exchanged with the IRS pursuant to these requirements. FATCA is rather complex and each Bondholder should consult his own tax advisor to obtain a more detailed explanation of FATCA and to determine how it might affect such holder in his specific circumstance.

23.5 Maltese Taxation on Capital Gains on Transfer of the Bonds

On the assumption that the Bonds would not fall within the definition of “securities” in terms of article 5(1)(b) of the Income Tax Act (Cap. 123 of the laws of Malta), 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*”, and that such Bonds are held as a capital asset and not for trading purposes, no Maltese income tax on capital gains should be chargeable in respect of any capital gain arising on the transfer of the Bonds.

23.6 Duty on Documents and Transfers

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

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

INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND TRANSFER 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.

24 TERMS AND CONDITIONS OF THE BOND ISSUE

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

24.1 The issue and allotment of the Secured Bonds is conditional upon: (i) the Secured Bonds being admitted to the Prospects MTF List; and (ii) the first special hypothec forming part of the Collateral being constituted in favour of the Security Trustee, in accordance with the provisions of the Security Trust Deed; and (iii) the pledge over the Insurance Policy having been duly constituted. Subject to admission on Prospects MTF, the Issuer shall make a prompt announcement on the same day registration of the said first special hypothec and pledge over the Insurance Policy. In the event that either of the aforementioned conditions is not satisfied within 15 Business Days of the close of the Offer Period, any application monies received by the Issuer will be returned without interest by direct credit into the Applicant’s bank account indicated by the Applicant on the relative Application Form. If no such bank account number is provided, or in the event that bank account details on the Application Form are incorrect or

inaccurate, such returns will be made by means of a cheque mailed to the Applicant's address (or, in the case of joint applications, the address of the first named Applicant) indicated in the Application Form. The Issuer shall not be responsible for any charges, and any loss or delay in transmission.

24.2 The Issuer has not established an aggregate minimum subscription level for the Bond Issue.

The completed Application Forms are to be lodged with the Placement Agent, Manager and Registrar.

24.3 It is the responsibility of investors wishing to apply for the Secured Bonds to inform themselves as to the legal requirements of so applying, including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence or domicile.

24.4 The contract created by the Issuer's acceptance of an Application filed by a prospective bondholder shall be subject to all the terms and conditions set out in this Company Admission Document and the Memorandum and Articles of Association of the Issuer.

24.5 Any person, whether natural or legal, shall be eligible to submit an Application and any one (1) person, whether directly or indirectly, should not submit more than one (1) application form. If an Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have duly bound his principal, or the relative corporation, corporate entity, or association of persons, and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such representative may be requested to submit the relative power of attorney/ resolution or a copy thereof duly certified by a lawyer or notary public unless already known to the Placement Agent, Manager and Registrar.

24.6 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.

24.7 Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Secured Bonds allocated pursuant to such an Application Form shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the application form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.

24.8 The Secured 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 (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended).

24.9 No person receiving a copy of the Company Admission Document 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.

- 24.10 It is the responsibility of any person outside Malta, wishing to make any Application, to satisfy himself/herself/itself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consent, observing any other formality required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 24.11 Subject to all other terms and conditions set out in the Company Admission Document, the Issuer reserves the right to reject, in whole or in part, or to scale down, any Application, including multiple or suspected multiple applications, and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions, and/or this Company Admission Document, and/or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted. In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each Applicant, and liability therefor is joint and several.
- 24.12 Save where the context requires otherwise or where otherwise defined therein, terms defined in the Company Admission Document bear the same meaning when used in these Terms and Conditions, in the Application Forms, in any of the annexes and in any other document issued pursuant to the Company Admission Document.
- 24.13 The Issuer has not sought assessment of the Secured Bonds by any independent credit rating agency.
- 24.14 The Secured Bonds will be issued in multiples of €100. The minimum amount of Secured Bonds that can be subscribed for by each Applicant is €5,000.
- 24.15 Subject to all other Terms and Conditions set out in the Company Admission Document, the Issuer reserves the right to revoke the issue at any time before the closing of the Issue Period. The circumstances in which such revocation might occur are expected to be exceptional, for example where a significant change in market conditions occurs.
- 24.16 For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations, issued under the Prevention of Money Laundering Act (Chapter 373 of the Laws of Malta), as amended from time to time, all appointed Authorised Intermediaries are under a duty to communicate to the CSD, all information about clients as is required under the Implementing Procedures issued by the Financial Intelligence Analysis Unit under the said Regulations and Articles 1.2(d) and 2.4 of the “Members’ Code of Conduct” appended as Appendix 3.6 to Chapter 3 of the Malta Stock Exchange Bye-Laws, irrespective of whether the said appointed Authorised Intermediaries are Malta Stock Exchange Members or not. Such information shall be held and controlled by the Malta Stock Exchange in terms of the Data Protection Act (Cap. 586 of the laws of Malta) and ancillary legislation as may be promulgated from time to time, including in terms of the General Data Protection Regulation (Regulation (EU) 2016/679), for the purposes and within the terms of the Malta Stock Exchange Data Protection Policy as published and as may from time to time be amended having regard to the provisions of the General Data Protection Regulation provisions.
- 24.17 By completing and delivering an Application Form, the Applicant:

- i. agrees and acknowledges to have had the opportunity to read the Company Admission Document and to be deemed to have had notice of all information and representations concerning the Issuer and the Guarantor and the issue of the Secured Bonds contained therein;
- ii. warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects and in the case where an MSE account number is indicated in the Application Form, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant;
- iii. authorises the Placement Agent, Manager and Registrar and the Directors of the Issuer to include his/her/its name or, in the case of joint Applications the first named Applicant, in the register of debentures of the Issuer in respect of the Secured Bonds allocated to such Applicant and further authorises the Issuer and the MSE to process the personal data that the Applicant provided in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Chapter 586 of the laws of Malta), and in the manner and modalities indicated in section 25 hereunder. The Applicant has the right to request access to and rectification of the personal data relating to him/her/it as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the CSD. The requests must further be signed by the Applicant to whom the personal data relates;
- iv. confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer, the Guarantor or the issue of the Secured Bonds other than what is contained in the Company Admission Document and, accordingly, agree/s that no person responsible solely or jointly for the Company Admission Document or any part thereof will have any liability for any such other information or representation;
- v. agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her/its remittance and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
- vi. agrees to provide the Placement Agent, Manager and Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application;
- vii. warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her/its Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Placement Agent, Manager and Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Secured Bonds or his/her/its Application;
- viii. warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- ix. represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) and that

he/she/it is not accepting the invitation set out in the Company Admission Document 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;

- x. agrees that all documents in connection with the issue of the Secured Bonds and any returned monies, including refunds of all unapplied Application monies, will be sent at the Applicant’s own risk and may be sent, in the case of documents, by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form and in the case of monies by direct credit, into the Applicant’s bank account as indicated by the Applicant on the Application Form;
- xi. 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;
- xii. irrevocably offers to purchase the number of Secured Bonds specified in his/her/its Application Form (or any smaller number for which the Application is accepted by the Issuer) at the Bond Issue Price subject to the Company Admission Document, the terms and conditions thereof, and the Memorandum and Articles of Association of the Issuer;
- xiii. warrants that his/her/its remittance will be honoured on first presentation and agrees that if such remittance is not so honoured he/she/it will not be entitled to receive a registration advice, or to be registered in the register of debentures or to enjoy or receive any rights in respect of such Secured Bonds unless and until payment in cleared funds for such Secured Bonds is received and accepted by the Issuer and/or the Placement Agent, Manager and Registrar (which acceptance shall be made in the absolute discretion of the Issuer and/or the Placement Agent, Manager and Registrar and may be on the basis that the Issuer and/or the Placement Agent, Manager and Registrar is indemnified against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of such remittance to be honoured on first presentation) and that, at any time prior to unconditional acceptance by the Issuer and/or the Placement Agent, Manager and Registrar of such late payment in respect of such Secured Bonds, the Issuer and/or the Placement Agent, Manager and Registrar may (without prejudice to other rights) treat the agreement to allocate such Secured Bonds as void and may allocate such Secured Bonds to some other person, in which case the Applicant will not be entitled to any refund or payment in respect of such Secured Bonds (other than return of such late payment);
- xiv. agrees that all Applications, acceptances of applications and contracts resulting therefrom will be governed by, and construed in accordance with, Maltese Law and that he/she/it submits to the exclusive jurisdiction of the Maltese Courts and agrees that nothing shall limit the right of the Issuer to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of applications and contracts in any other manner permitted by law in any court of competent jurisdiction;
- xv. warrants that if he/she signs the Application Form on behalf of another party or on behalf of a corporation or corporate entity or association of persons, he/she has due authority to do so and such person, corporation, corporate entity or association of persons will also be bound accordingly, and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions;

- xvi. warrants that he/she is not under the age of eighteen (18) years or if he/she is lodging an Application in the name and for the benefit of a minor, warrants that he/she is the parent/s or legal guardian/s of the minor;
- xvii. confirms that, in the case of a joint Application entered into in joint names, the first named Applicant shall be deemed the holder of the Secured Bonds; and
- xviii. agrees that, in all cases, any refund of unallocated Application monies will be sent to the Applicant by direct credit into the Applicant's bank account as indicated by the Applicant on the Application Form. No interest shall be due on refunds. The Issuer shall not be responsible for any changes, loss or delay in transmission. If no such bank account number is provided, or in the event that bank account details on the Application Form are incorrect or inaccurate, such refund will be made by means of a cheque mailed to the Applicant's address (or, in the case of joint Applications, the address of the first named Applicant) indicated in the Application Form.

25 Privacy and Data Protection

- 25.1 The Applicant hereby acknowledges that all personal data provided by the Applicant will be processed in accordance with the Regulation (EU) 2016/679 of the European Parliament and Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (hereinafter referred to as the "General Data Protection Regulation" or "GDPR") and in accordance with other applicable laws and regulations in terms of data protection including the Data Protection Act (Chapter 586 of the laws of Malta) and subsidiary legislation thereunder (hereinafter referred to as the "Act"), as may be amended from time to time. For the purpose of this Section, the terms "personal data", "data subject", "data controller", "data processor", "processing" shall have the same meaning as indicated in the GDPR.
- 25.2 The purposes for collecting and processing personal information are strictly connected to the Bond Issue and any ancillary activities connected or subsequent to such Bond Issue, including fulfilment of any legal or regulatory obligation imposed on the Issuer. Personal information shall be recorded and maintained in the register of debentures of the Issuer.
- 25.3 The personal information collected and processed for the purposes indicated in Section 25.2 above and contained in the register of debentures of the Issuer typically includes:
 - i. Name and surname;
 - ii. Identification number;
 - iii. Address;
 - iv. Bank Account details (IBAN, account beneficiary, BIC/SWIFT);
 - v. Mobile number (when necessary)
- 25.4 Personal data will be processed based on the following legal grounds:
 - i. Performance of contracts to which the data subject is party or in order to take steps at the request of the data subject prior to entering into the contract;
 - ii. To carry out one or more of the Issuer's legal obligations;
 - iii. When the data subject has given consent to the processing of his/her personal data for one or more specific purposes;

- iv. When the Issuer has a legitimate interest to process the data, except where such interests are overridden by the interests or fundamental rights and freedoms of the data subject which require protection of personal data.

25.5 Personal information on the Applicant shall be provided to the Issuer by the MSE. The Issuer may share personal information of the Applicant with:

- i. professionals or employees within the Issuer;
- ii. third parties to whom disclosure may be required to comply with legal requirements;
- iii. any other third parties to whom the disclosure may be essential in light of the relationship with the Applicant

Personal data shall not be transferred to third-parties located outside the EU or European Economic Area (EEA) unless specifically instructed to do so by the data subject.

25.6 Personal data will only be retained exclusively for the period which is necessary to fulfil the purposes for which it was collected and thereafter, for the purpose of satisfying further legal and regulatory requirements or obligations to which the Issuer is subject. This period may also be extended further to be able to assert, exercise or defend possible future legal claims against or otherwise involving the data subject.

25.7 Data subjects have various rights vis-à-vis their personal data:

- i. The right to be informed: the data subject has the right to be given clear information regarding how his/her personal data is processed.
- ii. The right to access personal data: the data subject may send a request to the Issuer to access all the personal data that the Issuer holds in his/her respect. To avail of this right, the data subject can contact the Issuer on info@fes.com.mt;
- iii. The right to rectification: the data subject can also request that any inaccurate or incomplete personal data which the Issuer holds in his/her regard be corrected by contacting the Issuer on info@fes.com.mt;
- iv. The right to erasure: there are certain instances where data subjects may also elect to request deletion of personal data. On a general note, the Issuer will comply with the data subject's request in this regard. However, the Issuer may have the necessity not to comply if retention of the data is required for the Issuer to be compliant with a legal obligation and/or such data would be required by the Issuer to exercise or defend any legal claims.
- v. The right to object: the data subject may object regarding his/her personal data being processed including when such processing is based on legitimate interest.
- vi. The right to data portability: the data subject has the right to put forward a request asking the Issuer to provide him/her with certain personal data which he/she had provided the Issuer with in a structured, commonly used and machine-readable format. When technically feasible, the data subject may also request that his/her personal data be transferred to a third party controller of his/her choice.
The right to withdraw consent: the data subject can also retract his/her previously given consent to any other consent-based processing at any time.
- vii. The Right to Lodge a Complaint: the data subject has the right to lodge a complaint against any personal data breach by communicating such breach to the Information and Data Protection Commissioner ("IDPC") by filling in the complaint form available at <https://idpc.org.mt/en/Pages/contact/complaints.aspx>.

25.8 The Issuer hereby undertakes to put in its best efforts to keep any disclosed personal information secure by implementing the appropriate technical and organisational measures with

the aim of protecting the data subject's personal data against unauthorised or unlawful processing, encompassing also accidental losses, destruction, storage or access.

**To: Manduca Randon & Co Ltd
Level 1
Britannia House, 9
Old Bakery Street
Valletta VLT1450
Malta**

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

6 March 2019

Dear Sirs

Re: GUARANTEE & INDEMNITY

We, FES Projects Limited, a company registered in Malta and bearing company registration number C 83872 (hereinafter together with lawful successors and assigns referred to as the “Guarantor”), having noted that:

- I. by virtue of a Company Admission Document dated 6 March 2019 issued by FES Finance p.l.c. (the “**Issuer**”) in connection with the issue of €5,000,000 5% Secured Bonds 2029 (as the same may be amended, varied or supplemented hereinafter referred to as the “**Company Admission Document**”) the Issuer shall, under the joint and several guarantee of the Guarantor, issue up to €5,000,000 in Secured Bonds at an annual interest rate of 5% to be redeemed and finally repaid on 18 March 2029 subject to the terms and conditions of the Company Admission Document (the “**Secured Bonds**”), a copy of which is hereto attached and marked “**Annex I**”;
- II. the Guarantor is the holder of 100% of the voting rights of the Issuer;
- III. it is a condition precedent for the issuance of the Secured Bonds that, *inter alia*, the Guarantor executes and grants this Guarantee and Indemnity (hereinafter referred to as “**Guarantee**”) of the obligations of the Issuer above referred to in favour of the Security Trustee;
- IV. the Guarantor has agreed to the conclusion and execution of this Guarantee in favour of the Security Trustee.

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

1. INTERPRETATION

In this Guarantee, unless the context otherwise requires:

- a) terms and expressions defined in or construed for the purposes of the Company Admission Document shall have the same meanings or be construed in the same manner when used in this Guarantee, unless defined otherwise in this Guarantee;

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

2. GUARANTEE

2.1 COVENANT TO PAY

In consideration of the Bondholders acquiring the Secured Bonds, the Guarantor, as duly authorised, without proof of liability or evidence and as primary obligor, hereby jointly and severally with the Issuer, unconditionally and irrevocably guarantees to the Security Trustee, for the benefit of Bondholders the payment of, and undertakes on first demand in writing made by the Security Trustee on the Guarantor, to pay the Indebtedness to the Security Trustee or any balance thereof at any time due or owing under the Secured Bonds.

2.2. MAXIMUM LIABILITY

This is a continuing Guarantee for the whole amount due or owing under the Secured Bonds or which may hereafter at any time become due or owing under the Secured Bonds by the Issuer but the amount due by the Guarantor to the Security Trustee under this Guarantee shall be up to and shall not be in excess of €5,250,000 apart from interests due on the Secured Bonds up to the date of payment, and costs and expenses relating to the protection, preservation, collection or enforcement of the Security Trustee’s rights against the Issuer and/or the Guarantor which shall be additional to the maximum sum herein stated.

2.3. INDEMNITY

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

3. CONTINUING AND UNCONDITIONAL LIABILITY

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

- a) the bankruptcy, insolvency or winding up of the Issuer; or
- b) the incapacity or disability of the Issuer or any other person liable for any reason whatsoever;
or

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

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

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

- 4.1. This Guarantee shall be for the full amount of the Indebtedness due from time to time. The liability of the Guarantor under this Guarantee shall be decreased from time to time to the extent, if any, that the Issuer or the Guarantor shall have made any irrevocable payment of the Indebtedness.
- 4.2. Until the Indebtedness has been paid in full the Guarantor agrees that it will not, without the prior written consent of the Security Trustee,
- a. exercise any rights of subrogation, reimbursement and indemnity against the Issuer or any other person liable for the Indebtedness;
 - b. demand or accept repayment, in whole or in part, of any indebtedness now or hereafter due to the Guarantor either from the Issuer or from any other person liable for the Indebtedness or demand any collateral in respect of same or dispose of same;
 - c. take any step to enforce any right against the Issuer or any other person liable for the Indebtedness;
 - d. claim any set-off or counter-claim against the Issuer or any other person liable for the Indebtedness nor shall the Guarantor claim or prove in competition with the Security Trustee in the liquidation of the Issuer or any other person liable for the Indebtedness or benefit or share any payment from or in composition with the Issuer or any other person liable for the Indebtedness.
- 4.3. Subject to the overriding provisions of the Company Admission Document, until the Indebtedness has been paid in full the Guarantor further agrees that:

- a. if an Event of Default under the Company Admission Document occurs, any sums which may be received by it from the Issuer or any person liable for the Indebtedness shall be held by it on trust exclusively for the Security Trustee and shall be paid to the Security Trustee immediately upon demand in writing or immediately after its receipt if such obligation arises from the documents executed by the Issuer in connection with the Company Admission Document;
- b. all rights of relief and subrogation arising in favour of the Guarantor upon a partial payment to the Security Trustee against the Issuer and any other person who may be liable for the Indebtedness, including any co-guarantors, shall be suspended;
- c. the Security Trustee may and shall receive and retain the whole of the liquidation dividends to the exclusion of the rights (if any) of the Guarantor in competition with the Security Trustee and pursuant to the above the Security Trustee is entitled to hold all payments made by the Guarantor or the Issuer on account of the Indebtedness in suspense for a period of six months from the date of payment and any such payments on account shall not be applied in reduction of the Indebtedness for a period of six months as stated. The Security Trustee may accordingly prove for the whole Indebtedness of the Issuer in liquidation after excluding any and all payments made within a period of six months prior to the liquidation of the Issuer;
- d. the Security Trustee shall not be required to exhaust any remedy or remedies it may have against the Issuer or other persons who may be liable for the Indebtedness for the settlement of all the Indebtedness before claiming against the Guarantor under this Guarantee which is to be construed as entirely independent from the relationship between the Security Trustee and the Issuer and providing immediate recourse against the Guarantor under this Guarantee. The Guarantor hereby waives any benefit of discussion or division which may be available under any applicable law.

5. SETTLEMENTS CONDITIONAL

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

6. ADDITIONAL GUARANTEE

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

7. BENEFIT OF THIS GUARANTEE AND NO ASSIGNMENT

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

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

8. REPRESENTATIONS AND WARRANTIES

8.1. The Guarantor represents and warrants:-

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

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

9. DEMANDS AND PAYMENTS

9.1 All the Indebtedness shall be due by the Guarantor under this Guarantee as a debt, certain, liquidated and due on the seventh day following the Security Trustee's first written demand to the Guarantor to pay. All demands shall be sent to the address or facsimile or other numbers

as are stated below in Clause 10 as the same may be changed by notice in writing by one party to the other.

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

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

- 9.2. The statement by the Security Trustee of the amount due under this Guarantee shall be binding on the Guarantor and shall be conclusive evidence of the sum due, saving only manifest error.
- 9.3. All payments shall be made to the Security Trustee without any withholding for taxes (and in so far as this obligation exists under any law the payment shall be grossed up by the amount of withholding) and without set-off for any amounts which may be then owing to the Guarantor by the Issuer or the Security Trustee. The Guarantor authorises the Security Trustee to apply any credit balance the Guarantor may have with the Security Trustee towards the satisfaction of the Indebtedness. The Security Trustee shall notify the Guarantor forthwith of the exercise of this right giving full details relating thereto.

10. NOTICES

Any notice required to be given by any party hereto to the other party shall be deemed to have been validly served if delivered by hand or sent by pre-paid registered letter through the post or by electronic mail 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 electronic mail, at the time of transmission of the electronic mail.

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

FES Finance p.l.c.
Address: 19-23, Conservatory Street, Floriana
Tel. No.: +356 2033 0043
Email: info@fes.com.mt
Contact Person: Mr Christopher Vella

FES Projects Limited
Address: 19-25, Conservatory Street, Floriana
Tel. No.: +356 2033 0043
Email: info@fes.com.mt
Contact Person: Mr Christopher Vella

Manduca Randon & Co Ltd

Address:

Telephone No:

Email:

Contact Person:

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

11. APPLICABLE LAW AND JURISDICTION

This Guarantee shall be governed by and construed in accordance with Maltese law. Any dispute, controversy or claim arising out of or relating to this Guarantee or as to the interpretation, validity, performance or breach thereof shall be referred to and finally resolved by arbitration under the UNCITRAL Rules of Arbitration in accordance with the provisions of Part V (International Arbitration) of the Arbitration Act (Cap. 387 of the laws of Malta). Any arbitration commenced pursuant to this clause shall take place in Malta and be administered by the Malta Arbitration Centre. The number of arbitrators shall be three, one arbitrator to be appointed by each of the Parties or, in default, by the Malta Arbitration Centre, whereas the third arbitrator shall be appointed by the first two arbitrators or, if they fail to agree on such an appointment, by the Malta Arbitration Centre.

Mr Christopher Vella
For and on behalf of
FES Projects Limited

For and on behalf of
Manduca Randon & Co Ltd

ANNEX B: VALUATION REPORT ON THE GZIRA BOUTIQUE HOTEL



Valuation Report

25/01/2019

**EURO GUEST HOUSE, TRIQ SIR
FREDERICK C. PONSONBY, IL-GZIRA**

Client: FES Projects Ltd
Int. Ref.: GZR.FES.01



The Board of Directors,
FES Finance p.l.c.

The Board of Directors,
FES Projects Ltd

19, Conservatory Street,
Floriana, FRN1521,
Malta.

25th January 2019

Dear Sirs,

**RE: PROPERTY VALUATION OF EURO GUEST HOUSE & ADJOINING
TOWNHOUSE, TRIQ SIR FREDERICK C. PONSONBY, IL-GZIRA, MALTA**

In accordance with your instructions, I, the undersigned architect and civil engineer holder of ID 580385M and warrant number 989 have drawn up a valuation report of the freehold and unencumbered immovable property in caption for the inclusion with the Company Admission Document to be published in connection with the proposed bond issue.

Perit Adrian Mangion B.E.&A.(Hons) A.&C.E.

Partner

For and on behalf of

Archi+

Encl.: Valuation report



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SECTION A: BACKGROUND

Report date

25th January 2018

Valuation date

The effective date of the valuation is the 25th January 2019. It must be noted that to the best of my knowledge and belief there have been no material changes in circumstances between the date of the site visit and the date of this report.

Clients

FES Finance p.l.c. (C89431) & FES Projects Ltd (C83872)

Subject property

This report relates solely to the properties known as the Euro Guest House & adjoining townhouse, Triq Sir Frederick C. Ponsonby, Gzira (see Annex 1 for a Site Plan indicating the boundaries assumed for the property), hereafter referred to as the "Property".

Purpose of valuation

The purpose of this valuation is for inclusion with the Company Admission Document to be published in connection with the proposed bond issue. The valuation has been prepared in accordance with the proposed bond issue.

Compliance with valuation standards

The valuation has been prepared in accordance with the following standards:

- Chapter 4 of the Prospects Rules (Rule 4.13.00) published by the Malta Stock Exchange (MSE);
- The Royal Institute of Chartered Surveyors (RICS) Valuation – Global Standards (2017) hereafter referred to as the "Valuation Standards".

There has been no departure from these standards.

Basis of valuation

The Prospects Rules require that the valuation be made on the basis of an open market value (more frequently the term market value is applied, with the "open" adjective, regard being given to the Valuation Standards and the latest publications of related internationally accepted Standards such as the IVS, RICS and EVS and the local KTP Standard) for existing use.



"Market Value", is defined in the Valuation Standards as *"the estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."*

Since the Property is in course of development this report also estimates:

- The estimated capital value at current prices on the basis of current market conditions after the development has been completed (the value on completion of works); and
- The estimated capital value at current prices on the basis of current market conditions after the development has been completed and the Property has been let and/or where the trade has stabilized (the value on maturity).

Currency

The currency used in the Valuation Report is euro (€).

Capacity of Valuer

The undersigned has taken on this assignment as an Independent Valuer as defined in the Valuation Standards. Furthermore, it is hereby confirmed that the undersigned:

- Is a warranted architect in terms of section 7 (3) of the architecture and civil engineering professionals (Periti) Act 1996 and is a fully paid member of the KTP, and is thus qualified to act as a valuer;
- Has sufficient current local knowledge of the particular property market involved and has the knowledge, skills and ability required to perform this valuation report competently;
- Is covered by Professional Indemnity Insurance which is updated in terms of standard provisions;
- Is not aware of any actual or potential conflict of interest in relation to the Property or to the Client, since the undersigned or his associates will not benefit from the valuation instruction, other than the valuation fee. Furthermore, the proportion of the fee to the total fees earned by Archi+ in the preceding twelve months is minimal; and
- Is the *Perit* responsible for the proposed works (namely architectural design, relevant planning applications, civil works detailing and supervision, and finishes detailing and supervision) on the Property.

Consent to publication and use

The undersigned acknowledges and agrees that the Valuation Report will be published in an unabbreviated form in the Company Admission Document and will be referred to in marketing and other materials prepared in the context of the issuance of bonds. The Company Admission Document will be accessible to potential Investors on the Company's website and the website of the MSE. Apart from that, neither the whole nor any part of this Valuation Report nor any reference thereto may be included in any



published document, circular statement nor published in any way without our prior written approval of the form and context in which it will appear.

Sources of information and verification

The undersigned has taken reasonable care to ensure that the information is up-to-date, complete and correct and may be safely relied on, and to the best of my knowledge is in accordance with the facts as given to me, and contains no omission likely to affect the value of the building.

Furthermore, it has been assumed that any information supplied can, if necessary, be verified. Should any of the information provided be found to be inaccurate or incomplete there could be a variation in value.

It is also recommended that should any further reports or audits, inter alia, to condition, legal or environmental issues become available, then copies should be forwarded to the undersigned in order for one to comment upon their impact on value.

The undersigned has been supplied with the following information in order to carry out the valuation:

- A Land Registry site plan indicating the site boundaries of the Property (Annex 1);
- The relevant development permit documents (Annexes 3 and 4);
- The drawings of the summary application (Annex 5);
- The drawings of the proposal (Annex 6);
- The website of the existing hotel;
- A copy of the hotel license (Annex 8);
- Underlying assumptions and key performance indicators (Annex 9); and
- Revenue projections and estimated EBITDA.

Property inspection

The Property was inspected on the 05th December 2018 in the presence of the Mr. Silvan Mifsud.

The inspections have been carried out externally and internally, however limited to those areas that were easily accessible or visible. Photographs of the current state of the Property (see Annex 2) note good weather in place during time of inspection.



SECTION B: ASSUMPTIONS & CONDITIONS

This valuation has been carried out on the basis of the following general and special assumptions. If any of these are subsequently found not to be valid, the valuation figures may also be incorrect or invalid and should be reconsidered.

The market

The state of the market, level of property values and other relevant circumstances were, on the date of exchange of contracts, the same as the date of valuation. The importance of the date of valuation must be stressed as property values can change over a relatively short period.

Litigation

The Property is free from litigation whether threatened or pending.

Insurance

The Property would, in all respects, be insurable against all usual risks by material and personal liability insurance at normal and commercially acceptable premiums.

Statutory requirements

The Property is unaffected by any Statutory Notice and neither the Property nor its use, actual or intended, gives rise to a contravention of any Statutory Requirements.

Ground investigations

A ground investigation was not carried out, and no details were provided by the Client as to any such investigation carried out. This valuation assumes that any technical investigations would not reveal any ground conditions that:

- Would have a significant impact on the value of the Property, including but not limited to fissures, the presence of clay, and ground contamination; or
- There is any matter such as the finding of archaeological remains that would result in making an allowance for exceptional delay or site or construction costs in this valuation.

Deleterious materials

The Property is and will be free from latent defects and no deleterious materials will be used in its construction.

**Development property**

It has been assumed that all development will take place in strict conformity with the relative development permits, and other statutory obligations, and constructed and furnished by reputable firms.

Repair and condition

Only a visual inspection of the Property was carried out to establish the condition of repair and, unless otherwise specifically stated herein, and in that event only to the extent so specified, no parts of the Property which were covered, unexposed or otherwise inaccessible to visual inspection have been inspected, and no tests have been made as to whether or not such parts are free of defects. Even though obvious defects of items of disrepair have been taken into account, our inspection of the Property and this report do not constitute a building survey.

Hence this valuation assumes that a structural survey would reveal no major defects involving substantial expenditure, and that the existing structure can support the added loads of potential new floors without involving substantial expenditure.

Technical equipment

It is also to be noted that this is a valuation report and not a condition report, and as a result only a visual inspection has been made of the exposed and readily accessible building services. No tests have been made.

Public utility services

The Property is connected to the public utility services of electricity, water, telephones and sewerage, as it is located within the urban fabric.

Environmental considerations

Since the application for development permission for this Property will be submitted after the 1st January 2016, it should comply with the guidelines set out in Documents F - Part 1: Minimum Energy Performance Requirements for buildings in Malta and Part 2 Minimum Energy Performance Requirements for Building Services in Malta.

These requirements have been considered in the proposal however an analysis of the proposal's compliance with such Guidance was not carried out as it is not within the scope of this valuation.

Energy performance certificates

Energy Performance Certificates (EPCs) are required for the sale of buildings or building units. The effect of EPCs on value cannot be quantified at the moment, as the market has yet to assume a homogeneous approach in this regard. The same is true for other



European rating tools, such as LEED, Green Rating, and BREEM. Therefore, the properties' EPC rating has not been considered in forming my opinion of value. However, should the situation change, I reserve the right to reconsider my opinion of value.

Special purchasers

This report excludes consideration of any special purchaser who, due to special interest or circumstances, may wish to purchase the asset.

SECTION C: EXISTING PROPERTY DESCRIPTION

Property type

The Property consists of a fully-finished 24-roomed (however it is currently being operated with 28 bedrooms) guesthouse (Class 3A) and a vacant and unconverted traditional townhouse (Class 1) located between Bayview hotel on *Triq ix-Xatt* and overlying Alibaba restaurant to the other end

The hotel is operational (see Annex 8 for a copy of the hotel license) and is almost 10 years old. Set on 5 main floors above street level and a semi-basement, interconnected through a main internal staircase and passenger lift, the Property currently consists of a ground floor which comprises a backyard with currently divided in a reception area, bar area and storage rooms. Whilst the first floor includes the same footprint of the ground floor, it also adds an additional area, which is overlying Alibaba Restaurant. The consecutive 3 floors follow the same footprint as the first floor, with the fifth floor being a setback floor in which the part facing the front of the building is on this level a large terrace. The Property also enjoys ownership of airspace.

Finishes, building services, and FF&E

The condition of the building and of the finishes and fixtures are good and the Property is in general very well maintained, however the finishes, fixtures and furnishings are dated, and one may want to modernise the look of the internal spaces and in order to ensure a proper lettable and to maximize the rates.

The structure appears to be in good condition, built with apparently good quality materials, although it should be made clear that this is based only on a visual examination which was carried out merely for the purposes of this valuation and which does not constitute a structural condition report. It is being assumed that the building is essentially free of any major structural defects.



Views

The Property enjoys side views of the Marsamxett Harbour.

Property boundaries and orientation

Site boundaries of the Property are clearly defined by party walls on three sides, with the North-East side being defined by a frontage on a public road (*Triq Sir Frederick C. Ponsoy*).

Common areas, easements and servitudes

The Property has no common areas and does not share any facilities with third party properties. The party walls are assumed co-owned in equal parts with the owners of the adjacent properties. The Property overlies two third party properties, but does not underlie any third party properties as can be seen in Annex 1.

No signs of any easements or servitudes were observed. The Client has no knowledge of the existence of any easements or servitudes.

Areas and dimensions

A land survey of the Property was not carried out and such survey was not within the scope of this valuation. The areas and dimensions indicated below are indicative only and were calculated from the plans downloaded from Planning Authority (previously referred to as MEPA) website from the drawings of PA/07006/04 and PA/02650/06 (see Annexes 3 and 4) and were measured using the Code of Measuring Practice in the Valuation Standards.

Plot areas		
Floor level	Euro Hotel	Townhouse
At semi-basement level	≈ 149m ²	≈ 14.1m ²
At elevated ground floor level	≈ 149m ²	≈ 44.5m ²
At 1 st floor level and above	≈ 248m ²	≈ 44.5m ²



Areas		
Floor level	No. of bedrooms	
	As approved	Existing situation
Semi-basement	0	0
Elevated ground	0	0
Intermediate floor	2	2
1 st	6	8
2 nd	8	8
3 rd	8	8
4 th (Setback floor)	0	2
5 th (Roof)	0	0
Total	24	28

Site and building frontages		
Floor level	Euro Hotel	Townhouse
At semi-basement level	≈ 7.2m	≈ 3.6m
At elevated ground floor level	≈ 13.9m	≈ 6.6m
At 1 st floor level and above	≈ 17.3m	≈ 6.6m

Site contamination

No signs of any environmental site contamination were observed during the visual inspection. The Client has no knowledge of the existence of any site contamination.



SECTION D: TITLE & OCCUPATION

Proprietor

SJM Enterprises Ltd

Ownership purpose

To operate as a hospitality asset.

Current occupation

At the time of inspection, the Property was occupied by the seller. The owner has operated the Property since its opening in 2010.

Proposed occupation

- Operated by a third-party operator being Casa Boutiques Ltd; and
- Property managed by property manager, overseeing operator performance.

Tenure

The Property is freehold and unencumbered as indicated by the Client. No contracts or documentation were provided to the Undersigned to prove this.

Operator of Property

Casa Boutiques Ltd has entered into an operator agreement for the period of 3 years, which can be extended for further three-year periods.

Details of charges, easements and other burdens

Prospects rule 4.13.04 requires that a valuation report provides details of registered mortgages and privileges and other charges, real rights thereon including details of emphyteutical concessions, easements and other burdens.

I have sought the input of legal advice in determining details of registered mortgages and privileges and other charges. I understand that Property is being acquired freehold and unencumbered. There are no registered charges or mortgages over the Property.

The Property is also free from debts, special hypothecs, special privileges, charges and cautions, and is not subject to any requisition order or expropriation order.



SECTION E: PLANNING & STATUTORY CONSIDERATIONS

Planning considerations

The Property falls under the requirements of the North Harbour Local Plan (GT1 and GT2) published by the Planning Authority (see Annex 7). The site lies in the developable area of Gzira and falls under a 'Residential Area'.

In accordance with the above mentioned policies, the Property is located in a zone which states that the building height limitation is of four floors with no semi-basement. Referring to the latest Planning Authority's guidelines (Development Control Design Policy, Guidance and Standards, 2015), this translates to a maximum height of 20.8m from the highest pavement level.

Hospitality properties following the above mentioned policies are also allowed a relaxation over and above the height limitation for hotel extensions due to Policies NHSE 04 and NGHT 07. This implies the possibility of increasing the height by one floor.

Alternatively, the Height Limitation Adjustment Policy for Hotels (2014) set out by the Planning Authority permits potential to expand the building height limitation by a further two floors over and above the height limitation permitted in the Local Plan. The salient details of this policy are described below:

- Only hotels rated three star upwards are eligible to apply for additional floors;
- The proposed additional floors should result in overall high quality to the development in general and a positive contribution to the Tourism Industry, making the development an iconic landmark building; and
- The new floors shall not be a 'copy-paste' of the underlying floors, but the new additional rooms (either bedrooms and/or ancillary facilities) shall be an improvement and in line with MTA requirements.

Hence even though the Property has a building height limitation of four floors (with no semi-basement) there is the potential for it to be extended to:

1. One additional floor making it five floors as a result of Policies NHSE 04 and NHGT 07;
2. Two additional floors making it six floors as a result of the Hotel Height Adjustment Policy; or
3. Three additional floors due to a combination of both policies.

As instructed by the Client, the valuation of the Property once complete will be based on the first option.

Development permits

The development permits of the townhouse were not found, however the it is legally built as it was built pre-1967.



The existing guesthouse is covered by the following permits (see Annexes 3 and 4):

Case No.	Description of Works	Status
Planning Application PA/07006/04	To demolish existing dilapidated 5 storey guesthouse and rebuild as a 4 floors guesthouse with overlying penthouse and underlying semi-basement garage. The project includes annexing property at no. 8 Ponsonby Street and incorporating its façade into a unified whole.	Approved; 16/11/2005
Planning Application PA/02650/06	Amendments to approved permit PA 07006/04, including annexing of apartment dwelling and its change of use into guesthouse accommodation	Approved; 07/08/2006

The existing guesthouse is conformant with approved permits, conditions and permitted plans besides the 1st floor level and the setback floor level where there are more bedrooms than there are in the approved plans.

A full development application for the proposed scheme described in the following section is yet to be submitted, however there is no reason to believe that this application should be refused based on the approval of similar development permits in the immediate vicinity in the past few years.

A summary application (TRK/218447; see Annex 5) has been uploaded to the Planning Authority so that minor works can commence as soon as possible, and another one will be uploaded before the end of the first quarter (2019). These applications should take circa. 2 months to be approved.

It is estimated that the full development application will be uploaded in the beginning of the second quarter of 2019 and should take circa. 9 months to be approved.

Statutory considerations

It is to be noted that there does not appear to be any enforcement action on the Property, and that they seems to adhere all relevant statutory considerations, building laws and sanitary regulations.

Highest and Best Use

The proposed scheme of the Property described in Section F below has been stated and classified by the undersigned as the Highest and Best Use, because this use meets the following criteria:

- That the use is physically possible with regards to what would be considered reasonable by market participants;
- That the use is legally permissible and any legal restrictions on the use of the site are taken into account; and
- That the use is financially feasible and that any alternative use value is lower than the proposed use.



SECTION F: PROPOSED SCHEME DETAILS

Property type and features

Feature	Description & Notes
Property type	<p>The proposal includes:</p> <ul style="list-style-type: none">▪ Converting the existing semi-basement and elevated ground floor levels of the hotel into a restaurant and cafeteria;▪ Developing the adjoining townhouse from a residential home to a 3-star hotel at second, third, fourth, and fifth floor level, with the ground and first floor level restaurant facilities; and▪ Developing a further floor on the combined properties. <p>Following the conversion, extension and development of the townhouse, the Property will be a small fully-finished and fitted 3 star hotel (Class Order 3B: Hotel) housing 107 beds in 56 rooms, as well a fully-fledged kitchen, independent takeaway outlet and restaurant.</p> <p>To this end drawings and designs of this proposal have been prepared (see Annex 6).</p>
Internal layout & design	<p>The layout of the proposed hotel is shown in Annex 6. It is considered to be very efficient and strategically laid out as there is vertical core placed to meet fire escape regulations, shafts to ventilate and service the ensuites, and internal load-bearing walls are designed to be continuous throughout all floors.</p>
Access	<p>The independent takeaway outlet has its own private entrance on the public road.</p> <p>The proposed hotel will have two entrances on the public road, one leading to the hotel lobby in the semi-basement level which is accessible-for-all due to the proposed installation of a platform-lift, and the other being a single-leaf door leading directly to the emergency-exit staircase.</p>
Vertical circulation	<p>1 main staircase and a passenger lift which gave access to all of the levels besides the roof level.</p>



Facilities

Type	Facility	Floor level	NIA*
Catering	Independent takeaway outlet	Semi-basement	≈ 11.2m ²
	Restaurant	Elevated ground	≈ 135m ²
Leisure	Lobby & reception	Semi-basement	≈ 48.8m ²
	Terrace	Setback floor	≈ 29.1m ²
	Swimming pool	Setback floor	≈ 36m ²
	Showers	Setback floor	≈ 14.4m ²
Back-of-house	Refuse-room	Semi-basement	≈ 2.5m ²
	Kitchen	Semi-basement	≈ 21.5m ²
	Plant-room	Semi-basement	≈ 13.3m ²
	Luggage storage	Semi-basement	≈ 4.3m ²

*NIA: Net Internal Area (also known as IPMS 3)

Parking facilities

There is no parking provision or drop-off points being proposed.

Services on offer

Breakfast, restaurant and bar, laundry and dry-cleaning services, tours and ancillary services.

Business mix

The Property will have a number of potential additional income streams other than the hotel rooms including, however not limited to, breakfast, café, restaurant, take-away outlet, laundry and dry-cleaning, luggage storage and drinks.

Finishes

The following assumptions have been taken about the level of finish of the Property once complete:

- The Property will be fully-finished and furnished making it operational upon completion;
- The finishes will be of a high standard giving the hotel an upmarket image of leisurely and pleasant guest stays;
- Workmanship will be of good quality throughout; and



- It is also being considered that a major refurbishment or renovation would not be required before at least 7 years' time, barring any extraordinary events.

Structural type and condition

The structure will consist of load-bearing masonry walls supporting reinforced concrete slabs.

Building services

The Property will be served by all modern electrical, mechanical and electronic systems which are required by the latest international standards for this category of hotels. The building services will be concealed, however access points will be left for maintenance and repairs.

Environmental considerations

The Property will have double-glazed apertures and roof insulation installed.

Areas and dimensions

A land survey of the Property was not carried out and such survey was not within the scope of this valuation. The areas and dimensions indicated below are indicative only and were calculated from the plans prepared by Archi+ (see Annex 6) and were measured using the Code of Measuring Practice in the Valuation Standards.

Floor level	GEA*	External area	Roof area	No. of rooms
Semi-basement	≈ 164.6m ²	≈ 1.9m ²	0m ²	0
Elevated ground	≈ 185.5m ²	≈ 10.9m ²	0m ²	0
1 st	≈ 290.5m ²	≈ 0.9m ²	0m ²	10
2 nd	≈ 290.5m ²	≈ 0.9m ²	0m ²	10
3 rd	≈ 290.5m ²	≈ 0.9m ²	0m ²	10
4 th	≈ 290.5m ²	≈ 0.9m ²	0m ²	10
5 th	≈ 290.5m ²	≈ 0.9m ²	0m ²	10
6 th (Setback)	≈ 215m ²	≈ 75.5m ²	0m ²	6
7 th (Roof)	0m ²	0m ²	≈ 215m ²	0
Total	≈ 2,017.6m²	≈ 92.8m²	≈ 215m²	56

*GEA: Gross External Area (also known as IPMS 1)



Bedroom accommodation

Bed type	Ensuite	View	Accessible	No. of rooms
Double	Yes	Street	No	21
Double	Yes	Internal yard	Yes	4
Double	Yes	Internal yard	No	26
Single	Yes	Internal yard	No	5

*GIA: Gross Internal Area (also known as IPMS 2)

Expected dates of completion and occupancy

Development period: It is expected that works will commence in the first quarter of 2019 and completion of all works, including furnishing is expected in the first quarter of 2020. The built up area of the Property shall remain operational for most of the duration of the expansion development works, and shall be shut down only to be interconnected with the extension, during the fourth quarter 2019 until the completion of works.

Start-up phase: It is being assumed that the hotel shall reach the stabilized year in its third year of operations.

Estimated total cost of the development

The estimated cost of the proposed extension of the development (which includes the demolition and development of the townhouse, the extension of the existing setback floor and the development of a new setback floor) amount to €550,000 (five hundred and fifty thousand euro) as outlined below:

Item	Value
Preliminaries	€5,000
Demolition & carting away of debris	€15,000
Civil works	€117,600
Finishes	€205,800
Furniture (FF&E)	€117,600
Building services	€88,200
Total	€549,200

The above excludes a contingency allowance, VAT, professional and planning fees, short-term finance costs, and any alterations of the existing building.



SECTION G: LOCATION

Local Authority

Gzira (Il-Gzira) Local Council

Macro location: Locality

Gzira is one of the most sought after localities both for leisure and entertainment properties with the area having a large inventory with many hotels being planned and constructed resulting in plenty of existing and future competition. This is due to the high occupancy rates and positive signs of rental rate trends.

The locality is situated circa. 10 kilometres from the airport and 5 kilometres from Valletta.

Micro location: Surroundings

The area is desirable and has a positive outlook as it is in a strategically important area in view of its close proximity to one of the most important commercial and entertainment areas in Malta, and thanks to its views of the Harbour.

Roads

The street is of a slight inclination with no known unusual characteristics. It is made up and surfaced with tar macadam, and are in a decent condition. Adjacent roads are also made up and surfaced and have street lighting installed.

The street is relatively quiet with limited public parking and exposure as there is little footfall or vehicular traffic.

The Property is also close to *Triq ix-Xatt* and *Triq D'Argens* which gives the area easy road access via private transport and public transport facilities.

SECTION H: VALUATION ANALYSIS

Basis

Hospitality assets are classified as "trade-related properties" and as such the following have been taken into account in determining market value:

- The land;
- The building (including the structure, finishes and building services);



- Trade fixtures, furniture, fittings and equipment; and
- All licenses, permits, certificates and trading potential.

For the purpose of this valuation, all of the above are being valued as one asset.

Valuation methodology

This valuation focused on the existing state and the proposed state and use of the Property. Since the proposed hotel will be an operational entity the value is based on the estimated cash-flow generated by room sales and other facilities and services which is converted into a value estimate through a capitalization process.

As the existing Property is considered to be a development property as it is an interest where improvements and development are required to achieve the highest and best use, the so called residual method has been adopted. This method is based on the premise that the value of any property suitable for or undergoing development may be arrived by deducting from the end value of a proposed completed development the total cost of development, including financing costs and fees incurred on property acquisition, construction costs, professional fees, development financing costs and an appropriate amount for "developer's profit". The residual amount remaining represents the price which a developer could justifiably pay for the property in order to gain a reasonably expected profit from the sale proceeds of the development.

Variables and assumptions

The following table shows the key valuation criteria as at the valuation date:

Tax rate	35.0%
Capitalization rate, K	6.0%
Day-One Value risk rate	1.0%
Annual Growth Rate, Gr	2.0%
Discount rate, R	8.0%
Exit yield	6.0%
VAT	18.0%
Professional fees	8.0%
Developer's profit	25.0%
Business bank lending rate	6.0%



Projected net adjusted profit

The following table shows the estimated EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) which is the net adjusted profit based upon the estimate trading performance of a reasonably efficient operator (REO) based on the first stabilized year (however on the special assumption that the rates are taken at current rates):

No. of rooms	56
No. of beds	107
Available lettable rooms per annum	20,440
Room occupancy (& credit loss)	72.5%
Let rooms per annum	14,819
Rack rate (Average advertised tariff)	€85
AARR (Average Achieved Room Rate)	€77
RevPAR (Revenue Per Available Room)	€56
Potential gross income	€1,563,660
Total rooms revenue	€1,133,654
Other hotel revenue	€85,329
Total hotel revenue	€1,218,982
Operating expenses ratio (OER)	61%
Purchase and operating expenses	€743,579
EBITDA	€475,403
Say	€480,000

The value on completion of works

On the basis of the characteristics and conditions described above, I estimate the capital value of the freehold immovable property at current prices on the basis of current market conditions after the development has been completed (also known as the Day-One Value) to be €6,950,000 (six million, nine hundred and fifty thousand euro), as outlined below:

Direct Capitalization Method	
EBITDA	€480,000
Capitalization rate, K*	7.0%
Market Value	€6,857,143

*This rate is higher (an additional 1.0%) to reflect a higher operational risk and discounting element.



Discounted Cash Flow Method					
Year	Potential gross income	Room occupancy	Other revenue	Operating expenses ratio	EBITDA
0*	€1,563,660				
1**	€1,594,933	33.0%	5.0%	90.0%	€55,403
2**	€1,626,832	50.0%	5.0%	70.0%	€256,868
3***	€1,659,369	72.5%	5.0%	60.0%	€506,544
4	€1,692,556	72.5%	5.0%	60.0%	€516,675
5	€1,726,407	72.5%	5.0%	60.0%	€527,008
6	€1,760,935	72.5%	5.0%	60.0%	€537,549
7	€1,796,154	72.5%	5.0%	60.0%	€548,300
8	€1,823,077	72.5%	5.0%	60.0%	€559,266
9	€1,868,718	72.5%	5.0%	60.0%	€570,451
10	€1,906,093	72.5%	5.0%	60.0%	€581,860
Exit value					€9,891,619
Net Present Value (NPV)					€7,170,133

*Construction period: The potential gross income is taken from the workings above in 'Projected net adjusted profit'

**The start-up phase

***The first year where trade has stabilized.

The Day-One Value is taken at the mean of the above values.

The value on maturity

On the basis of the characteristics and conditions described above, the capital value of the immovable freehold Property based on timely completion, approval of fault-free construction and after trade has stabilized is estimated to be €8,000,000 (eight million euro) when taken at current rates and on the basis of current market conditions; and €8,300,000 (eight million, three hundred thousand euro) when taken at the projected EBITDA of the first year where trade has stabilized, as outlined below:

Direct Capitalization Method		
	Current rates	Projected rates
EBITDA*	€480,000	€498,037
Capitalization rate, K	6.0%	6.0%
Market Value	€8,000,000	€8,300,617



Present capital value in existing state

On the basis of the characteristics and conditions described above, in particular once acknowledging that there is the development potential for additional floors over and above what this valuation report has summed, I estimate the value of current freehold development property to be €5,250,000 (five million, two hundred and fifty thousand euro) as outlined below:

Residual Method	
Day-One Value	€6,950,000
Preliminaries	€5,000
Demolition & carting away of debris	€15,000
Cost of new development	€529,200
Alterations of existing*	€460,000
Sub-total, 1	€1,009,200
Contingency allowance @10%	€100,920
Sub-total, 2	€1,110,120
VAT	€199,822
Sub-total, 3	€1,309,942
Professional fees	€104,795
Sub-total, 4	€1,414,737
Planning fees	€40,000
Sub-total, 5	€1,454,737
Short-term finance costs	€54,956
Gross development costs, GDC	€1,509,693
Developer's profit	€377,423
Balance	€5,062,884
Present Value, PV	€4,707,233
Plus potential for an additional floor**	€545,371
Total	€5,252,604
Say	€5,250,000

*The alterations of the existing consist of and minor internal alterations of the existing layout and a general refurbishment of the existing internal areas and facade.

**As mentioned previously in this report there is the development potential to build a further level over and above the proposed drawings (which could house up to a maximum of 10 bedrooms) that a potential purchaser would put into consideration when making an offer for the existing Property.



Disclaimer

Valuations are not a prediction of price, nor a guaranteed of value, and whilst this valuation is one which I consider both reasonable and defensible, different valuers may properly arrive at different opinions of value.

A handwritten signature in blue ink, appearing to read 'Perit Mangion', is written over a large, faint, light blue circular watermark or stamp.

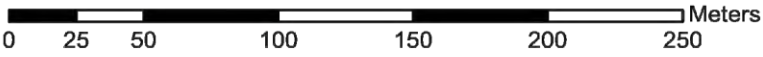
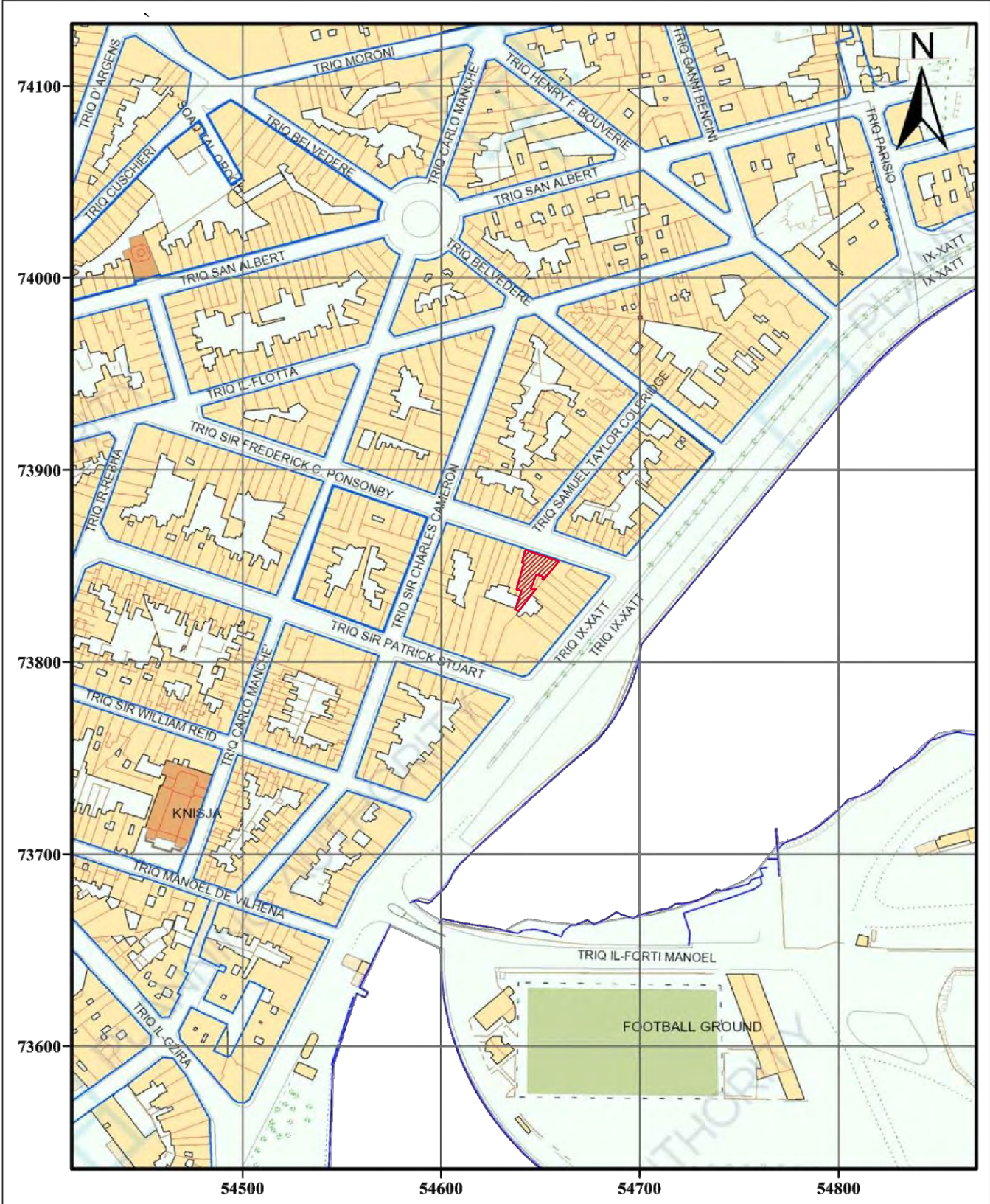
Perit Adrian Mangion B.E.&A.(Hons) A.&C.E.
Partner
For and on behalf of
Archi+



ANNEXES

1. SITE PLANS
 2. SITE PHOTOGRAPHS
 3. PERMIT DOCUMENTS: PA/07006/04
 4. PERMIT DOCUMENTS: PA/02650/06
 5. PERMIT DRAWINGS: TRK/218447
 6. PROPOSED FLOOR PLANS
 7. EXTRACTS FROM LOCAL PLAN
 8. MTA LICENCE
 9. UNDERLYING ASSUMPTIONS
-

ANNEX 1
SITE PLANS



1:2,500 Date Printed: 14/12/2018

Public Geoserver

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 Data Captured from: 1988, 1994, 1998, 2004 & 2008 aerial photography and updates from 2012 orthophotos.
 Truncated U.T.M. Coordinates. Levelling Datum M.S.L. (Mean sea level). Contours when shown are at 2.5m vertical interval. Not to be used for interpretation or scaling of scheme alignments
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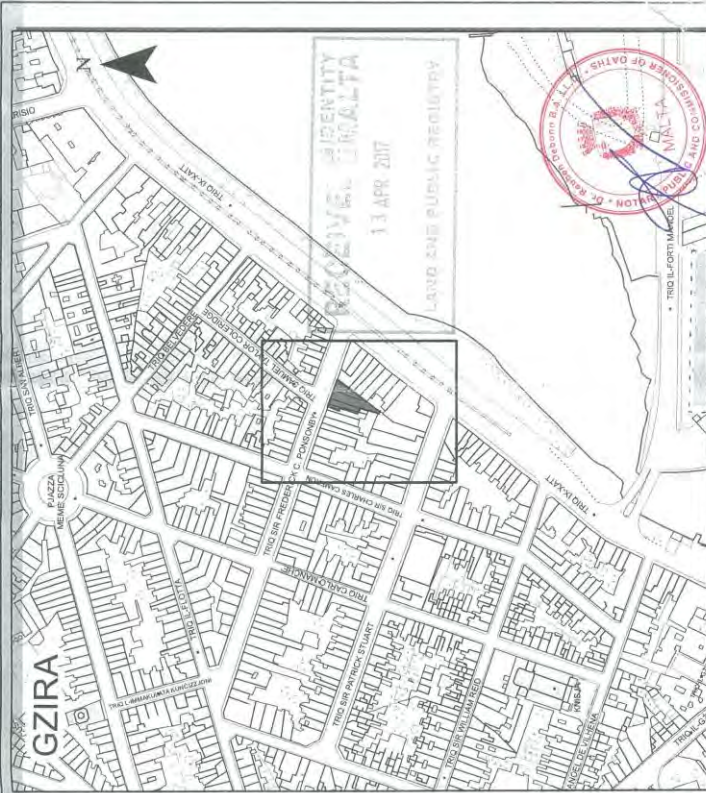
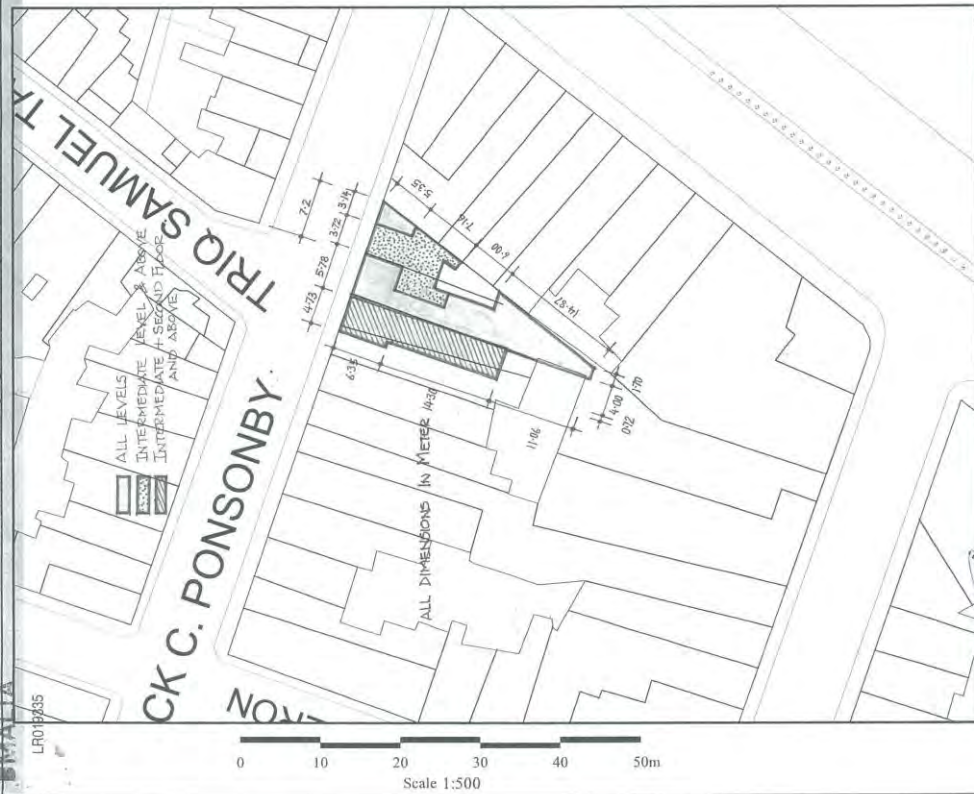
PLANNING AUTHORITY
 St. Francis Ravelin, Floriana.
 Tel: +356 2290 0000, Fax: +356 2290 2295
 www.pa.org.mt, mappingshop@pa.org.mt

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Dan hu dokument offiċjali għall-użu biss fir-Registru ta' l-Artijiet

IDENTITY MALTA LRO19365



Pjanna use-Sit 1:2500 Site Plan

Gvern ta' Malta

Registru ta' l-Artijiet

Casa Bolina, 116, Triq il-Punent, Valletta

Government of Malta

Land Registry

Casa Bolina, 116, Triq il-Punent, Valletta

Nru ta' Mappa: 25636 E
Map Number:

Pozizzjoni Centrali: X = 54639
Centre Coordinates: Y = 73839

Perti min S.S.: 5473
Extracted from S.S.:

Data: 28/03/2017
Date:

Perti:
Architect:

Timbru ta' l-Perti:
Architect's Stamp:
JOHN ATTARD B&A, TWSE, A&CE
Architect & Civil Engineer
Office: 25, School Street, Marsa MMS 1821
M.p.n. (+356) 9957 77 995
T.S. (+356) 212 20 80 80
E-Mail: periti@johnattard.com

Qies (metri kwadrati):
Area (square metres):

ALL LEVELS : 145m²
INTERMEDIATE LEVEL & ABOVE : 62m²
INTERMEDIATE & 2nd FLOOR AND ABOVE : 28m²

Firma ta' l-Applikant:
Applicant's Signature:

Dr. Imballas
Fee Paid

Scale 1:500



ANNEX 2
SITE PHOTOGRAPHS



**EURO GUEST HOUSE, TRIQ SIR
FREDERICK C. PON SONBY, IL-GZIRA**

Date: 05/12/2018
Sheet: 1



**EURO GUEST HOUSE, TRIQ SIR
FREDERICK C. PON SONBY, IL-GZIRA**

Date: 05/12/2018
Sheet: 2



**EURO GUEST HOUSE, TRIQ SIR
FREDERICK C. PONSONBY, IL-GZIRA**

Date: 05/12/2018
Sheet: 3



**EURO GUEST HOUSE, TRIQ SIR
FREDERICK C. PONSONBY, IL-GZIRA**

Date: 05/12/2018
Sheet: 4

ANNEX 3
PERMIT DOCUMENTS
PA/07006/04



59

To: Mr Silvan J. Mifsud
19, Sir Luigi Preziosi Square
Floriana VLT14

Date: 5 January, 2006
Our Ref: PA 07006/04

Application Number: PA 07006/04
Application Type: Full Development Permission / 01
Date Received: 6 December, 2004
Approved

Documents : PA 7006/04/26C - Second & Third Floor
PA 7006/04/26D - Penthouse Floor
PA 7006/04/29B - Signs Detail
PA 7006/04/44A - Site Plan
PA 7006/04/44B - Semi-basement & Ground Floor
PA 7006/04/44C - Intermediate & First Floor
PA 7006/04/44D - Existing & Proposed Elevations
PA 7006/04/44E - Longitudinal Section A
PA 7006/04/44F - Sections B, C and D
PA 7006/04/17H - Fire and Ventilation Report
PA 7006/04/37 - Accessibility Audit

Location: 6/7/8 Taormina Hotel, Triq Ponsonby, Gzira
Proposal: To demolish existing dilapidated 5 storey guesthouse and rebuild as a 4 floors guesthouse with overlying penthouse and underlying semi-basement garage.
The project includes annexing property at no. 8 Ponsonby Street and incorporating its facade into a unified whole.

Development Planning Act 1992 Section 33 Full Development Permission

The Malta Environment & Planning Authority hereby grants development permission in accordance with the application and plans described above, subject to the following conditions:

1. Air conditioning units shall not be located on the facades of the building which are visible from a public space. Any such units located at roof level shall be set back from the facade by at least 1 metre.
2. There shall be no service pipes, cables or wires visible on the front elevation or on any other elevations of the building which are visible from the street.

PA 07006 / 04

MALTA ENVIRONMENT & PLANNING AUTHORITY
L-AWTORITA' TA' MALTA DWAR L-AMBIENT U L-IPPJANAR
P.O. BOX 200, MARSA QPC B1
TEL: (+356) 2290 0000 • FAX: (+356) 2290 2296
URL: www.mepa.org.mt • email: enquiries@mepa.org.mt

Page 1

3. Windows and doors should not open outwards onto the public street.
4. Prior to the issuing of this development permission, a contribution of Lm3,600 (three thousand six hundred Maltese liri) shall be deposited with the Malta Environment & Planning Authority in order to contribute for the introduction of 'Resident Parking Zones', to ensure that the absence of off-street parking does not cause inconvenience to residents within the surrounding area. The 'Residential Parking Zones' shall be designed and implemented by the Gzira Local Council, in line with established procedures and the Malta Environment & Planning Authority shall then provide these funds when this scheme has been introduced.
5. The following conditions shall be complied with to the satisfaction of the Department of Public Health:
 - a) Proposed toilets are to be adequately ventilated and provided with an adequately ventilated ante room according to law.
 - b) Proposed grease trap (unless self-cleansing)/gully traps are to be located in the open air.
 - c) Height of proposed food rooms should not be less than the minimum as stipulated by law, i.e. 9 feet (2.75m).
 - d) Applicant to provide a suitable staff changing room and a dry food store.
 - e) All food rooms including food stores and staff changing rooms are to be adequately ventilated. Where natural ventilation is not possible, adequate intake and extract ventilation by mechanical means is to be provided.
 - f) To provide adequate measures for the hygienic disposal of refuse.
 - g) Applicant is to take all the necessary measures to prevent above mentioned premises from being a statutory nuisance to neighbouring properties from emit fumes, gases, dusts, steam, odour, noise or having accum deposits that are prejudicial to health or a nuisance.
6. The advertisement hereby permitted, and the site used for its display, shall be maintained in a clean and tidy condition to the reasonable satisfaction of the Malta Environment & Planning Authority.

Any structure or hoarding erected or used for the purpose of displaying the advertisement hereby permitted shall be maintained in a safe condition.

The advertisement hereby permitted shall not be sited or displayed so as to obscure or hinder the ready interpretation of any road traffic sign or aid to navigation by water or air, or so as to create a danger to pedestrians or otherwise render hazardous the use of any means of travel.
7. The illumination hereby permitted shall be controlled by automatic timers to turn off at twelve midnight.
8. The advertisement hereby permitted shall be displayed strictly in accordance with the Approved Plan PA 7006/04/29B.

9. The development shall be constructed in conformity with the provisions set out in the accessibility audit report (approved document PA 7006/04/37).
10. All buildings used by the public must have appropriate access, toilet and internal arrangements for the disabled (including self-propelled wheelchair users), the elderly and children in prams or pushchairs. Adequate parking provision must be provided for the physically handicapped.
11. All plant, machinery and any other equipment which is audible at the application site boundaries, shall only be operated within the application site between 7.00 and 19.00 hours on Mondays to Fridays, between 7.00 and 17.00 hours on Saturdays, and at no time on Sundays or Bank Holidays.
12. The ramp leading down to the underlying semi-basement garage shall at no point be steeper than 1:5. The ramp shall be so formed that it does not encroach onto the pavement.
13. There shall be no permanent means of access to any part of the roofs of the penthouses hereby permitted.
14. A Public Sewer Discharge Permit in accordance with L.N. 139 of 2002 may be required for this development.
15. All commercial premises are subject to inspection and clearance from the Drainage Department.
16. All liquid trade effluent shall be properly treated prior to its discharge to the drainage system.
17. Any gates shall be so fitted that they do not open outwards over the pavement.
18. The projected parts of the building shall not project more than 0.75 metres from the facade of the building.
19. The projected parts of the building shall be located so that their side outer face is at least 0.75 metres away from the outer face of the party wall nearest to the balcony.
20. The garage shall only be used for the parking of employee's car and this shall be kept available at all times for this purpose.
21. Before the development hereby approved is brought into use, arrangements for the storage and collection of refuse from the development shall be provided on site to the satisfaction of the Malta Environment & Planning Authority.
22. All services located on the roof of structures on the roof of the building shall be screened by a wall 1.4 metres (5 courses) high constructed in Franka stone. The services shall not exceed the height of this wall.
23. This permission is subject to Trading Licence approval.
24. The premises shall be used only as a guesthouse and for no other purpose, including any use falling within Class 3 of the Development Planning (Use Classes) Order 1994.

25. The use hereby approved shall be carried on in such a manner that it does not decrease or adversely affect the amenity of adjoining properties or of the locality as a whole.
26. The development hereby permitted shall not be brought into use until the Final Compliance (Completion) Certificate, certifying that the development has been carried out in full accordance with the plans approved by this permission and with the other conditions imposed in this permission, has been issued by the Malta Environment & Planning Authority. Before the issuing of any Compliance Certificate, the applicant shall submit a clearance and verification of the conditions and requirements imposed by the Civil Protection Department, Enemalta, Health Department, Malta Tourism Authority and the National Commission Persons with Disability.
27. a) This development permission is valid for a period of FIVE (5) YEARS from the date of this notice but will cease to be valid if the development is not completed by the end of this five year period.
- b) It should be noted that a third party may have the right of appeal against this permission. Any development which is carried out when such an appeal has been made, or until the time limit for the submission of such an appeal has expired, is undertaken at the risk that this permission may be revoked by the Planning Appeals Board or quashed by the Court of Appeal.
- c) This development permission does not remove or replace the need to obtain the consent of the land/building owner to this development before it is carried out. Furthermore, it does not imply that consent will necessarily be forthcoming nor does it bind the land/building owner to agree to this development. Where the land/building is owned or administered by the Government of Malta a specific clearance and agreement must be obtained for this development from the Land and/or Estate Management Departments.
- d) All works shall be carried out strictly in accordance with the approved plans and the conditions of this permission. Where a matter is not specified on the plans then the conditions of this permission and of Development Control Policy and Design Guidance shall take precedence and modify the plans accordingly.
- e) All building works shall be erected in accordance with the official alignment and proposed/existing finished road levels as set out on site by the Malta Environment & Planning Authority's Land Surveyor. The Setting Out Request Notice must be returned to the Land Survey Unit of the Malta Environment & Planning Authority when the setting out of the alignment and levels is required.
- f) Before any part of the development hereby permitted commences, the enclosed green copy of the Development Permit shall be displayed on the site. This must be mounted on a notice board, suitably protected from the weather and located not more than 2 metres above ground level at a point on the site boundary where it is clearly visible and can be easily read from the street. The copy of the permit must be maintained in a good condition and it shall remain displayed on the site until the works are complete.
- g) The enclosed Commencement Notice shall be returned to the Malta Environment & Planning Authority so that it is received at least five days prior to the commencement of the development hereby permitted.

h) Copies of all approved plans and elevations shall be available for inspection on site by Malta Environment & Planning Authority staff at all reasonable times.

i) Where the street bordering the site is unopened, it shall be opened up **prior to the commencement of the building operations** hereby permitted.

j) Work shall not commence on the construction (including excavation), alteration or demolition of the building until a covered way or a fence, boarding or barricade has been constructed as follows

A Where the construction or demolition activity is located **less than 2 metres from a public way used by pedestrians** a covered way shall be provided (unless the work is carried out within a solid enclosure; site work conditions are more than 2 metres from a public way used by pedestrians, or the work duration does not exceed 5 days). This covered way shall

- (i) have a clear height of not less than 2.5 metres;
- (ii) have a clear width of not less than 1.5 metres or the width of the public way whichever is the lesser;
- (iii) be designed and constructed to safely support all loads that may be reasonably be expected to be applied to it;
- (iv) have a weather tight roof sloped towards the site or if flat be equipped with a splash board not less than 300mm high on the road side;
- (v) be totally enclosed on the site side with an enclosure having a reasonably smooth surface facing the public way;
- (vi) have a railing 1 metre high on the road side where the covered way is supported by posts on the road side, and
- (vii) be adequately lighted between sunset and sunrise.

B Where the construction or demolition activity is located **2 metres or more from a public way used by pedestrians**, a strongly constructed hoarding, boarding or barricade shall be erected between the site and the public way or open sides of a construction site, and the hoarding, boarding or barricade shall

- (i) be not less than 1.8 metres high;
- (ii) have a reasonably smooth surface facing the public way;
- (ii) be without openings, except those required for access.

Access openings shall be equipped with solid gates which shall be kept closed and locked when the site is unattended and shall be maintained in place until completion of the construction or demolition activity.

Authorisation for these arrangements must be obtained from the Local Council.

k) No building material, waste material, machinery or plant shall obstruct the pavement or the smooth flow of traffic on the road in the vicinity of the site. The deposit of materials or the placing of equipment in the street must be authorised.

l) Any soil on the site shall not be built over but shall be collected for reuse. A permit from the Director of Agriculture is required to remove the soil from the site. All soil shall be deposited at the place indicated by the Director of Agriculture.

m) Rock spoil, boulders and other waste materials resulting from excavations or from demolition on this site shall be deposited at an official waste disposal site or used as fill material. If waste materials from the development are not to be reused, they shall not be disposed of other than at an official waste disposal site. A permit from the Environmental Protection Directorate is required to this effect.

n) The height of the building shall not exceed that indicated in Approved Drawing Number PA 7006/04/35B.

o) The facade of the building shall be constructed in local stone, except where other materials, finishes and colours are indicated on the approved plans and drawings.

p) Apertures and balconies shall not be constructed of gold, silver or bronze aluminium.

q) The permit is issued on condition that, where applicable, any excavation shall be subject to the requirements of the Civil Code regarding neighbouring tenements.

This permit is granted saving third party rights. The applicant is not excused from obtaining any other permission required by law. The applicant should contact the following regarding the location and provision of services prior to commencing development:- Enemalta, Water Services Corporation, Maltacom, Drainage Department and Cable Network Operators.



Frances Pisani
Secretary
Development Control Commission



Mr Silvan J. Mifsud
19, Sir Luigi Preziosi Square
Floriana VLT14

Date: 20 September, 2007

Dear Sir/Madam,

Application Number: PA 07006/04
Application Type: Request for Minor Amendments to Approved Permit
Location: 6/7/8 Taormina Hotel, Triq Ponsonby, Gzira

Approved Plans: PA 7006/04/60A/60F/60G/60H/60I.

Reference is made to the above mentioned proposal for minor amendments.

We have pleasure to inform you that your request for minor amendments has been acceded to as per approved plans mentioned above.

Please be informed that a copy of the approved plans was sent to your architect by registered mail on 20 September, 2007.

Should you require any further information or assistance, please do not hesitate to contact the undersigned on 2290 1087.

Yours faithfully,

~~Marthese Cassar Debono~~
Secretary
Reconsiderations and Appeals Team

for Director of Planning

DocMinAmAcc



Mr Alberto Sansone BE&A A&CE
4, Montpellier Gardens
Triq Josef Calleja
Swieqi STJ 05

Date: 20 September, 2007
Our Ref: PA 07006/04
Your Ref: 04-017

Dear Sir/Madam,

Application Number: PA 07006/04
Application Type: Request for Minor Amendments to Approved Permit
Location: 6/7/8 Taormina Hotel, Triq Ponsonby, Gzira

Minor Amendment on PA 07006/04

Reference is made to your letter dated 4 April, 2007 requesting an amendment to the above quoted development permission.

The changes you propose are acceptable as a minor amendment to the development permission. We are herewith returning a copy of the submitted drawings endorsed by the undersigned and listed below:

PA 7006/04/60A/60F/60G/60H/60I.

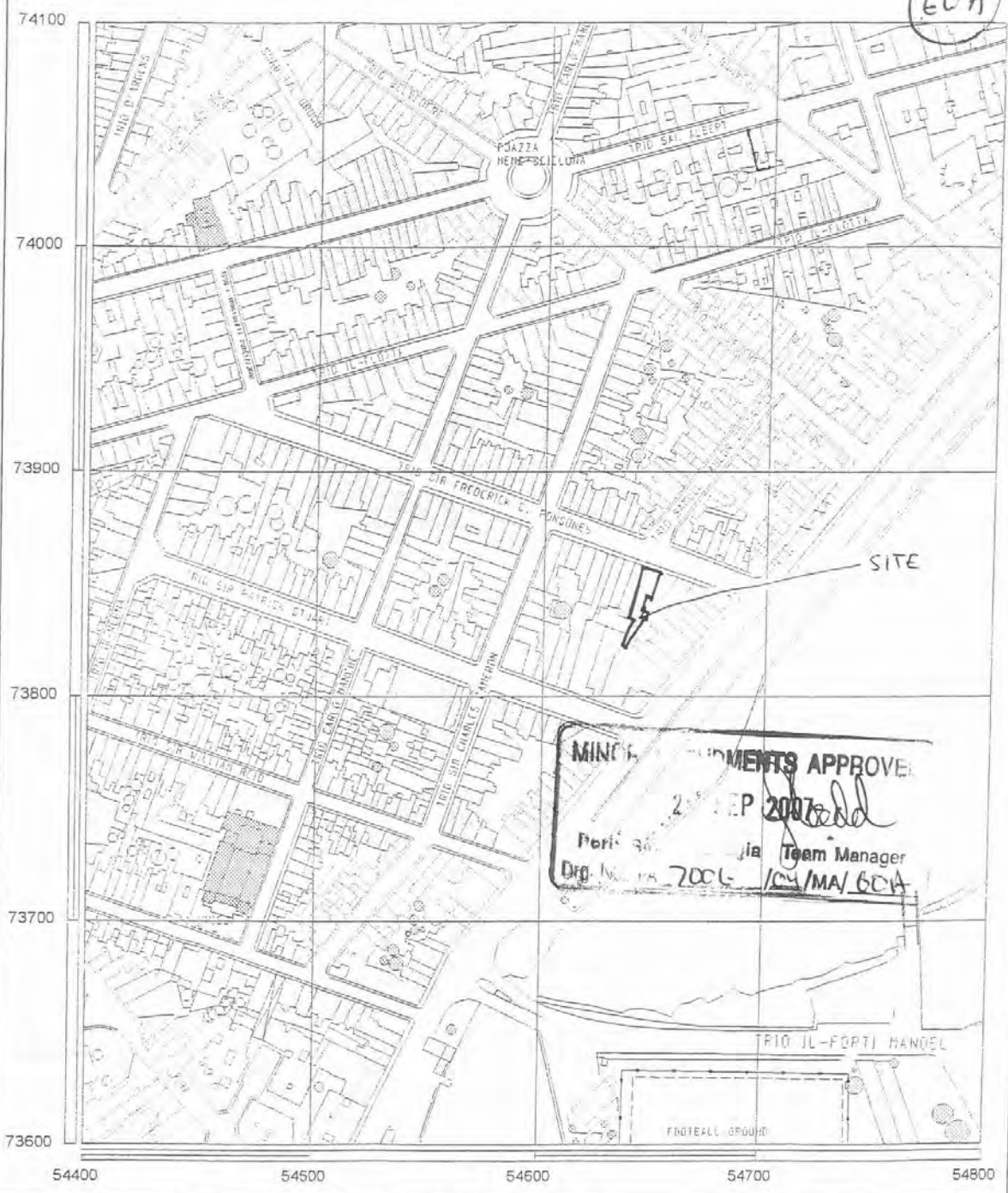
This endorsement relates only to the changes described in your letter and specifically indicated on the drawings. Any other changes from the original permission, which may be shown on the drawings but which are not referred to in your letter, are not endorsed or accepted. Please note that the conditions and amendments in the original permission remain valid and are therefore applicable to the development as amended, including the condition on the validity period of the permission.

Yours faithfully,

Perit Silvia Farrugia
Area Team Manager

DocMinAmAcc

COA



MINOR AMENDMENTS APPROVED
 25 SEP 2007
 For: ... Team Manager
 Drg. No. 14 7006 /CM/MA/COA

Malta Environment & Planning Authority
 Mapping Unit Site Plan, Scale 1:2500

St. Francis Ravelin
 Floriana
 PO Box 200, Valletta
 Tel:21240976 Fax:21224846
 www.mepa.org.mt



Part of Survey Sheet(s): 540735 540740 545735 545740 Date Issued:- 25/11/04

- The numbered lines indicate 100m intervals on a U.T.M. grid

This site plan is not to be used for interpretation or scaling of scheme alignments

Any additions or corrections to this map are kindly requested to inform the Mapping Unit

Mapping Unit, Malta Environment & Planning Authority Vat Reg. No.: 1281-6708 Form No.:MU 002

Section: Deferred - Further info from Architect
Board No. 10401105

APPLICATION No. 07006 / 04

Press Date: 29/01/2005
Application Type: Full development permission

Applicant: Mr. Silvan J Mifsud
Architect: Mr Alberto Sansone BE&A A&CE

Drawing Numbers:

Approved Plans:

PA 7006/04/26C - Second & Third Floor
PA 7006/04/26D - Penthouse Floor
PA 7006/04/29B - Signs Detail
PA 7006/04/44A - Site Plan
PA 7006/04/44B - Semi-basement & Ground Floor
PA 7006/04/44C - Intermediate & First Floor
PA 7006/04/44D - Existing & Proposed Elevations
PA 7006/04/44E - Longitudinal Section A
PA 7006/04/44F - Sections B, C and D

Approved Documents:

PA 7006/04/17H - Fire and Ventilation Report
PA 7006/04/37 - Accessibility Audit

Proposal: To demolish existing dilapidated 5 storey guesthouse and rebuild as a 4 floors guesthouse with overlying penthouse and underlying semi-basement garage.
The project includes annexing property at no. 8 Ponsonby Street and incorporating its facade into a unified whole.

Location: 6/7/8 Taormina Hotel, Triq Ponsonby, Gzira

Notes To Committee

4. During DCC Board Meeting Number 104-01A/05, held on 17th October 2005, the DCC Board Members stated that the architect is to submit fresh plans and elevation indicating property line at ground floor and adjusting the façade as discussed.

A letter requesting the abovementioned requirements was sent to the architect and the applicant on 19th October 2005.

The architect complied with these requirements in fresh plans, elevation and site plan attached with letter received on 24th October 2005.

It is to note also that on 20th October 2005, Enemalta submitted their no objection to the proposed development.

In view of the fresh site plan submitted, the new configuration of the site (showing the extent of all the property) was re-plotted. Subsequently, the Planning Directorate wishes to note that the elevations, plans and sections comply with the issues raised during the DCC Board Meeting.

11.1.2005
3/11/05
49
NORBERT GERADA
Dip. Planning
Senior Planning Technician

APPROVAL
11.01.05 14.11.05
334/05

Section: Deferred - Further info from Architect
Board No. 10401105

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Approved Drawing Numbers have been amended according to the latest submission.

Policy Constraints:

1. Existing Building within Scheme

Officer's Report:

PROPOSAL:

Proposal is to demolish the existing dilapidated 5-storey guesthouse and reconstruct a 4-storey guesthouse with overlying penthouse and underlying semi-basement garage.

THE SITE:

The site, according to the photographs submitted and an external site inspection carried out is an unused guesthouse in a dilapidated state, namely Hotel Taormina, which has its main access from Triq Sir Fredrick C. Ponsoy in Gzira.

Apparently, the existing building consisted of two separate blocks, which were then unified when the guesthouse was in operation. The existing plans and the different heights of the opamorta confirms this assumption. The facade does not have any particular architectural features worth of retention.

This site has one peculiar aspect, which consists in the having third party property at ground floor level (restaurant) and even at second floor level (probably a residence), on the right-hand side of the facade (more or less one-third of the facade). On the same part of the facade, the first floor level consists of a separate residence and the third and fourth floor levels form part and are interconnected to the existing disused guesthouse. See existing plans red 1F and red 1G and Approved Drawing Number PA 7006/04/29A (shaded areas).

The adjacent buildings on both sides of the site are 3 storeys high, but other 4 storey buildings exist in the immediate vicinity (see photo in red 1D). Furthermore, just a few metres down the site, there is the recently built Hotel Petit Paradis extension as per PA 3616/02 (see photo in red 14A).

POLICY CONTEXT:

Zoning – Existing building as per Scheme Number 34

Height Limitation – Four (4) floors plus 6-courses semi-basement and overlying penthouse level

Development Control Policy and Design Guidance 2000 (Approved on 31st July 2000 and enacted on 1st November 2000)

PA Circular 3/93 – Traffic Generation, Access and Parking

PA Circular 2/01 – Revision to the Parking Standard for Hotels – 14th February 2001

North Harbours Local Plan – Draft Land Use Policies for Public Consultation – April 2000

STRUCTURE PLAN POLICIES:

Policy BEN 1 – Limits development that, is likely to have a deleterious impact on any existing or planned adjacent uses because of visual intrusion, noise, vibration, atmospheric pollution, high traffic generation and unusual operating times.

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Policy BEN 2 – States that development which is incompatible with good urban design, natural heritage and environmental characteristics of any existing or planned adjacent uses and is unlikely to maintain the good visual integrity of the area in which it is located, is not normally permitted.

Policy BEN 15 - All buildings used by the public have to be accessible to self-propelled wheelchair users, and adequate provision allowed for convenient access and parking of vehicles for the physically handicapped.

Policy TRA 4 – In line with Table A2.5 of the Structure Plan Explanatory Memorandum, this policy indicates the vehicle parking principles to be adopted in different areas for new developments. This policy indicates that for Valletta/Floriana and other Urban Conservation Areas, restraining standards catering for operational vehicles only, with peripheral public parking for cars and other vehicles.

DRAFT NORTH HARBOURS LOCAL PLAN POLICIES:

According to Policy NHGT 11, Map GT2 indicates a maximum height limitation of four (4) floors on Triq Sir Fredrick C. Ponsonby. Therefore, the present height limitation according to the Height Limitation Guidance will be retained.

CASE HISTORY, INTERNAL & EXTERNAL CONSULTATIONS:

- 17th February 2005:* The Transport Planning Unit (TPU) was consulted, in order to discuss any option other than the proposed parking, which is quite impracticable.
- 22nd February 2005:* The TPU stated that the parking as proposed is very tight and not very practical. Provided with the limited area of the site, particularly at ground floor level, there is very little possibility to provide suitable parking within the site. The TPU also stated that the main difficulty with the proposed layout is the length of the access passage in relation to its width.
- 15th March 2005:* The architect was asked to submit a Fire Safety & Ventilation Report and fresh plans indicating complying with a number of design requirements. The architect was also informed that due to the lack of parking a financial contribution would be needed and was to be calculated in future.
- 28th March 2005:* Architect partly complied with these requirements by submitting fresh designs and stated that the missing information would be submitted at a later stage.
- 1st April 2005:* A site inspection was carried out, without entering the site and it was confirmed that the existing building was unused and in a dilapidated state.
- 5th April 2005:* A meeting was carried out with the architect and the applicant whereas the issues raised in the Planning Directorate's (red 13) and architect's response (red 14) were discussed. The architect was informed that due to the fact that the elevation submitted induced alterations to third party property, a written consent from them was

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needed. Furthermore he was also informed that his counter arguments in paragraph 1 in red 14, regarding the percentage of the intermediate floor could not be used in this regard. Hence, it was agreed that fresh designs were to follow.

18th April 2005: The architect submitted fresh plans and the Fire Safety & Ventilation Report as requested. The architect stated that the third party consent was to be submitted at a later stage.

18th April 2005: In view of the acceptance of the architect's latest submission, consultation letters were sent to the National Commission Persons with Disability, Enemalta, Malta Tourism Authority and the Health Department. In their respective letter, Enemalta were reminded that a substation had already been located in 50/51 Belvedere Street, Gzira as per PA 4702/02 (see letter red 18C).

22nd April 2005: Following a subsequent meeting with the TPU, in order to calculate the contribution to the 'Resident Parking Zone', it was decided that the difference in area between the existing development and the proposed development is taken into consideration. Subsequently, in view of the site's difficulty to provide adequate car parking, although the plans submitted indicate 2 car parking spaces, only one car parking space was to be considered to be provided on site.

28th April 2005: The Malta Tourism Authority stated that since the applicant would not be increasing the existing bed stock (23 rooms) or changing the current grade of the accommodation, he was not requested to apply for a Tourism Policy Compliance Certificate. Therefore, they had no objection to the proposed development.

13th May 2005: The National Commission Persons with Disability did not approve the plans submitted.

18th May 2005: The architect was asked to submit fresh plans complying with the National Commission Persons with Disability's requirements.

19th May 2005: The architect submitted fresh designs complying with the National Commission Persons with Disability's request and submitted also an 'Estimated Electrical Power Requirement' endorsed by an engineer. The third party consent for the alterations to their facade was not submitted.

19th May 2005: Further to the latest submissions, consultation letters sent again to the National Commission Persons with Disability and Enemalta.

30th May 2005: The Health Department stated that their comments would be given in due time, since the applicant was to submit amended sketch plans.

13th June 2005: In view of the Health Department's comments and following a meeting with the Sanitary Engineering Officer, the architect submitted fresh plans.

17th June 2005: The National Commission Persons with Disability requested an additional 30 days in order to submit their comments.

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Existing Levels	Existing Uses	Proposed Levels	Proposed Uses
		Semi-basement	Refuse Store 2 Staff Director Parking (Only 1 acceptable) Plant Room Third Party Property (Lower Courses)
Ground Floor	Pub (18m ²) Hall (8m ²) Reception (24m ²) Toilet Luggage Room Dining Area (35m ²) Kitchen (13m ²) Third Party Property	Ground Floor	Reception/ Lounge (32m ²) Toilet Bar/TV Games Room (37m ²) Third Party Property (Upper Courses)
First Floor	7 twin bedrooms 2 Store Rooms 1 common shower room Adjacent residence (Applicant's property)	Intermediate Level	Restaurant/Cafeteria (28m ²) Toilet 2 twin bedrooms Bar/Cash (33m ²) Kitchen (27m ²)
Second Floor	8 twin bedrooms 1 common shower room Third Party Property	First Floor	5 twin bedrooms 1 Store room Third Party Property
Third Floor	9 twin bedrooms 2 common shower rooms 2 shower rooms	Second Floor	8 twin bedrooms (1 for disabled persons) 1 Store room
Fourth Floor	8 twin bedrooms 2 common shower rooms 2 shower rooms	Third Floor	8 twin bedrooms (1 for disabled persons) 1 Store room
		Penthouse Level	2 Staff Quarters (50m ²) 3 Offices (44m ²)
Total Rooms:	32 guest rooms	Total Rooms:	23 guest rooms

The above table indicates that the existing number of guest bedrooms, many of which had a common shower room at each level, will now be decreased to only 23 guest bedrooms each having their separate and interconnected sanitary facilities.

Principle of Development:

The demolition of the existing guesthouse is not objectionable, as the building has no

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architectural features worth retaining. Although the ground and second floor levels, which pertain to third parties and the first floor level, which pertains to the applicant, situated on the right-hand side of the facade, will not be demolished, still the proposed elevation is clearly amelioration to the existing situation.

On the other hand, the proposed use for a guesthouse will be a continuation and an amelioration of the previous existing use, especially by the introduction of amenities needed by today's standards. Therefore, in principle there is no objection, from a planning point of view to the proposed use.

Design and External Appearance:

As mentioned earlier, the proposed elevation is far better than the existing situation, even with the retention of the ground floor restaurant and the second floor balcony. In fact, the architect attempted to incorporate the ground floor restaurant within the proposal, but an agreement with the third party was not reached (see email red 28).

In order to provide prominence to the proposed guesthouse, the architect has divided the elevation in three parts, all topped by arches, which separates the catering area with the overlying floors, mainly used for guests. Within two of these arches, the architect is proposing to include two separate neon illuminated fascia signs bearing 'Euro' & 'Guesthouse' lettering. Apart from the signs, the architect is also proposing to install 10 small flags at the upper part of the facade.

The facade of the guesthouse will be in light grey and beige graffiato plaster finish and all apertures will be in grey powder coated aluminium. The use of glazing is predominant within the facade of the upper residential levels. Obviously, due to the third party balcony at second floor level, only two-thirds of the facade will be glazed, but from a visual point of view, in the opinion of the Planning Directorate, it is still acceptable.

Height:

It is to note that in order to obtain the maximum allowable height of 17.75m as per Policy 2.1 of the Development Control Policy & Design Guidance 2000 and due to the restriction in height, because the third party properties could not be included in the demolition, at penthouse level, the architect proposed only a two-course opramorta with dark grey painted galvanised steel railing. Hence, in order to protect persons from falling down, the architect included a planted area, 1.5 metres deep from the projected alignment of the building, the latter protected by a 1.1 metre high railing.

This design measure, although small part of the roof terrace was lost, two objectives were reached, thus having the building complying with the maximum allowable height of the area and the terrace is safer, considering the high use of the penthouse level by potential employees.

Double Height Ground Floor (Intermediate):

With regards to commercial outlets, as per Policy 15.2 of the Development Control Policy & Design Guidance 2000, a double height (intermediate or mezzanine) ground floor is permissible, subject to certain conditions.

The proposal fully complies with Sections (a) – Hotel use, (c) – see photo red 14A of another hotel further down and (d) – see 'Proposed Elevation' in Approved Drawing Number PA 7006/04/35B of the aforementioned policy.

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In view of the fact that the right-hand side of the building pertains to third parties (restaurant), full compliance with Section (b) of Policy 15.2 could not be attained. This section stipulates that the intermediate level does not exceed 70% of the ground floor space and is interconnected internally with the latter through an over-looking balcony. The over-looking balcony was only introduced on the left-hand side of the premises, whilst the interconnection to this level is only through the common staircase.

In relation to the floor space limit and further to the aforementioned constraint by third party property, only the area on the left-hand side of the proposed ground floor and intermediate floor plans was calculated. The intermediate floor level has an area of approximately 104m², whereas the ground floor level has an area of approximately 131m², thus resulting in having 79% coverage, namely 9% (12m²) more than the policy allows.

In view of the above, it is to note that the part of this level being considered as an intermediate floor consists only of 2 guest bedrooms, common sanitary facilities and a very small restaurant/cafeteria (28m²). On the other part of this level, a bar and a kitchen are being proposed. These plans indicate that the restaurant/cafeteria on one side and the bar on the other side will be used simultaneously, due to the position of the kitchen.

However, considering the small size of the catering facilities for the whole guest-house per se and even more provided with the relatively small excess area (12m²), in the opinion of the Planning Directorate, although Section (b) has not been complied with, in order to obtain an efficient use of space available, the proposed intermediate floor as presented is acceptable.

Penthouse Level:

With regards to the proposed penthouse level, it is to note that it complies with all the relative Sections in Policy 10.3 of the Development Control Policy & Design Guidance 2000, with only one exception, namely the fact that this consists of 3 office rooms and 2 staff quarters' rooms. Being a residential complex within an area with a height limitation of four (4) floors, the penthouse level is acceptable but no guest bedrooms are being proposed. However, in view of the site's restriction to provide such amenities in other levels, in the opinion of the Planning Directorate the uses within the penthouse level are acceptable.

Traffic Generation, Access & Parking:

The existing plans did not indicate any car parking provision. The architect, constraint by the adjacent third party property and the site's vicinity to the sea level, limiting excavations and further levels, indicated that the semi-basement would be used for car parking, showing 2 car parking spaces. The major problem with these parking spaces is their functionality, being accessed through a passage 2.75 metres wide and 14 metres long, thus having to reverse out onto the street when existing the premises.

Further to consultations with the Transport Planning Unit (TPU), provided with the existing situation, it was decided that only one car parking space would be considered and staff could only use this, so that the relative driver would have a better knowledge of this level. Therefore, there will be no parking for employees, customers and un/loading.

Although the proposed situation is an amelioration of the existing one, it is to note that the amenities and commercial area are going to be slightly increased, with a minor compensation related to car parking, even through it is constraint as aforementioned. Hence, in order to check the parking provision of the proposal, this was checked against what is the impact if the existing situation is reactivated, thus deducting the one staff car

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parking space outlined by the TPU.

For the sake of this calculation, the Reception, Lounge, Kitchen and Staff Quarters were not included as these were considered as primary amenities that each and every hotel should have. Only the number of guest bedrooms, the number of employees, the catering facilities (bars and restaurant) and the office area were compared. The tables hereunder indicate the calculations carried out and the comparison from the existing (assuming it is reactivated) and the proposed situations:

<i>Use:</i>	<i>rea/Amoun</i>	<i>Parking Standard:</i>	<i>Total:</i>
<i>No. of Guest bedrooms</i>	32	1 for every 5 guest bedrooms	6 parking spaces
<i>No. of Employees</i>	None	1 for every 3 employees	N/A
<i>Catering Facilities</i>	53m ²	1 per 10m ² of floor area	5 parking spaces
<i>Offices</i>	None	1 per 50m ² or part thereof	N/A
<i>Residence</i>	1	1 per apartment	1 parking space
<i>Parking Required:</i>			12 parking spaces

Table 1 – Existing Situation Car Parking Provision Calculation

<i>Use:</i>	<i>rea/Amoun</i>	<i>Parking Standard:</i>	<i>Total:</i>
<i>No. of Guest bedrooms</i>	23	1 for every 5 guest bedrooms	5 parking spaces
<i>No. of Employees</i>	4	1 for every 3 employees	1 parking space
<i>Catering Facilities</i>	98m ²	1 per 10m ² of floor area	10 parking spaces
<i>Offices</i>	44m ²	1 per 50m ² or part thereof	1 parking space
<i>Parking Required:</i>			17 parking spaces

Table 1 – Proposed Situation Car Parking Provision Calculation

The above tables indicate that the proposed development would need to cater for 17 parking spaces and therefore countered by the existing commitment, which needed 12 parking spaces and deducting the one parking space available, there would still be a short fall of four (4) car parking spaces.

In view of this shortfall, although the site does not fall within an area where the C.P.P.S. is applicable and considering the fact that the use of the building is already committed as a guesthouse and even it's vicinity to the sea, which does not permit the introduction of a basement parking, consultations were carried out with the TPU. It was agreed that the site was in the vicinity of a 'Resident Parking Zone' (see Map GT1 in the Draft North Harbours Local Plan) and hence, as already done in a previous exercise for another application, it was suggested that the applicant could be induced to contribute the same sum, which would have been applicable in C.P.P.S., in order to fund the implementation of the 'Resident Parking Zone'. This type of contribution had already been successively used for a larger and similar type of development in PA 3616/02 for the Hotel Petit Paradis, which is a few metres away from the site in question in this application (see condition number 15 in PA 3616/02).

Hence, in view of the above suggestion, a condition in this development permission will be imposed in order to oblige the applicant to contribute the sum of Lm3,600 (Lm900 X 4 car parking spaces) to MEPA, which shall then fund the 'Resident Parking Zone', when introduced and implemented by the Gzira Local Council.

APPLICATION No. 07006 / 04

Conclusion:

Further to the 'no objection' received from the consulted departments and the comments received from the internal departments, in the opinion of the Planning Directorate, considering the fact that the premises had already been used as a guesthouse, the proposed development will constitute an amelioration of the existing situation and therefore the proposal is deemed acceptable.

The proposed development is therefore being recommended for an approval.

Recommendation: GRANT - subject to the following conditions:

1. Air conditioning units shall not be located on the facades of the building which are visible from a public space. Any such units located at roof level shall be set back from the facade by at least 1 metre.
2. There shall be no service pipes, cables or wires visible on the front elevation or on any other elevations of the building which are visible from the street.
3. Windows and doors should not open outwards onto the public street.
4. Prior to the issuing of this development permission, a contribution of Lm3,600 (three thousand six hundred Maltese liri) shall be deposited with the Malta Environment & Planning Authority in order to contribute for the introduction of 'Resident Parking Zones', to ensure that the absence of off-street parking does not cause inconvenience to residents within the surrounding area. The 'Residential Parking Zones' shall be designed and implemented by the Gzira Local Council, in line with established procedures and the Malta Environment & Planning Authority shall then provide these funds when this scheme has been introduced.
5. The following conditions shall be complied with to the satisfaction of the Department of Public Health:
 - a) Proposed toilets are to be adequately ventilated and provided with an adequately ventilated ante room according to law.
 - b) Proposed grease trap (unless self-cleansing)/gully traps are to be located in the open air.
 - c) Height of proposed food rooms should not be less than the minimum as stipulated by law, i.e. 9 feet (2.75m).
 - d) Applicant to provide a suitable staff changing room and a dry food store.
 - e) All food rooms including food stores and staff changing rooms are to be adequately ventilated. Where natural ventilation is not possible, adequate intake and extract ventilation by mechanical means is to be provided.
 - f) To provide adequate measures for the hygienic disposal of refuse.
 - g) Applicant is to take all the necessary measures to prevent above mentioned premises from being a statutory nuisance to neighbouring properties from emit fumes, gases, dusts, steam, odour, noise or having accum deposits that are prejudicial to health or a nuisance.

APPLICATION No. 07006 / 04

6. The advertisement hereby permitted, and the site used for its display, shall be maintained in a clean and tidy condition to the reasonable satisfaction of the Malta Environment & Planning Authority.

Any structure or hoarding erected or used for the purpose of displaying the advertisement hereby permitted shall be maintained in a safe condition.

The advertisement hereby permitted shall not be sited or displayed so as to obscure or hinder the ready interpretation of any road traffic sign or aid to navigation by water or air, or so as to create a danger to pedestrians or otherwise render hazardous the use of any means of travel.
7. The illumination hereby permitted shall be controlled by automatic timers to turn off at twelve midnight.
8. The advertisement hereby permitted shall be displayed strictly in accordance with the Approved Plan PA 7006/04/29B.
9. The development shall be constructed in conformity with the provisions set out in the accessibility audit report (approved document PA 7006/04/37).
10. All buildings used by the public must have appropriate access, toilet and internal arrangements for the disabled (including self-propelled wheelchair users), the elderly and children in prams or pushchairs. Adequate parking provision must be provided for the physically handicapped.
11. All plant, machinery and any other equipment which is audible at the application site boundaries, shall only be operated within the application site between 7.00 and 19.00 hours on Mondays to Fridays, between 7.00 and 17.00 hours on Saturdays, and at no time on Sundays or Bank Holidays.
12. The ramp leading down to the underlying semi-basement garage shall at no point be steeper than 1:5. The ramp shall be so formed that it does not encroach onto the pavement.
13. There shall be no permanent means of access to any part of the roofs of the penthouses hereby permitted.
14. A Public Sewer Discharge Permit in accordance with L.N. 139 of 2002 may be required for this development.
15. All commercial premises are subject to inspection and clearance from the Drainage Department.
16. All liquid trade effluent shall be properly treated prior to its discharge to the drainage system.
17. Any gates shall be so fitted that they do not open outwards over the pavement.
18. The projected parts of the building shall not project more than 0.75 metres from the facade of the building.
19. The projected parts of the building shall be located so that their side outer face is at

APPLICATION No. 07006 / 04

- least 0.75 metres away from the outer face of the party wall nearest to the balcony.
20. The garage shall only be used for the parking of employee's car and this shall be kept available at all times for this purpose.
 21. Before the development hereby approved is brought into use, arrangements for the storage and collection of refuse from the development shall be provided on site to the satisfaction of the Malta Environment & Planning Authority.
 22. All services located on the roof of structures on the roof of the building shall be screened by a wall 1.4 metres (5 courses) high constructed in Franka stone. The services shall not exceed the height of this wall.
 23. This permission is subject to Trading Licence approval.
 24. The premises shall be used only as a guesthouse and for no other purpose, including any use falling within Class 3 of the Development Planning (Use Classes) Order 1994.
 25. The use hereby approved shall be carried on in such a manner that it does not decrease or adversely affect the amenity of adjoining properties or of the locality as a whole.
 26. The development hereby permitted shall not be brought into use until the Final Compliance (Completion) Certificate, certifying that the development has been carried out in full accordance with the plans approved by this permission and with the other conditions imposed in this permission, has been issued by the Malta Environment & Planning Authority. Before the issuing of any Compliance Certificate, the applicant shall submit a clearance and verification of the conditions and requirements imposed by the Civil Protection Department, Enemalta, Health Department, Malta Tourism Authority and the National Commission Persons with Disability.
 27.
 - a) This development permission is valid for a period of FIVE (5) YEARS from the date of this notice but will cease to be valid if the development is not completed by the end of this five year period.
 - b) It should be noted that a third party may have the right of appeal against this permission. Any development which is carried out when such an appeal has been made, or until the time limit for the submission of such an appeal has expired, is undertaken at the risk that this permission may be revoked by the Planning Appeals Board or quashed by the Court of Appeal.
 - c) This development permission does not remove or replace the need to obtain the consent of the land/building owner to this development before it is carried out. Furthermore, it does not imply that consent will necessarily be forthcoming nor does it bind the land/building owner to agree to this development. Where the land/building is owned or administered by the Government of Malta a specific clearance and agreement must be obtained for this development from the Land and/or Estate Management Departments.
 - d) All works shall be carried out strictly in accordance with the approved plans and the conditions of this permission. Where a matter is not specified on the plans then

APPLICATION No. 07006 / 04

the conditions of this permission and of Development Control Policy and Design Guidance shall take precedence and modify the plans accordingly.

e) All building works shall be erected in accordance with the official alignment and proposed/existing finished road levels as set out on site by the Malta Environment & Planning Authority's Land Surveyor. The Setting Out Request Notice must be returned to the Land Survey Unit of the Malta Environment & Planning Authority when the setting out of the alignment and levels is required.

f) Before any part of the development hereby permitted commences, the enclosed green copy of the Development Permit shall be displayed on the site. This must be mounted on a notice board, suitably protected from the weather and located not more than 2 metres above ground level at a point on the site boundary where it is clearly visible and can be easily read from the street. The copy of the permit must be maintained in a good condition and it shall remain displayed on the site until the works are complete.

g) The enclosed Commencement Notice shall be returned to the Malta Environment & Planning Authority so that it is received at least five days prior to the commencement of the development hereby permitted.

h) Copies of all approved plans and elevations shall be available for inspection on site by Malta Environment & Planning Authority staff at all reasonable times.

i) Where the street bordering the site is unopened, it shall be opened up **prior to the commencement of the building operations** hereby permitted.

j) Work shall not commence on the construction (including excavation), alteration or demolition of the building until a covered way or a fence, boarding or barricade has been constructed as follows

A Where the construction or demolition activity is located **less than 2 metres from a public way used by pedestrians** a covered way shall be provided (unless the work is carried out within a solid enclosure; site work conditions are more than 2 metres from a public way used by pedestrians, or the work duration does not exceed 5 days). This covered way shall

- (i) have a clear height of not less than 2.5 metres;
- (ii) have a clear width of not less than 1.5 metres or the width of the public way whichever is the lesser;
- (iii) be designed and constructed to safely support all loads that may be reasonably be expected to be applied to it;
- (iv) have a weather tight roof sloped towards the site or if flat be equipped with a splash board not less than 300mm high on the road side;
- (v) be totally enclosed on the site side with an enclosure having a reasonably smooth surface facing the public way;
- (vi) have a railing 1 metre high on the road side where the covered way is supported by posts on the road side, and
- (vii) be adequately lighted between sunset and sunrise.

B Where the construction or demolition activity is located **2 metres or more from a public way used by pedestrians**, a strongly constructed hoarding, boarding or barricade shall be erected between the site and the public way or open sides of a construction site, and the hoarding, boarding or barricade shall

- (i) be not less than 1.8 metres high;

APPLICATION No. 07006 / 04

- (ii) have a reasonably smooth surface facing the public way;
- (ii) be without openings, except those required for access.

Access openings shall be equipped with solid gates which shall be kept closed and locked when the site is unattended and shall be maintained in place until completion of the construction or demolition activity.

Authorisation for these arrangements must be obtained from the Local Council.

k) No building material, waste material, machinery or plant shall obstruct the pavement or the smooth flow of traffic on the road in the vicinity of the site. The deposit of materials or the placing of equipment in the street must be authorised by the Police.

l) Any soil on the site shall not be built over but shall be collected for reuse. A permit from the Director of Agriculture is required to remove the soil from the site. All soil shall be deposited at the place indicated by the Director of Agriculture.

m) Rock spoil, boulders and other waste materials resulting from excavations or from demolition on this site shall be deposited at an official waste disposal site or used as fill material. If waste materials from the development are not to be reused, they shall not be disposed of other than at an official waste disposal site. A permit from the Environmental Protection Directorate is required to this effect.

n) The height of the building shall not exceed that indicated in Approved Drawing Number PA 7006/04/35B.

o) The facade of the building shall be constructed in local stone, except where other materials, finishes and colours are indicated on the approved plans and drawings.

p) Apertures and balconies shall not be constructed of gold, silver or bronze aluminium.

q) The permit is issued on condition that, where applicable, any excavation shall be subject to the requirements of the Civil Code regarding neighbouring tenements.

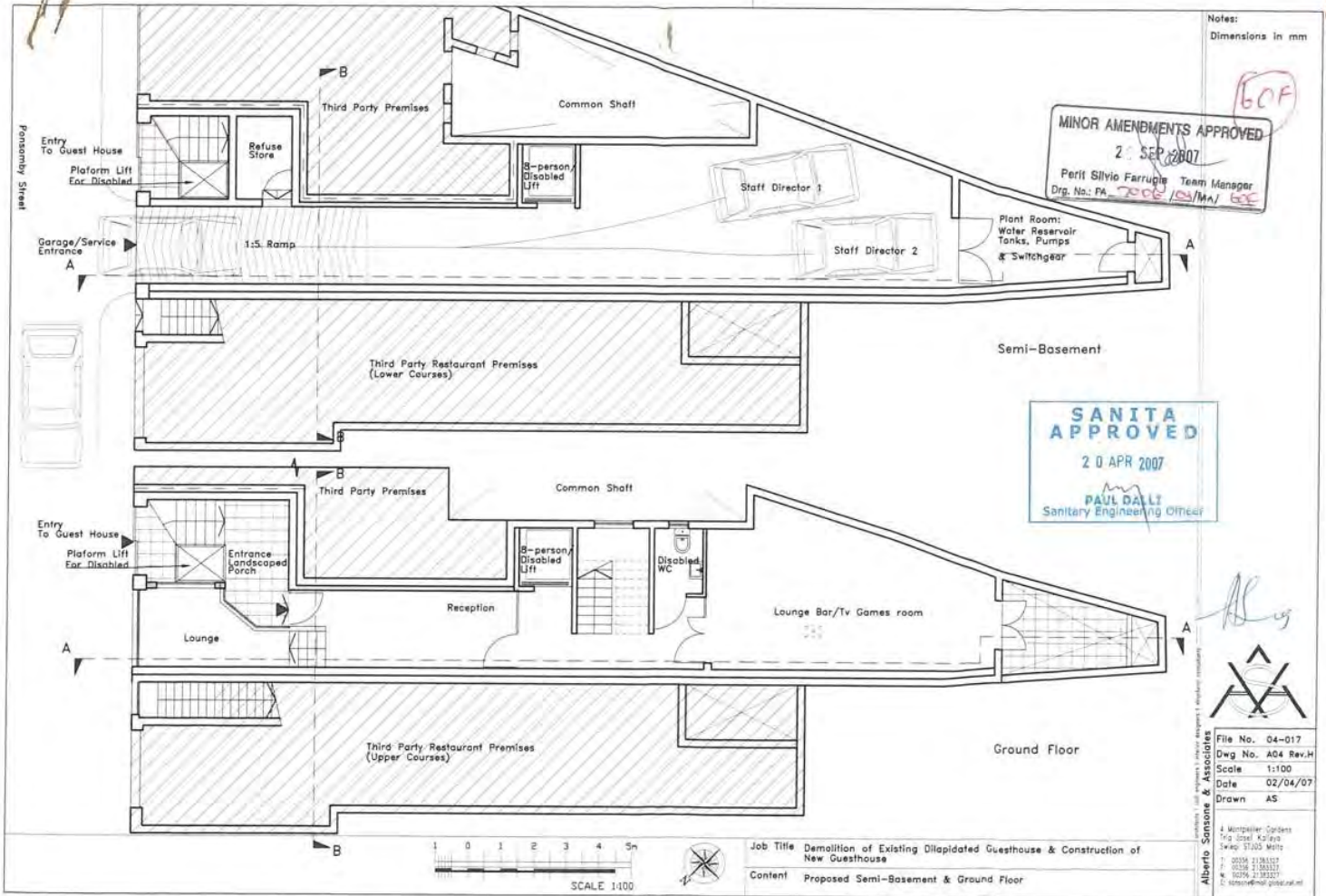
This report to the DCC has been prepared and checked by:

Case Officer:	NORBERT GERADA Dip. Planning	Checked By:	
Signature:	<i>N Gerada</i> Senior Planning Technician	Signature:	
Date:	3/11/05	Date:	

DCC Decision:



DocRep



Notes:
Dimensions in mm

MINOR AMENDMENTS APPROVED
20 SEP 2007
Perit Silvio Farrugia Team Manager
Org. No.: PA 7006 /04/MA/ 606

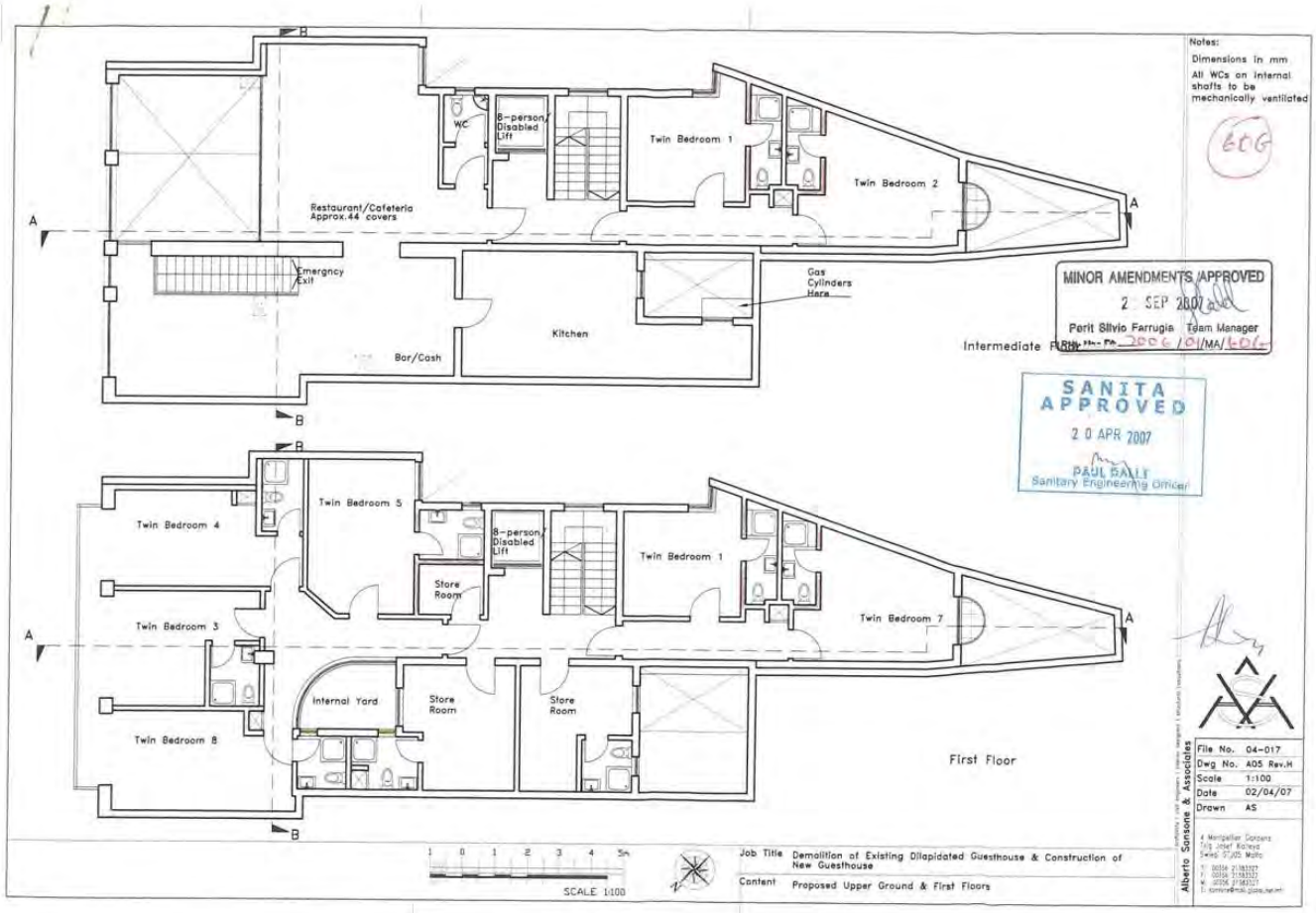
SANITA APPROVED
20 APR 2007
PAUL DALLI
Sanitary Engineering Officer



File No. 04-017
Dwg No. A04 Rev.H
Scale 1:100
Date 02/04/07
Drawn AS

Alberto Sansone & Associates
4 Montpelier Gardens
75 St. John Street
St. John's, NL A1B 1X6
Tel: 709-754-1111
Fax: 709-754-1112
E: sansone@albertosansone.com

Job Title Demolition of Existing Dilapidated Guesthouse & Construction of New Guesthouse
Content Proposed Semi-Basement & Ground Floor



Notes:
 Dimensions in mm
 All WCs on internal shafts to be mechanically ventilated

606

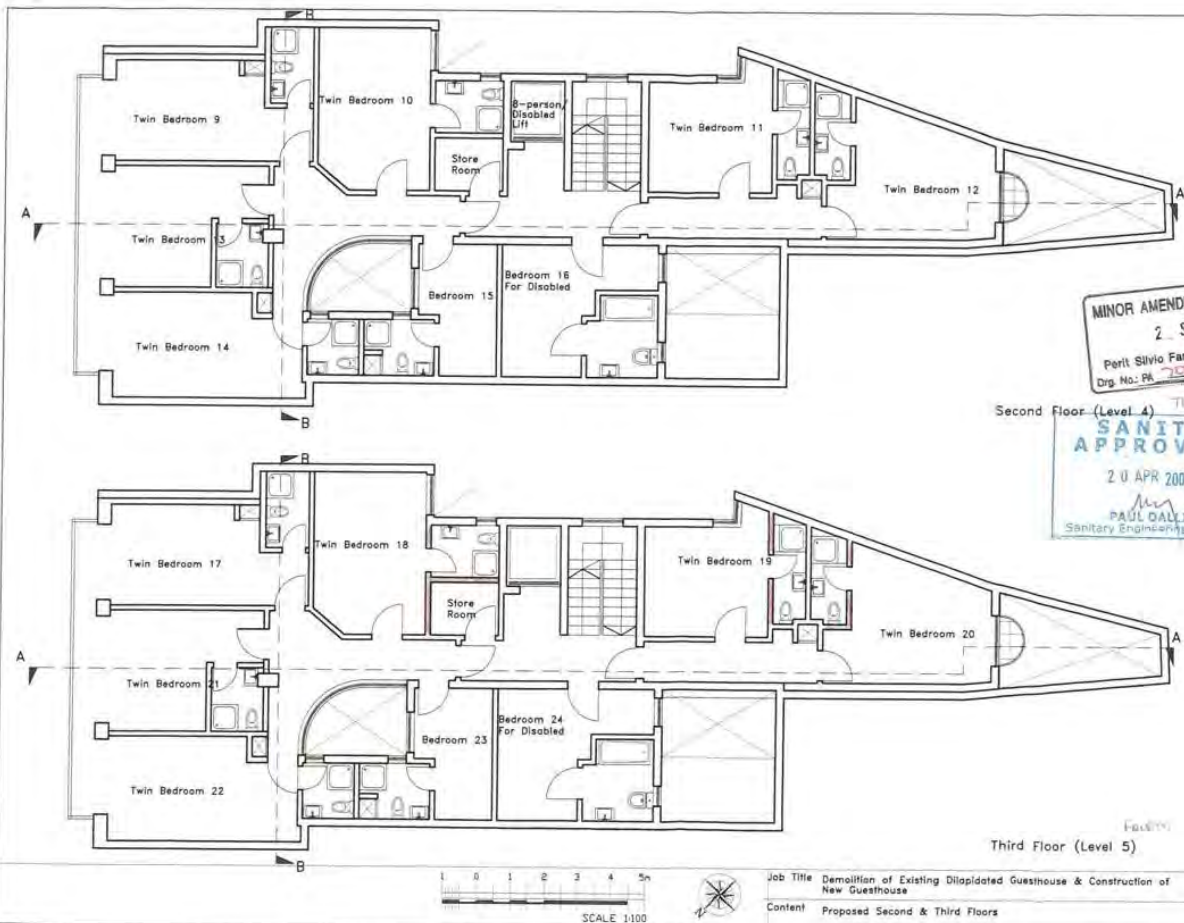
MINOR AMENDMENTS APPROVED
 20 SEP 2007
 Perit Silvio Farrugia Team Manager
 Intermediate Plan No. 2006/CI/MA/1001

SANITA APPROVED
 20 APR 2007
 PAUL BULL
 Sanitary Engineering Officer



Alberto Sansone & Associates
 File No. 04-017
 Dwg No. ADS Rev.H
 Scale 1:100
 Date 02/04/07
 Drawn AS
 4 Montpelier Gardens
 7th Street Richmond
 Surrey BC V6V 1K6
 T 604-271-1117
 F 604-271-1115
 E info@asna.com
 W www.asna.com

Job Title Demolition of Existing Dilapidated Guesthouse & Construction of New Guesthouse
 Content Proposed Upper Ground & First Floors



Notes:
 Dimensions in mm
 All WCs on internal shafts to be mechanically ventilated

LOH

MINOR AMENDMENTS/APPROVED
 2 SEP 2007
 Perit Silvio Farrugia Team Manager
 Dwg No: PA 7006 10/MA/004

Second Floor (Level 4)
SANITA APPROVED
 20 APR 2007
 PAUL DALLI
 Sanitary Engineering Officer



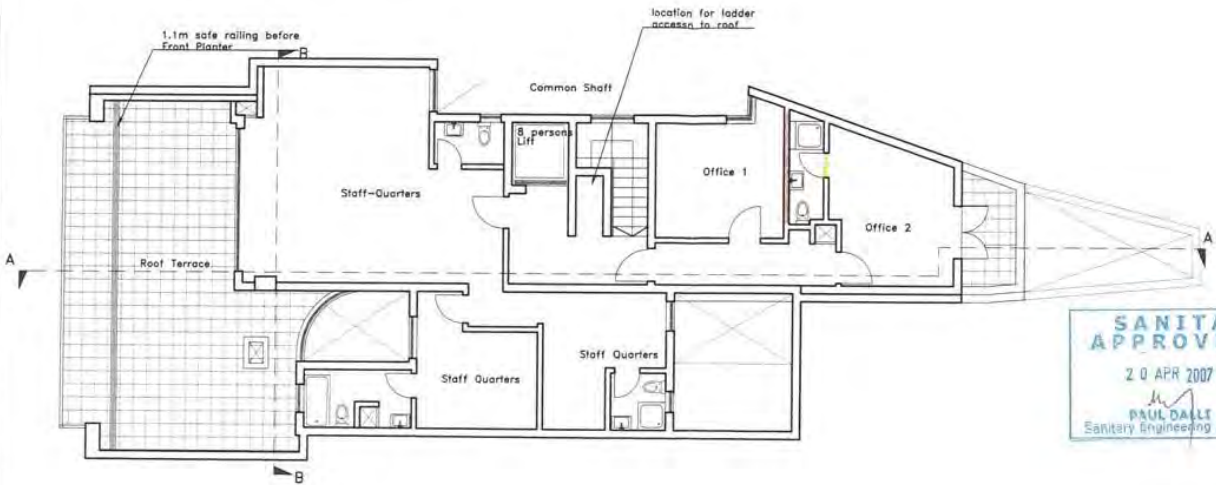
File No.	04-017
Dwg No.	A06 Rev.G
Scale	1:100
Date	02/04/07
Drawn	AS
Alberto Sansone & Associates	
A Montbellier SpA Via J. J. Kollon 1-10125 Torino	
P. 01124 0151111 F. 01124 0151112 T. 01124 0151113	



Job Title Demolition of Existing Dilapidated Guesthouse & Construction of New Guesthouse
 Content Proposed Second & Third Floors

Notes:
Dimensions in mm

60 J



SANITA APPROVED
 20 APR 2007
 PAUL DALLI
 Sanitary Engineering Officer

MINOR AMENDMENTS APPROVED
 2 SEP 2007
 Perit Silvio Farrugia Team Manager
 Drg. No. PA 2006/104/MN/ECR



Job Title Demolition of Existing Dilapidated Guesthouse & Construction of New Guesthouse
 Content Proposed Penthouse Floor

Alberto Sansone & Asociados
 File No. 04-017
 Dwg No. A07 Rev.C
 Scale 1:100
 Date 02/04/07
 Drawn AS
 J. Montañer Carcer
 Tq. José Kalfus
 S/Nº 37,05 Mérida
 1. 0036 01583327
 2. 0036 01583327
 3. 0036 01583327
 E. Sansone@alpa.gob.ve-ml

ANNEX 4
PERMIT DOCUMENTS
PA/02650/06



To: Mr Silvan Mifsud
19 Sir Luigi Preziosi Square
Floriana VLT 14

Date: 21 August, 2006
Our Ref: PA 02650/06

Application Number: PA 02650/06
Application Type: Full Development Permission / 01
Date Received: 24 April, 2006
Approved

Documents : PA 2650/06/1B - Site Plan
PA 2650/06/1K - Existing & Proposed Elevations
PA 2650/06/1L - Longitudinal Section A
PA 2650/06/1M - Vert. Sec. & Transverse Section B
PA 2650/06/21A - Intermediate & First Floors
PA 2650/06/21B - Second & Third Floors
PA 2650/06/15 - Accessibility Audit

Location: 6/7/8, 'Taormina Hotel' & No 8/Flat 2, Triq Ponsonby, Gzira
Proposal: Amendments to approved permit PA 07006/04, including annexing of apartment dwelling and its change of use into guesthouse accomodation

Development Planning Act 1992 Section 33 Full Development Permission

The Malta Environment & Planning Authority hereby grants development permission in accordance with the application and plans described above, subject to the following conditions:

1. Air conditioning units shall not be located on the facades of the building which are visible from a public space. Any such units located at roof level shall be set back from the facade by at least 1 metre.
2. There shall be no service pipes, cables or wires visible on the front elevation or on any other elevations of the building which are visible from the street.
3. Windows and doors should not open outwards onto the public street.
4. All plant, machinery and any other equipment which is audible at the application site boundaries, shall only be operated within the application site between 7.00 and 19.00 hours on Mondays to Fridays, between 7.00 and 17.00 hours on Saturdays, and at no time on Sundays or Bank Holidays.

PA 02650 / 06

Date: 21 August, 2006

MALTA ENVIRONMENT & PLANNING AUTHORITY
L-AWTORITA' TA' MALTA DWAR L-AMBIENT U L-IPPIANAR
P.O. BOX 200, MARSA GPO 01, MALTA
TEL: (+356) 2290 0000 • FAX: (+356) 2290 2295
<http://www.mepa.org.mt> • email: enquiries@mepa.org.mt

Page 1

5. The following conditions are imposed by the Department of Public Health and shall be complied with prior to the commencement of the use hereby permitted:
- a) Applicant adheres to sketch plans as amended;
 - b) Proposed toilets are to be adequately ventilated and provided with an adequately ventilated ante-room according to law;
 - c) Proposed grease trap (unless self-cleaning)/gully traps are to be located in the open air;
 - d) Height of proposed food rooms should not be less than the minimum as stipulated by law, i.e. 9ft (2,75m);
 - e) Applicant is to be provided a suitable staff changing room and a dry food store;
 - f) All food rooms including food stores and staff changing rooms are to be adequately ventilated. Where natural ventilation is not possible, adequate intake and extract ventilation by mechanical means is to be provided;
 - g) To provide adequate measures for the hygienic disposal of refuse;
 - h) Applicant is to take all the necessary measures to prevent abovementioned premises from being a statutory nuisance to neighbouring properties from emit fumes, gases, dusts, steam, odour, noise or having accumulated deposits that are prejudicial to health or a nuisance;
 - i) All Building and Sanitary Laws & Regulations are to be strictly complied with.

The applicant shall consult with the Department of Public Health during the construction phase of the development hereby approved, to ensure that the development is carried out in conformity with the conditions imposed.

6. All buildings used by the public must have appropriate access, toilet and internal arrangements for the disabled (including self-propelled wheelchair users), the elderly and children in prams or pushchairs.
7. The development shall be constructed in conformity with the provisions set out in the Accessibility Audit report (approved document PA 2650/06/15).
8. All services located on the roof shall be clustered together and surrounded by a 1.5 metres high non-solid screen. The services shall not exceed the height of this screen, which shall be set back 2 metres from the front and back edges of the roof.
9. The development hereby permitted shall not be brought into use until the Final Compliance (Completion) Certificate, certifying that the development has been carried out in full accordance with the plans approved by this permission and with the other conditions imposed in this permission, has been issued by the Malta Environment & Planning Authority. Prior to the issuing of any Compliance Certificate for this development, this applicant shall submit, to MEPA, clearance from the Health Department and the National Commission for Persons with Disability verifying that the development full satisfies any conditions imposed by these departments as per Approved Accessibility Audit PA 2650/06/15.
10. a) This development permission is valid for a period of FIVE (5) YEARS from the date of this notice but will cease to be valid if the development is not completed by the end of this five year period.
- b) It should be noted that a third party may have the right of appeal against this permission. Any development which is carried out when such an appeal has been made, or until the time limit for the submission of such an appeal has expired, is undertaken at the risk that this permission may be revoked by the Planning Appeals

Board or quashed by the Court of Appeal.

c) This development permission does not remove or replace the need to obtain the consent of the land/building owner to this development before it is carried out. Furthermore, it does not imply that consent will necessarily be forthcoming nor does it bind the land/building owner to agree to this development. Where the land/building is owned or administered by the Government of Malta a specific clearance and agreement must be obtained for this development from the Land and/or Estate Management Departments.

d) All works shall be carried out strictly in accordance with the approved plans and the conditions of this permission. Where a matter is not specified on the plans then the conditions of this permission and of Development Control Policy and Design Guidance shall take precedence and modify the plans accordingly.

e) All building works shall be erected in accordance with the official alignment and proposed/existing finished road levels as set out on site by the Malta Environment & Planning Authority's Land Surveyor. The Setting Out Request Notice must be returned to the Land Survey Unit of the Malta Environment & Planning Authority when the setting out of the alignment and levels is required.

f) Before any part of the development hereby permitted commences, the enclosed green copy of the Development Permit shall be displayed on the site. This must be mounted on a notice board, suitably protected from the weather and located not more than 2 metres above ground level at a point on the site boundary where it is clearly visible and can be easily read from the street. The copy of the permit must be maintained in a good condition and it shall remain displayed on the site until the works are complete.

g) The enclosed Commencement Notice shall be returned to the Malta Environment & Planning Authority so that it is received at least five days prior to the commencement of the development hereby permitted.

h) Copies of all approved plans and elevations shall be available for inspection on site by Malta Environment & Planning Authority staff at all reasonable times.

i) Where the street bordering the site is unopened, it shall be opened up **prior to the commencement of the building operations** hereby permitted.

j) Work shall not commence on the construction (including excavation), alteration or demolition of the building until a covered way or a fence, boarding or barricade has been constructed as follows

A Where the construction or demolition activity is located **less than 2 metres from a public way used by pedestrians** a covered way shall be provided (unless the work is carried out within a solid enclosure; site work conditions are more than 2 metres from a public way used by pedestrians, or the work duration does not exceed 5 days). This covered way shall

- (i) have a clear height of not less than 2.5 metres;
- (ii) have a clear width of not less than 1.5 metres or the width of the public way whichever is the lesser;
- (iii) be designed and constructed to safely support all loads that may be reasonably be expected to be applied to it;
- (iv) have a weather tight roof sloped towards the site or if flat be equipped with

- a splash board not less than 300mm high on the road side;
- (v) be totally enclosed on the site side with an enclosure having a reasonably smooth surface facing the public way;
- (vi) have a railing 1 metre high on the road side where the covered way is supported by posts on the road side, and
- (vii) be adequately lighted between sunset and sunrise.

B Where the construction or demolition activity is located **2 metres or more from a public way used by pedestrians**, a strongly constructed hoarding, boarding or barricade shall be erected between the site and the public way or open sides of a construction site, and the hoarding, boarding or barricade shall

- (i) be not less than 1.8 metres high;
- (ii) have a reasonably smooth surface facing the public way;
- (ii) be without openings, except those required for access.

Access openings shall be equipped with solid gates which shall be kept closed and locked when the site is unattended and shall be maintained in place until completion of the construction or demolition activity.

Authorisation for these arrangements must be obtained from the Local Council.

k) No building material, waste material, machinery or plant shall obstruct the pavement or the smooth flow of traffic on the road in the vicinity of the site. The deposit of materials or the placing of equipment in the street must be authorised.

l) Any soil on the site shall not be built over but shall be collected for reuse. A permit from the Director of Agriculture is required to remove the soil from the site. All soil shall be deposited at the place indicated by the Director of Agriculture.

m) Rock spoil, boulders and other waste materials resulting from excavations or from demolition on this site shall be deposited at an official waste disposal site or used as fill material. If waste materials from the development are not to be reused, they shall not be disposed of other than at an official waste disposal site. A permit from the Environmental Protection Directorate is required to this effect.

n) The height of the building shall not exceed that indicated in Approved Drawing Number PA 2650/06/1K.


o) The facade of the building shall be constructed in local stone, except where other materials, finishes and colours are indicated on the approved plans and drawings.

p) Apertures and balconies shall not be constructed of gold, silver or bronze aluminium.

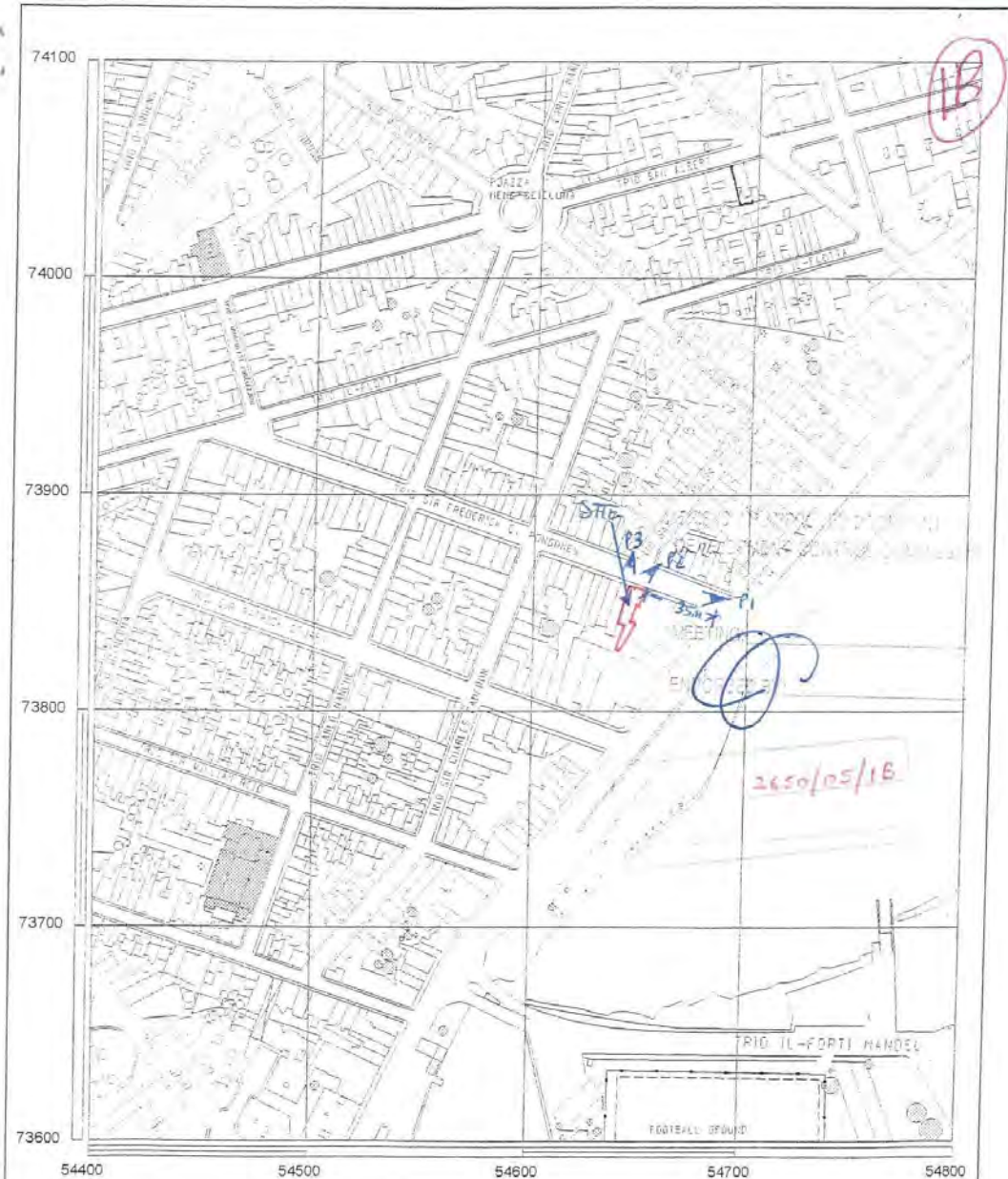
q) The development hereby permitted shall not be brought into use until the Final Compliance (Completion) Certificate, certifying that the development has been carried out in full accordance with the plans approved by this permission and with the other conditions imposed in this permission, has been issued by the Malta Environment & Planning Authority.

r) The permit is issued on condition that, where applicable, any excavation shall be subject to the requirements of the Civil Code regarding neighbouring tenements.

This permit is granted saving third party rights. The applicant is not excused from obtaining any other permission required by law. The applicant should contact the following regarding the location and provision of services prior to commencing development:- Enemalta, Water Services Corporation, Maltacom, Drainage Department and Cable Network Operators.



Frances Pisani
Secretary
Development Control Commission



Malta Environment & Planning Authority
 Mapping Unit Site Plan, Scale 1:2500

St. Francis Ravelin
 Floriana
 PO Box 200, Valletta
 Tel: 21240976 Fax: 21224846
 www.mepa.org.mt



Part of Survey Sheet(s): 540735 540740 545735 545740

Date Issued:- 25/11/04

- The numbered lines indicate 100m intervals on a U.T.M. grid
- This site plan is not to be used for interpretation or scaling of scheme alignments
- Users noting additions or corrections to this map are kindly requested to inform the Mapping Unit

Copyright Mapping Unit, Malta Environment & Planning Authority Vat Reg. No.: 1281-6708 Form No.: MU 002



Accessibility Audit

To: Director, MEPA - Floriana
From: The Executive Director,
Kummissjoni Nazzjonali Persuni b'Dizabilità
Date: 27th June, 2006
Ref: Knpd/serv/acs-audit/pa02650/06.doc
Fax No:

15

Application No: PA 02650/06
Location: 6/7/8, 'Taormina Hotel' & No 8/Flat 2, Triq Ponsonby, Gzira.
Proposal: Amendments to approved permit PA 07006/04, including annexing of apartment dwelling and its change of use into guesthouse accommodation.

Please find enclosed an *Accessibility Audit Report* on the above proposed project prepared by Mr. Philip Grech, one of the architects on the *Kummissjoni Nazzjonali Persuni b'Dizabilità* Accessibility Audit Team.

Based on the said report, the National Commission Persons with Disability approves the plans from the point of view of *Access for All* on the proviso that the modifications referred to in the architect's report are implemented as advised.

SUB
Elvin Sciberras
f/Fred Bezzina
Executive Director

encl. (1)

c.c. Mr Silvan J. Mifsud
Perit Alberto Sansone



Philip B. Grech

Architect & Civil Engineer
Water & Waste Water Engineer

B.E.&A. (Hons), M.Sc. (Birmingham), M.C.I.W.E.M., A. & C.E.

tel: 2143 8618

fax: 2143 8510

13 Triq Mario Cortis, Attard BZN 04, MALTA
V.A.T. no. 1444 - 4810

mob: 9942 1762

e-mail: philipgrech@onvol.net

June 23, 2006

Our ref.: 57/00/400

Your ref. knpd/serv/audit-mepa/arch/02650/06

Application number	02650/06
Location:	6/7/8 Taormina Hote & no 8/ Flat 2, Triq Ponsonby, Gzira.
Proposal	Amendments to approved permit PA 07006/04, including annexing of apartment dwelling and its change of use into guesthouse accommodation

With reference to the request of the Commission dated 5 June 2006 I have vetted the plans of PA02650/06 from the point of view of Access for All and I report back as follows:

1. **Type of Application**
Full Development permission.
2. **Type of property**
Terraced 5 storey guesthouse
3. **Proposal**
To incorporate third party property at first floor into proposed 4 storey hotel with penthouse and underlying semi-basement garage.
4. **Drawings submitted for vetting**
The following drawings were submitted for vetting:

Drawing no.	Drawing title	Revision	Date
A05	Proposed Upper Ground & First Floors as per permit PA 07006/04	E	17/10/05
A05	Proposed Upper Ground & First Floors	F	05/04/06
A06	Proposed Second & Third Floors as per permit PA 07006/04	D	25/05/05
A06	Proposed Second & Third Floors	E	05/04/06
A08	Existing & Proposed Elevations as per permit PA 07006/04	G	17/10/06
A08	Existing & Proposed Elevations	H	05/04/06
A09	Longitudinal Section A as per permit PA 07006/04	D	17/10/05
A09	Longitudinal Section A	E	05/04/06
A10	Facades Vertical section at 1:50 & Transverse Section B at 1:100 as per permit PA 07006/04	D	17/10/05
A10	Facades Vertical section at 1:50 & Transverse Section B at 1:100	E	05/04/06

5. **Access around the building**

The building fronts a street and is flanked on the other sides by buildings.

6. **Access into the building**

No access is shown as ground floor and basement plans not made available. If there is no change then the previous permitted plans are to apply (PA07006/04).

7. **Access within the building**

Each floor shown from first floor up has access to a complaint lift. Each floor now is at one level and is more complaint with the guidelines.

A Bedroom for the disabled has been shifted one floor, and is complaint with the guidelines.

8. **WC Facilities**

The private facilities in disabled bedrooms are accessible. Public toilets not shown on the plans submitted.

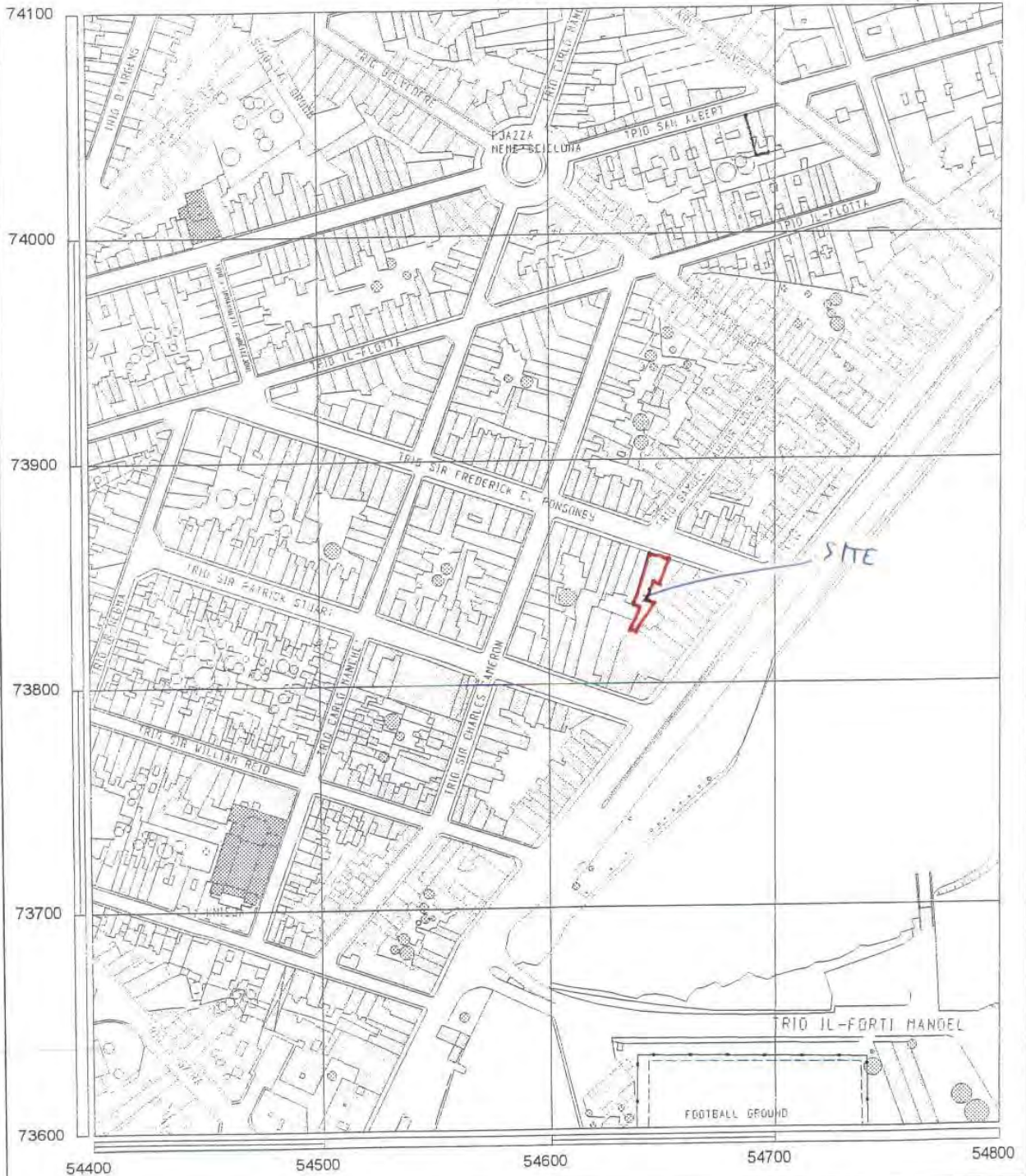
9. **Summary**

Provided that the remainder of the proposed plans of this development are as per the approved plans in PA 07006/04, the development shown in these submitted plans is compliant with the guidelines for accessibility.



Philip Grech, A. & C.E.

168153



Malta Environment & Planning Authority
 Mapping Unit Site Plan, Scale 1:2500

St. Francis Ravelin
 Floriana
 PO Box 200, Valletta
 Tel:21240976 Fax:21224846
 www.mepa.org.mt

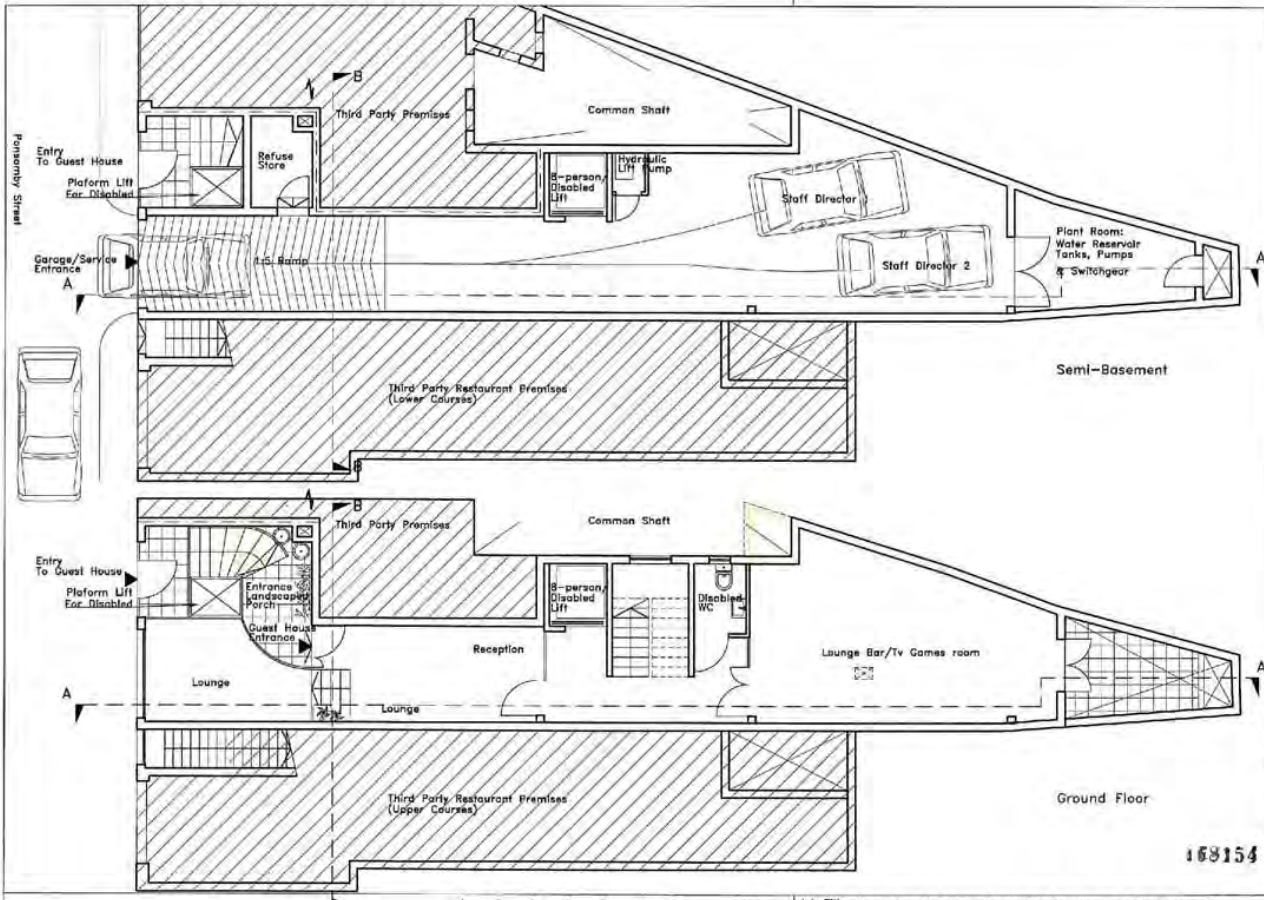


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Date Issued:- 25/11/04

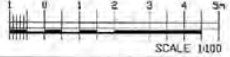
- The numbered lines indicate 100m intervals on a U.T.M. grid
- This site plan is not to be used for interpretation or scaling of scheme alignments
- Users noting additions or corrections to this map are kindly requested to inform the Mapping Unit

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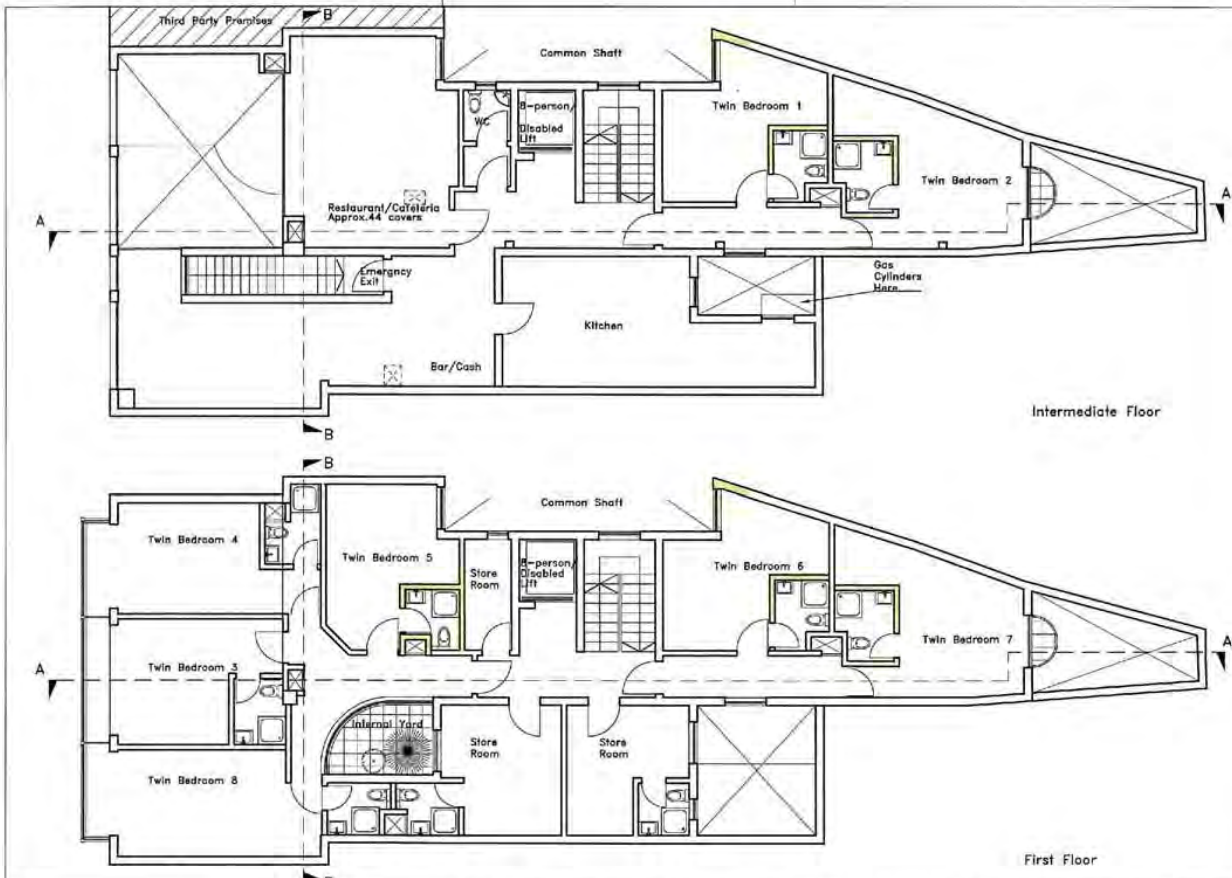
Notes:
Dimensions in mm


 File No. 04-017
 Des. No. A04/Rev.6
 Scale 1:100
 Date 17/10/05
 Drawn AS
 J. Margulies
 45, 46th Street
 Spring 5A05 Suite
 1000
 403-211-1111
 403-211-1112
 403-211-1113
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Job Title Demolition of Existing Dilapidated Guesthouse & Construction of New Guesthouse
 Content Proposed Semi-Basement & Ground Floor (as approved in PA 07006/04)

168154



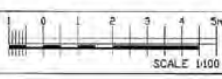
Notes:
 Dimensions in mm
 All WCs on internal shafts to be mechanically ventilated

168155

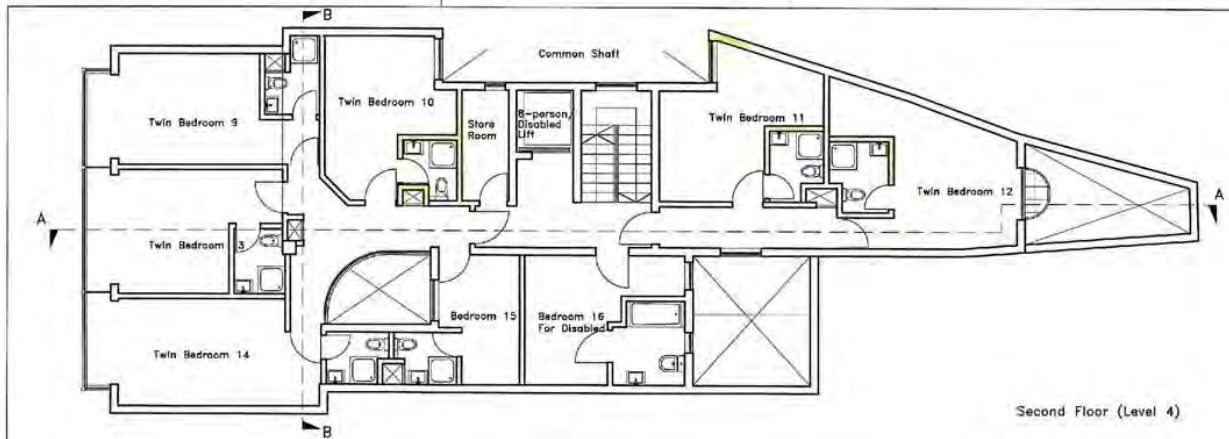


File No. 04-017
 Dwg No. A05 Rev.0
 Scale 1:100
 Date 17/07/06
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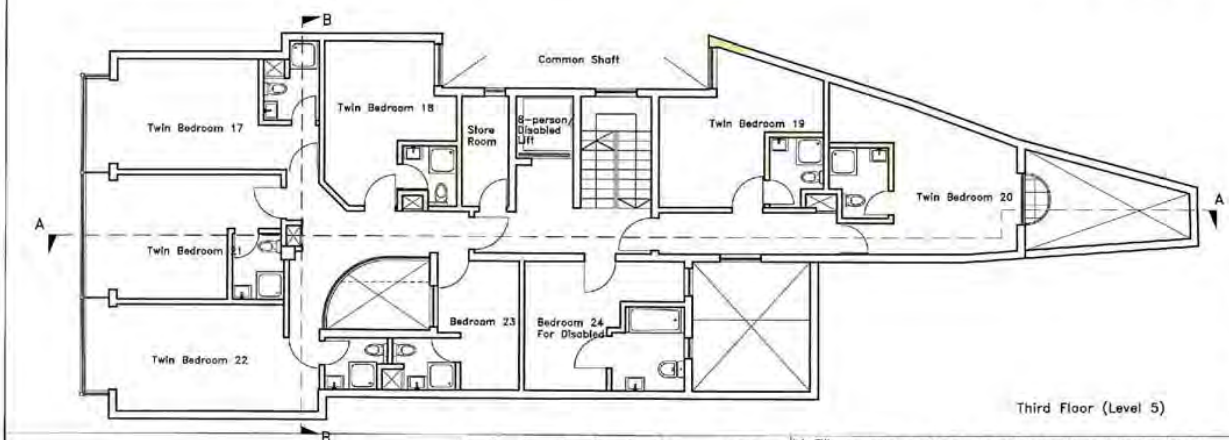
Albert S. Sammons & Associates
 4 Brompton Gardens
 The Adelphi Building
 50 Wellington Street
 London WC2E 7AF
 T: 0207 733 3337
 F: 0207 733 3339
 M: 08726 1123337
 E: a.s.sammons@alberts.co.uk



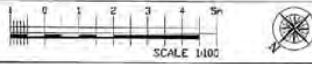
Job Title Demolition of Existing Dilapidated Guesthouse & Construction of New Guesthouse
 Content Upper Ground & First Floors as Approved in PA 02650/06 (As Approved in PA 02650/06)



Second Floor (Level 4)



Third Floor (Level 5)



Job Title Demolition of Existing Dilapidated Guesthouse & Construction of New Guesthouse
 Content Proposed Second & Third Floors (As Approved in PA 02650/05)

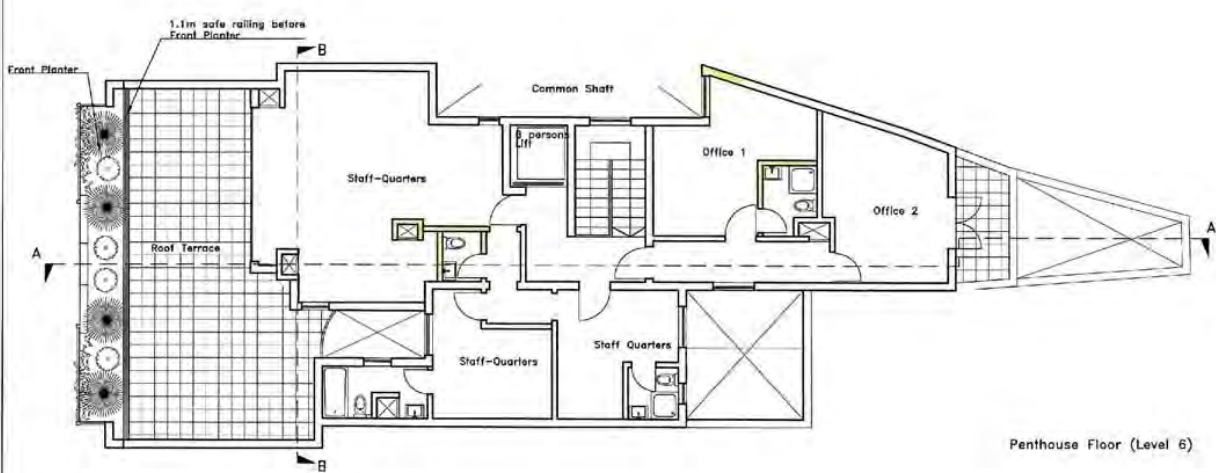
Notes:
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 All WCs on internal shafts to be mechanically ventilated

168156



File No. 04-017
 Dwg No. A05 Rev.F
 Scale 1:100
 Date 17/07/06
 Drawn AS
 J. Hargrave: Corlett
 Top Level: Corlett
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 0204 518111
 0204 518111
 0204 518111

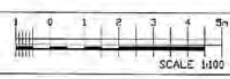
Notes:
Dimensions in mm



168157



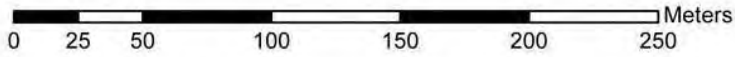
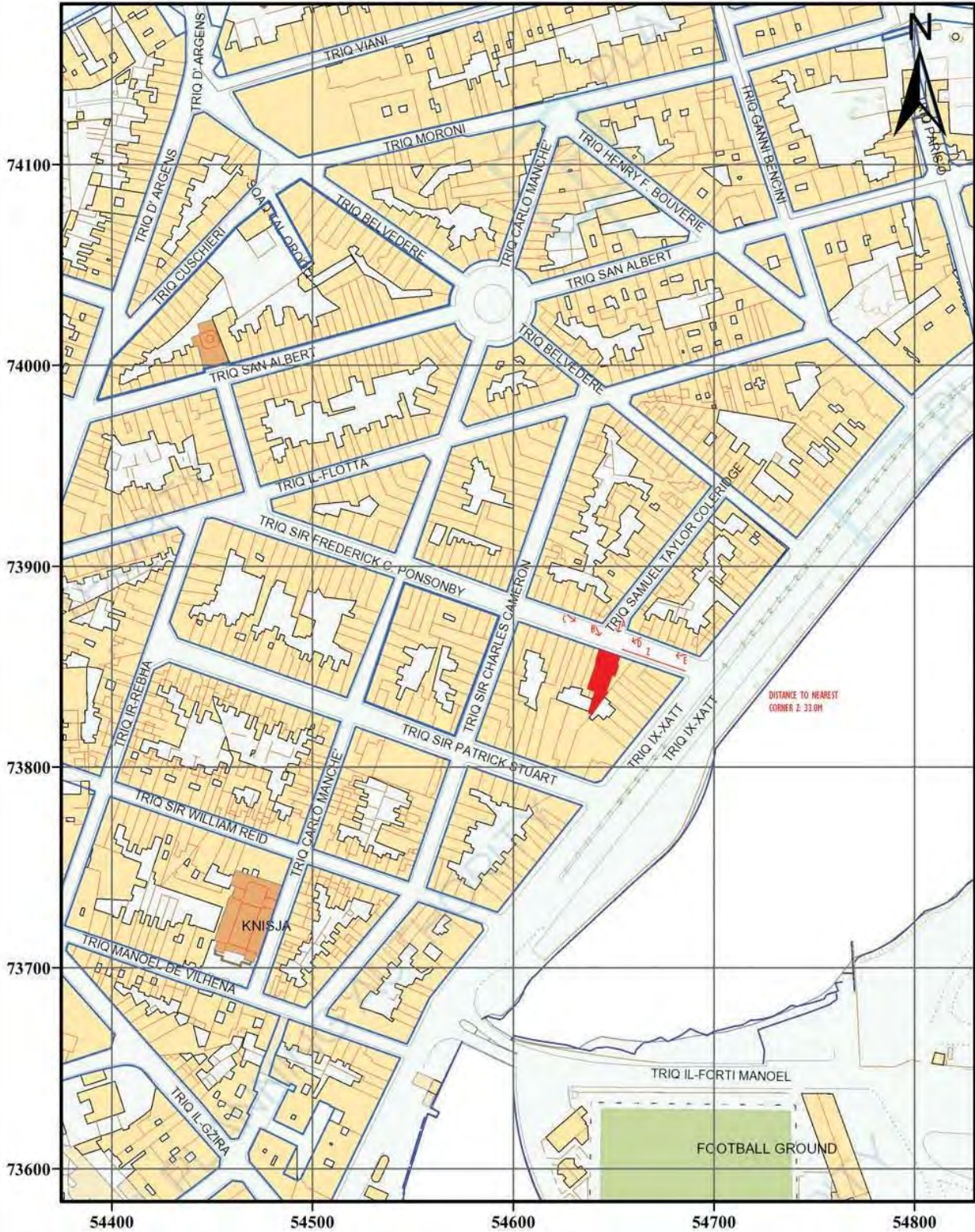
Albert Santone & Associates
 File No. 04-017
 Dwg No. A07 Rev.B
 Scale 1:100
 Date 25/05/05
 Drawn AS



Job Title Demolition of Existing Dilapidated Guesthouse & Construction of New Guesthouse
 Content Proposed Penthouse Floor (as approved in PA 07005/04)

Albert Santone & Associates
 4 Marquette Gardens
 100 West 101st St
 SW 25511 5W6
 Tel: (503) 238-1111
 Fax: (503) 238-1112
 E: asantone@albertsantone.com

ANNEX 5
PERMIT DRAWINGS
TRK/218447



1:2,500 Date Printed: 20/12/2018

Public Geoserver

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 Data Captured from: 1988, 1994, 1998, 2004 & 2008 aerial photography and updates from 2012 orthophotos.
 Truncated U.T.M. Coordinates. Levelling Datum M.S.L. (Mean sea level). Contours when shown are at 2.5m vertical interval. Not to be used for interpretation or scaling of scheme alignments
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PLANNING AUTHORITY
 St. Francis Ravelin, Floriana.
 Tel: +356 2290 0000, Fax: +356 2290 2295
 www.pa.org.mt, mappingshop@pa.org.mt



Photo A



BS Building,
Mosta Road,
Lija, Malta,
LJA 9012

t: +356 21493995
m: +356 79791425
e: info@archiplus-studio.com
w: www.archiplus-studio.com

DRAWING
Exterior photographs
ADDRESS
Triq Sir Frederick C. Ponsoby, Gzira
CLIENT
FES Projects

PAPER SIZE
A4 (Portrait)

DATE
18/12/2018

SHEET NO.
01

00218447 - 1e - Valid - Adrian Mangion (Perit) - 23/01/2019



Photo B



BS Building,
Mosta Road,
Lija, Malta,
LJA 5012

t: +356 21493995
m: +356 79791425
e: info@archiplus-studio.com
w: www.archiplus-studio.com

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Triq Sir Frederick C. Ponsonby, Gzira
CLIENT
FES Projects

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A4 (Portrait)
DATE
18/12/2018
SHEET NO.
02

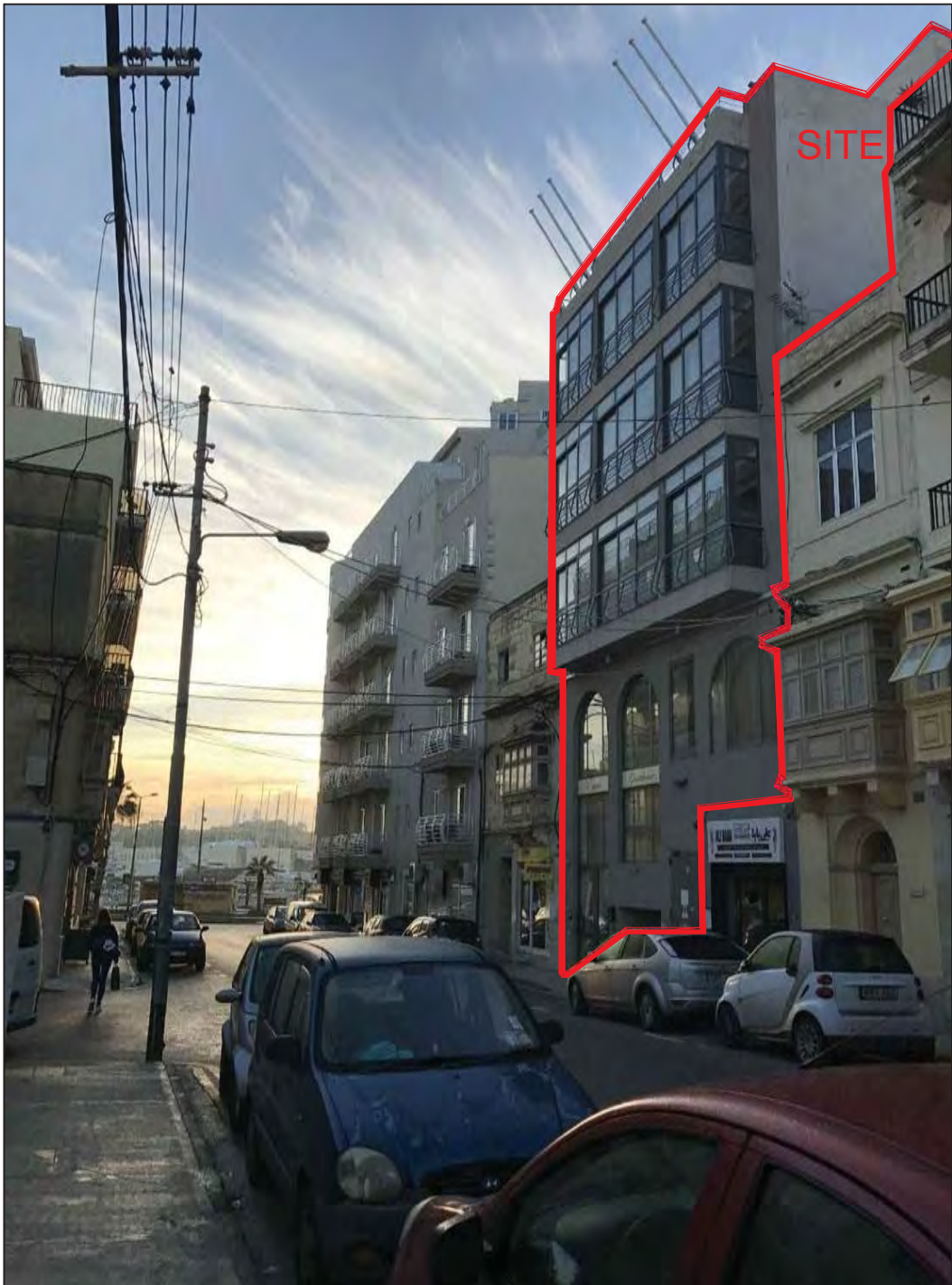


Photo C



BS Building,
Mosta Road,
Lija, Malta,
LJA 9012

t: +356 2148 3995
m: +356 7979 1425
e: info@archiplus-studio.com
w: www.archiplus-studio.com

DRAWING
Exterior photographs

ADDRESS
Triq Sir Frederick C. Ponsonby, Gzira

CLIENT
FES Projects

PAPER SIZE
A4 (Portrait)

DATE
18/12/2018

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Photo D



BS Building,
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Lija, Malta,
LJA 9012

t: +356 21493995
m: +356 79791425
e: info@archiplus-studio.com
w: www.archiplus-studio.com

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Exterior photographs
ADDRESS
Triq Sir Frederick C. Ponsorby, Gzira
CLIENT
FES Projects

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A4 (Portrait)
DATE
18/12/2018
SHEET NO.
04



Photo E

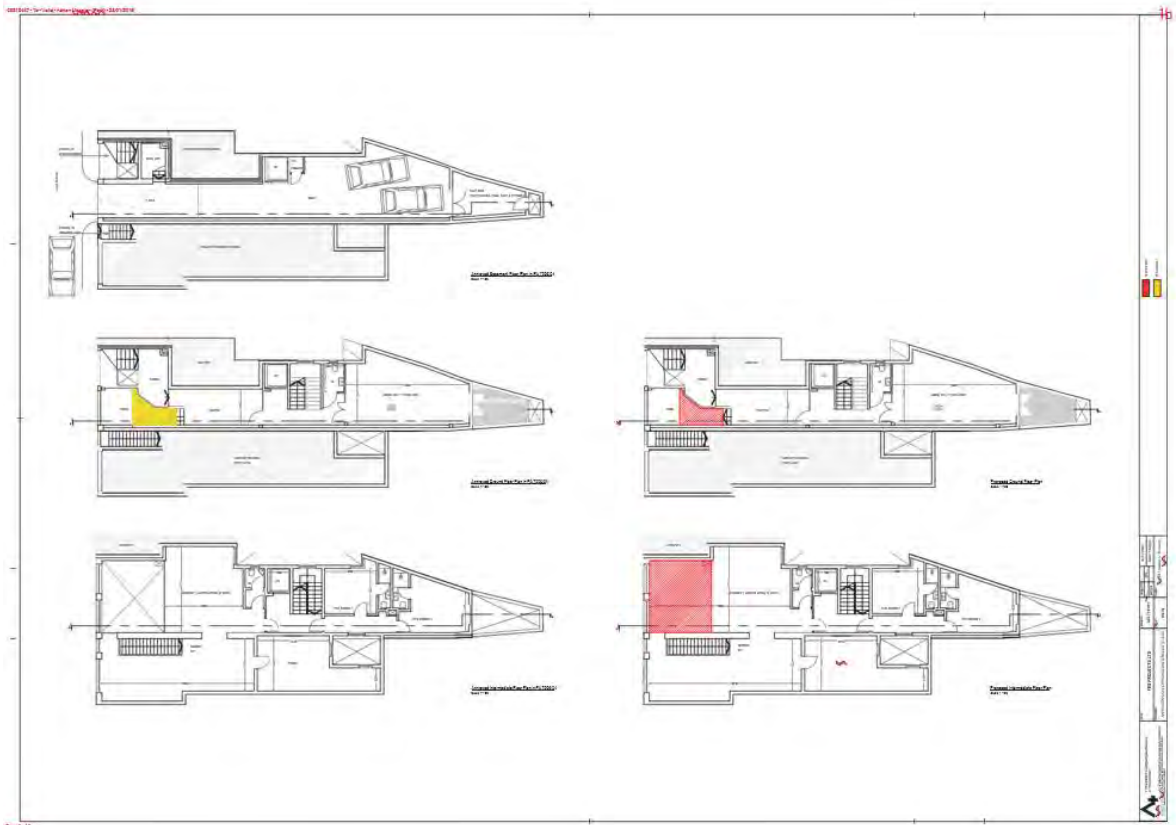


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Mosta Road,
Lija, Malta,
LJA 5012

t: +356 21493995
m: +356 79791425
e: info@archiplus-studio.com
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DATE
18/12/2018
SHEET NO.
05

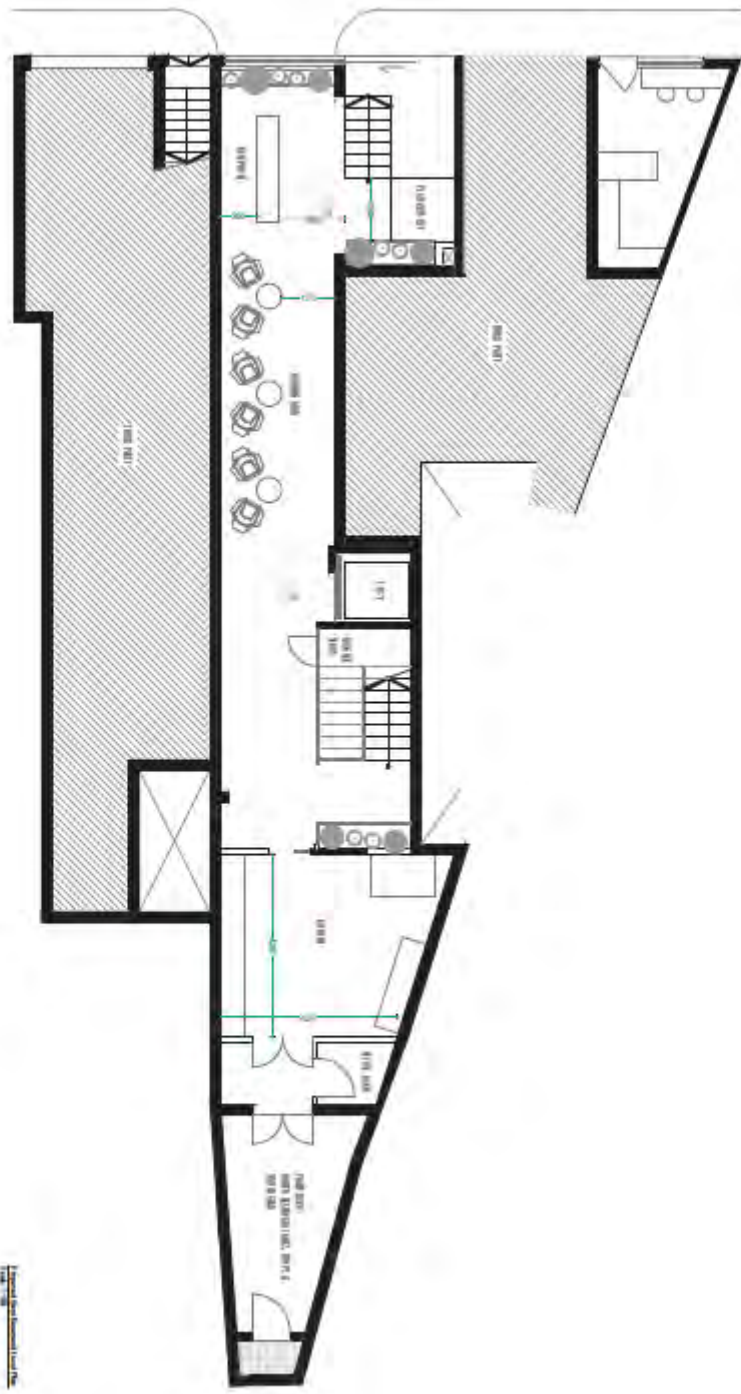




PROJECTS LTD	2018/01/18	2018/01/18	2018/01/18
CONTRACT VALUE	£100K	£100K	£100K

in colour
in black

ANNEX 6
PROPOSED FLOOR PLANS

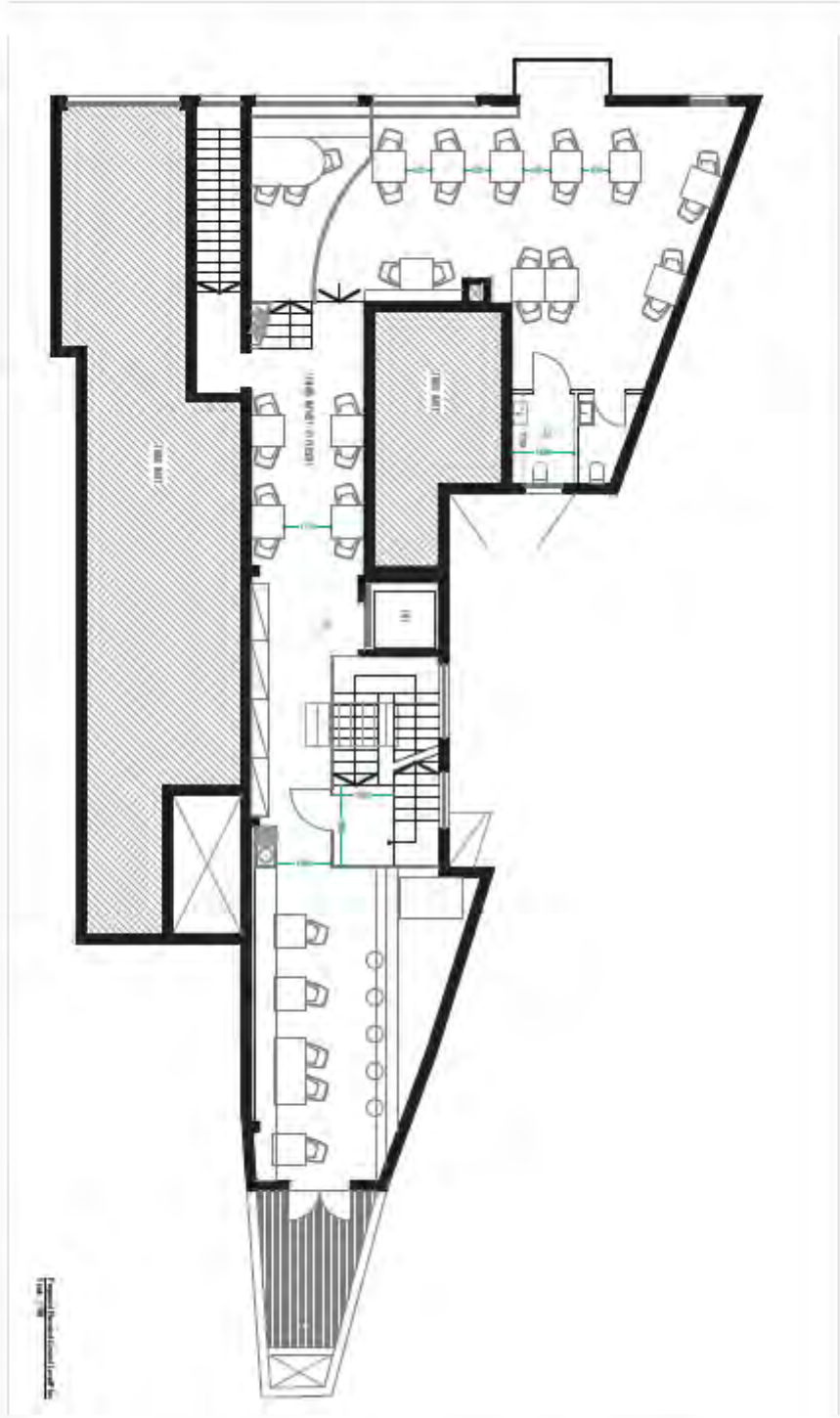



20, rue commerciale, 1060 St-Hubert, Québec
 T 514 352-1400 / F 514 352-1401
 www.abcm.ca

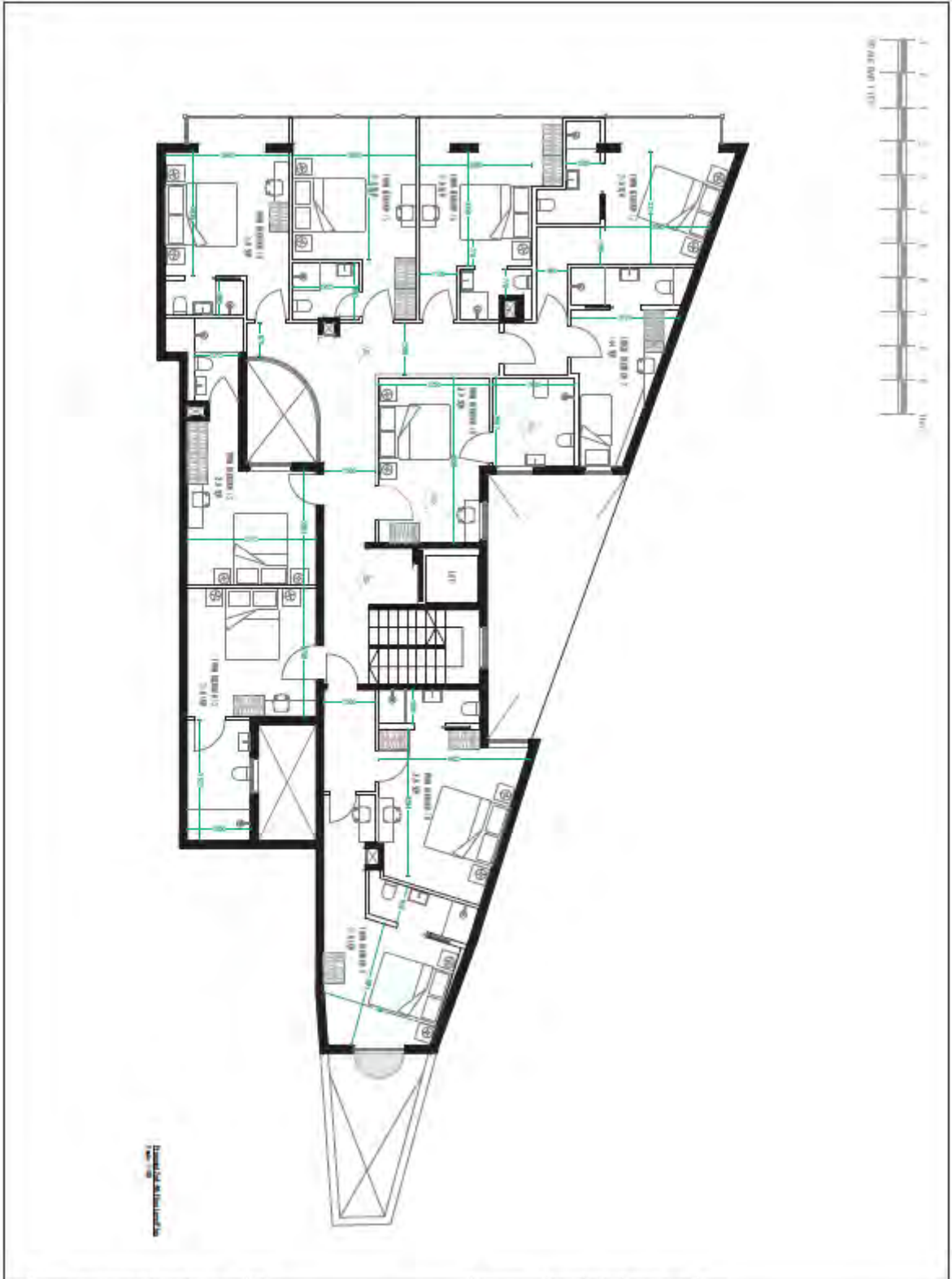
FES PROJECTS
 PROPOSED BASEMENT LEVEL
 OF 3-STAR HOTEL

PROJET: 0201/FES_033
 DATE: 05.01.20

CLIENT: 1000-10000
 ARCHITECT: 1000-10000
 110 St-Frédéric, C. P. 10000
 Québec



 16, avda. barracuda 14211 22, 4to. planta t. 908 21 60 88 60, e. info@architectos.com w. www.architectos.com	FES PROJECTS	02/21/2023	02/21/2023	02/21/2023	02/21/2023
	PROPOSED GROUND LEVEL OF 3-STAR HOTEL	00.00.00	00.00.00	00.00.00	00.00.00
ARCHITECTOS	PROPOSED GROUND LEVEL OF 3-STAR HOTEL	00.00.00	00.00.00	00.00.00	00.00.00

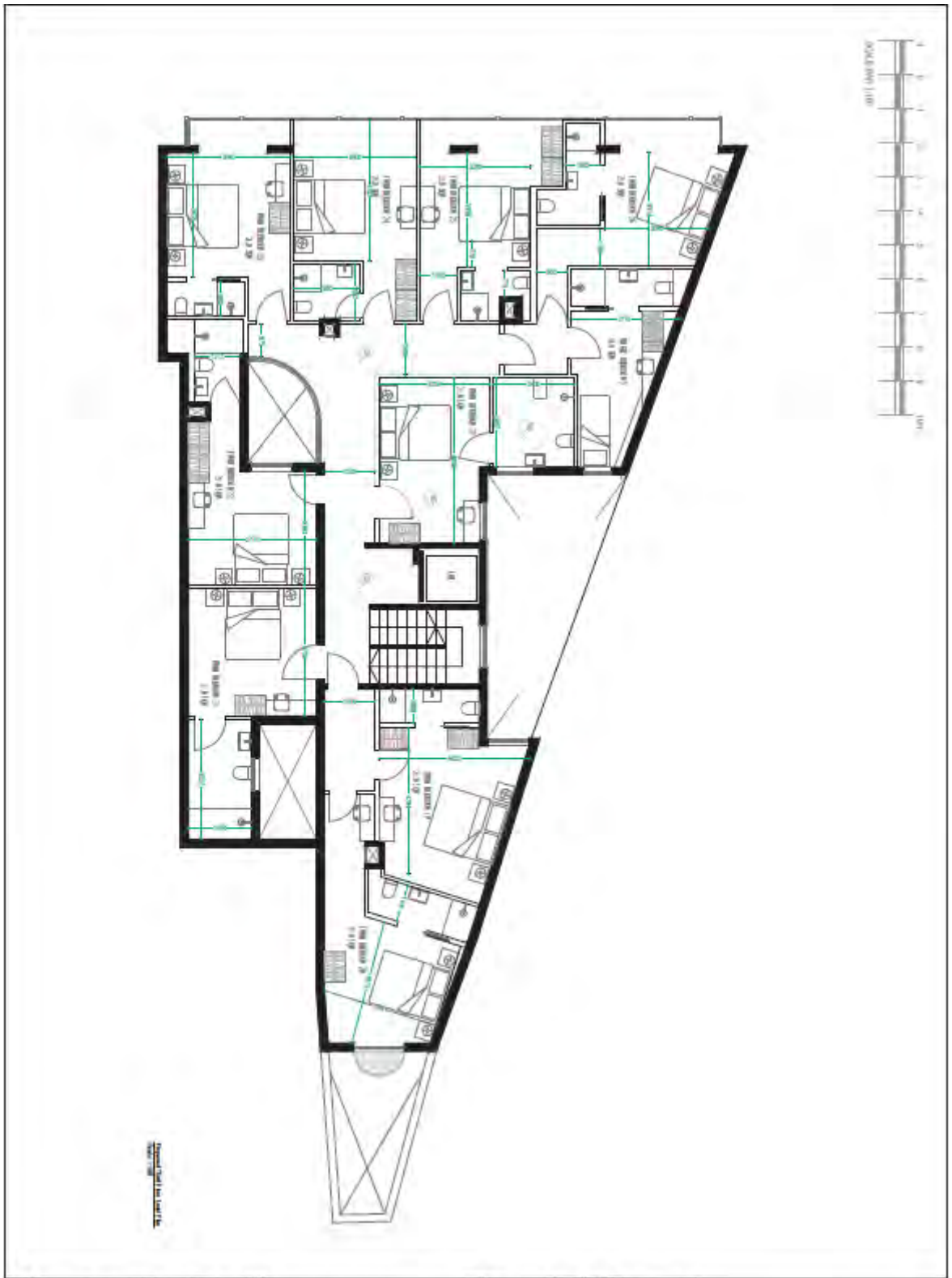




MBCSP
 25, SOVIYATSKAYA ST., SUITE 100, MOSCOW
 125040, RUSSIA
 TEL: +7 (495) 740-1422
 WWW.MBCSP.RU

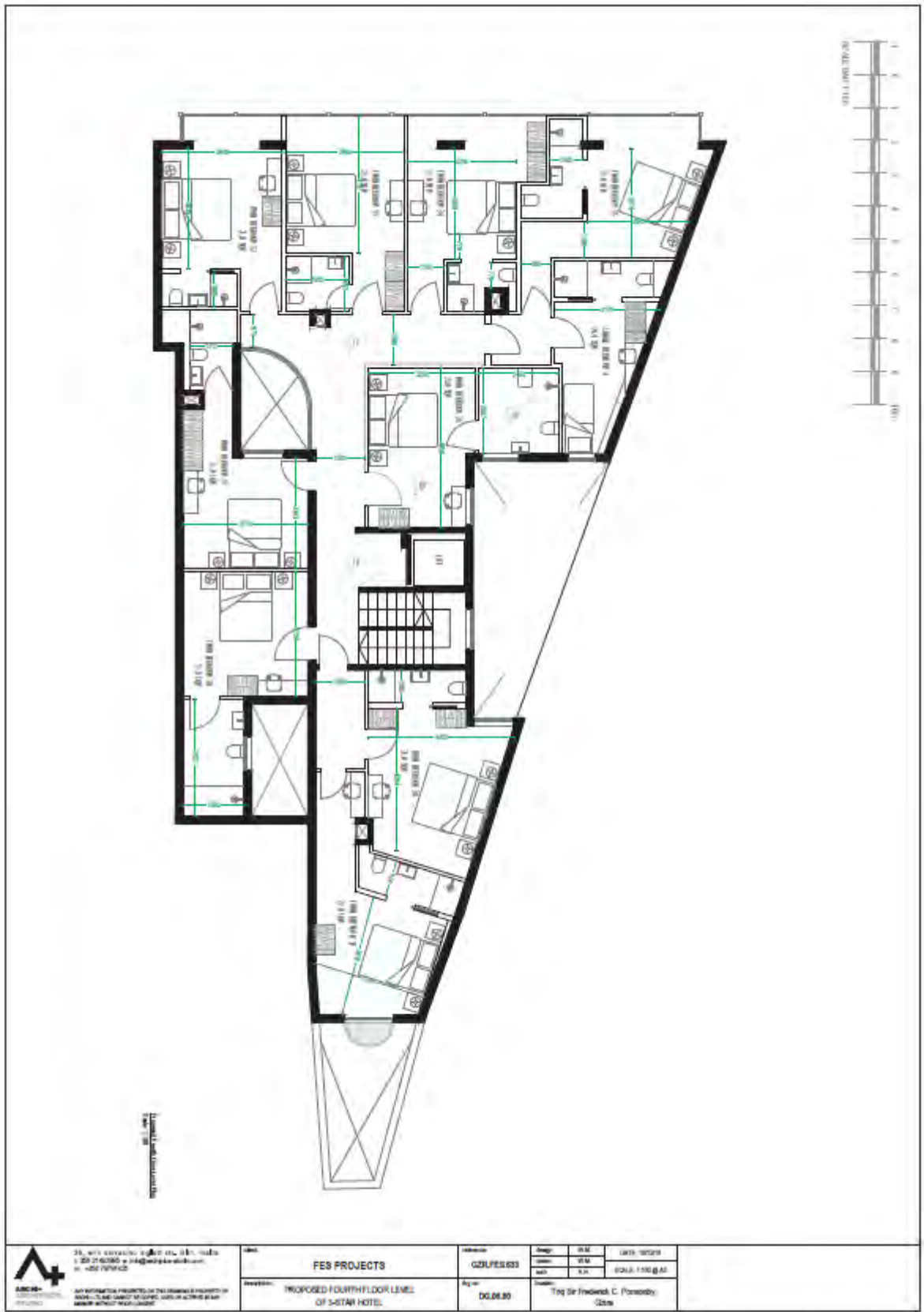
Client: FES PROJECTS
Project: PROPOSED SECOND FLOOR LEVEL OF 3-STAR HOTEL

Address: 022/FES/030
Date: 02.04.00
Design: 2D
Scale: 1:50
Author: Tatyana G. Pleschinskaya

Scale: 1:100
Sheet: 022/FES/030



 <p>25, av. des saunders (right side), n. 44 1. 201 2100000 • info@projetos.com • +55 50 3091425</p>	<p>FES PROJECTS</p>	<p>Projeto: 020/FES 400</p>	<table border="1"> <tr> <td>Projeto:</td> <td>020/FES 400</td> <td>Projeto:</td> <td>020/FES 400</td> </tr> <tr> <td>Arquiteto:</td> <td>DAE</td> <td>Arquiteto:</td> <td>DAE</td> </tr> <tr> <td>Arquiteta:</td> <td>DAE</td> <td>Arquiteta:</td> <td>DAE</td> </tr> </table>	Projeto:	020/FES 400	Projeto:	020/FES 400	Arquiteto:	DAE	Arquiteto:	DAE	Arquiteta:	DAE	Arquiteta:	DAE	<p>Projeto: 020/FES 400</p>
	Projeto:	020/FES 400	Projeto:	020/FES 400												
Arquiteto:	DAE	Arquiteto:	DAE													
Arquiteta:	DAE	Arquiteta:	DAE													
<p>ARQUITETO: 020/FES 400</p> <p>ARQUITETA: 020/FES 400</p>	<p>PROPOSTA TERCEIRO NÍVEL DE 3-STAR HOTEL</p>	<p>Projeto: 020.FS.00</p>	<p>Projeto: 020.FS.00</p>	<p>Projeto: 020.FS.00</p>												



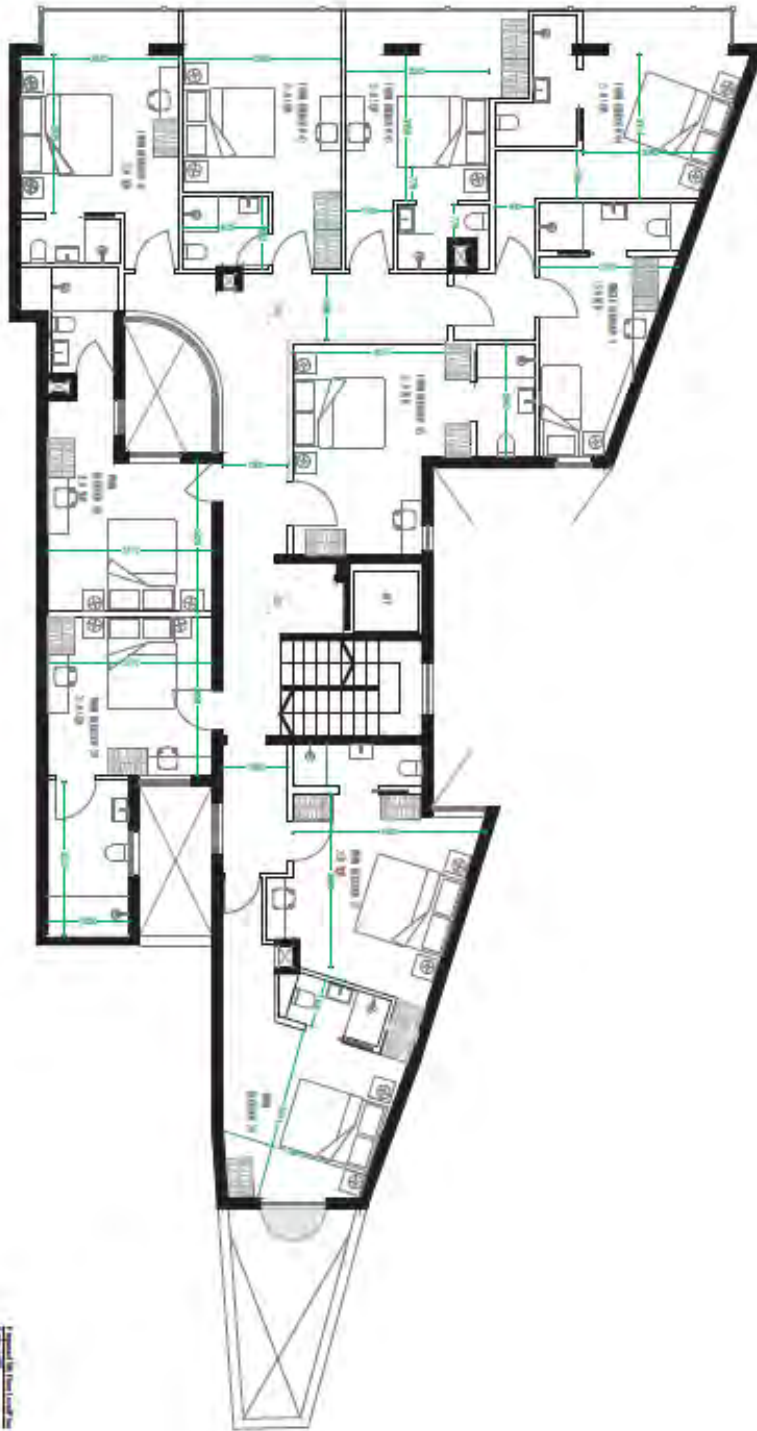
35, rue de la Loi, 1050 Brussels
 T: +32 (0) 22 46 00 00
 E: info@abcplus.com
 W: www.abcplus.com

FES PROJECTS
 PROPOSED FOURTH FLOOR LEVEL
 OF 4-STAR HOTEL

Project: GZ/FES/033
 Date: DG.06.20

Design	W.M.	DATE: 2020/06
Checked	W.M.	SCALE: 1:100 @ A3
Drawn	S.K.	

Trig. Dr. Frederick C. Posselby
 Client



Horizontal Dimension Lines



25, 30th Avenue, Suite 100, New York, NY 10011
 Tel: 212-696-6000 • info@fesprojects.com
 Fax: 212-696-6001

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FES PROJECTS PROPOSED FIFTH FLOOR LEVEL FOR 3-STAR HOTEL	Address: 620 FES BLDG	Design: W.S.	Date: 12/15/2010
	Revision: 06.07.06	Scale: AS SHOWN	Scale: 1/8" = 1'-0"
Designer: Tracy De Frenkel, C. Pomeroy, CDR		Project: 620 FES BLDG	



Architectural Drawing

 <p>36, rue de la République, 1000, Bruxelles T: +32 (0)2 734 00 00 - F: +32 (0)2 734 00 01 www.fes-projects.com</p>	<p>FES PROJECTS</p>	<p>GOR/YES.633</p>	<p>Scale: 1/50 Date: 10/10/2011 Author: J.A.</p>
	<p>PROPOSED SERVICE FLOOR LEVEL OF 3-STAR HOTEL</p>	<p>00.00.00</p>	<p>Trig. Dr. Frederic C. Pommery, Cofre</p>

ANNEX 7
EXTRACTS FROM LOCAL PLAN

NORTH HARBOURS LOCAL PLAN



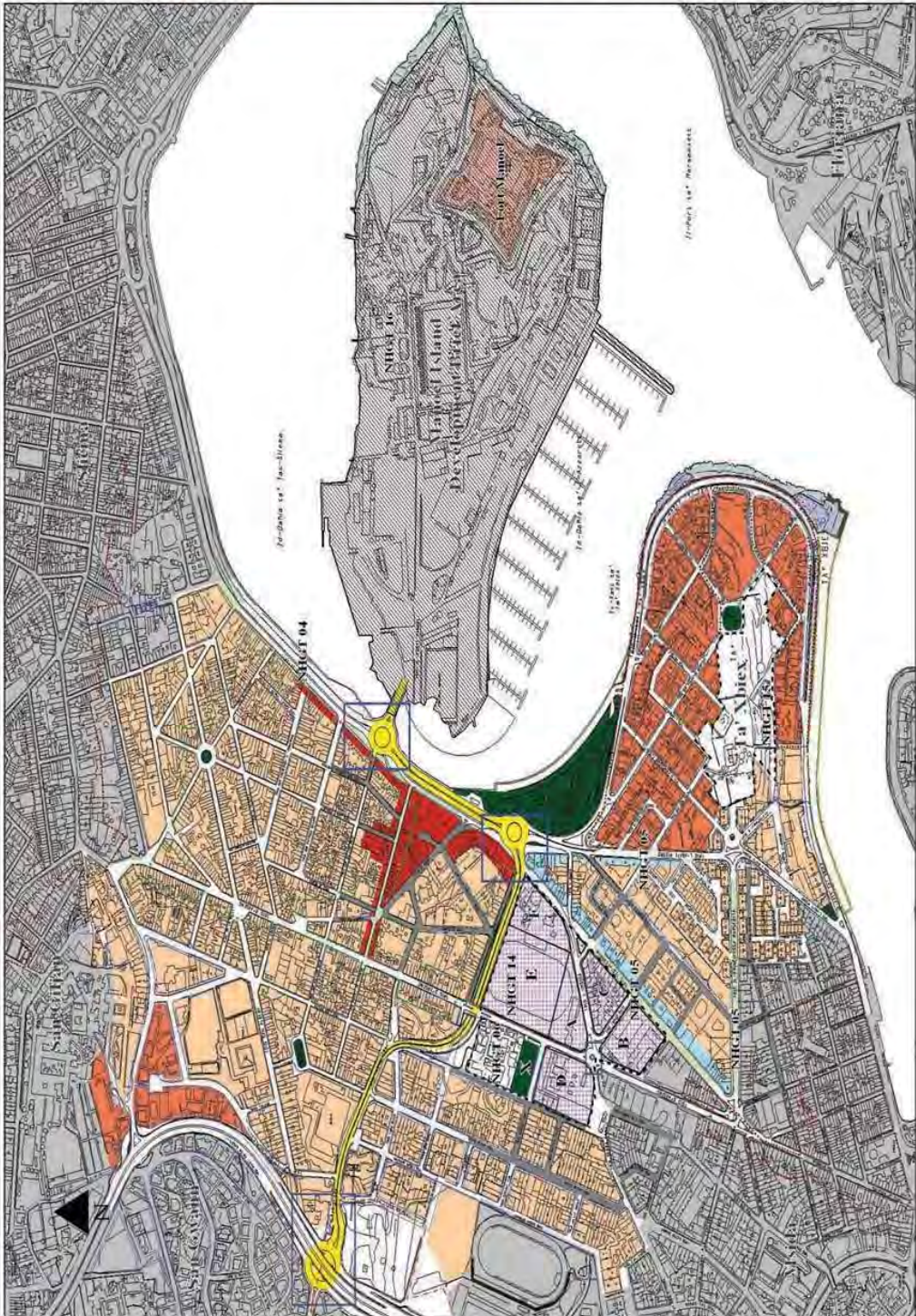
AVTORITA' TA' MALTA DWAR L-AMBIDENT U-L-IPPLANAR
MALTA ENVIRONMENT & PLANNING AUTHORITY

Key

- Local Centre NHRE02
- Opportunity Sites NHGT 06, 14, 15
- Manoel Island Development Brief Area NHGT 16
- Residential Priority Area NHHO 02 (Detached & Semi-Detached Dwellings)
- Residential Area NHHO 01
- Gzira Employment Node NHGT 14
- Environmental Improvements NHGT 04, 05
- Natural coast with public access NHCV 03
- Coastal area with leisure uses NHRL 03
- Public Open Space NHRL01
- Commercial Area NHRE 03
- Resident Parking Zone NHGT 02
- Junction Improvement NHTR 09
- Projected Manoel Island Link Road NHGT 03
- Safeguarding Marina Car Parking NHGT 10
- Control of Boat Houses and Garages NHGT 13
- Proposed Urban Conservation Area NHSE 09
- Design Priority Areas NHGT08
- Proposed Limit to Development NHSE 01
- Existing Limit to Development (TPS)
- Scheme Alignment

Gzira & Ta' Xbiex Policy Map

Scale	Date	Map
1:6000	July 2006	GT1
INFORMATIVE ONLY Not to be used for the interpretation of the interpretation of street alignments.		
Base Map - 1988 Survey Sheets (Updated) Copyright Mapping Data: Malta Environment & Planning Authority		



NORTH HARBOURS LOCAL PLAN



AMTORIETA TA' MALTA DWAR L-AUBERTU L-IPPANSAE
MALTA ENVIRONMENT & PLANNING AUTHORITY

Key Building Height Limitations
NHSE 04, NHGT 07

Outside UCA
(All floors indicated here are with semi-basement)

- 2 Floors
- 3 Floors
- 4 Floors
- 5 Floors
- 6 Floors
- 7 Floors

Within UCA
(All floors indicated here are without semi-basement)

- 2 Floors

- Institutional Buildings or Other Sites with no Specified Building Height NHSE04
- Upgrading of Public Open Space NHSE 05
- Landmark Buildings NHSE 08
- Environmental Improvements NHGT 04, 05
- Opportunity Sites NHGT 06, 14, 15
- Manoel Island Development Brief Area NHGT 16
- Design Priority Area NHGT 08
- Urban Conservation Area NHSE 09
- No semi-basement within area enclosed by black line
- Proposed Limit to Development NHSE 01
- Existing Limit to Development (TPS)
- Scheme Alignment

Qualifying for Scheduling

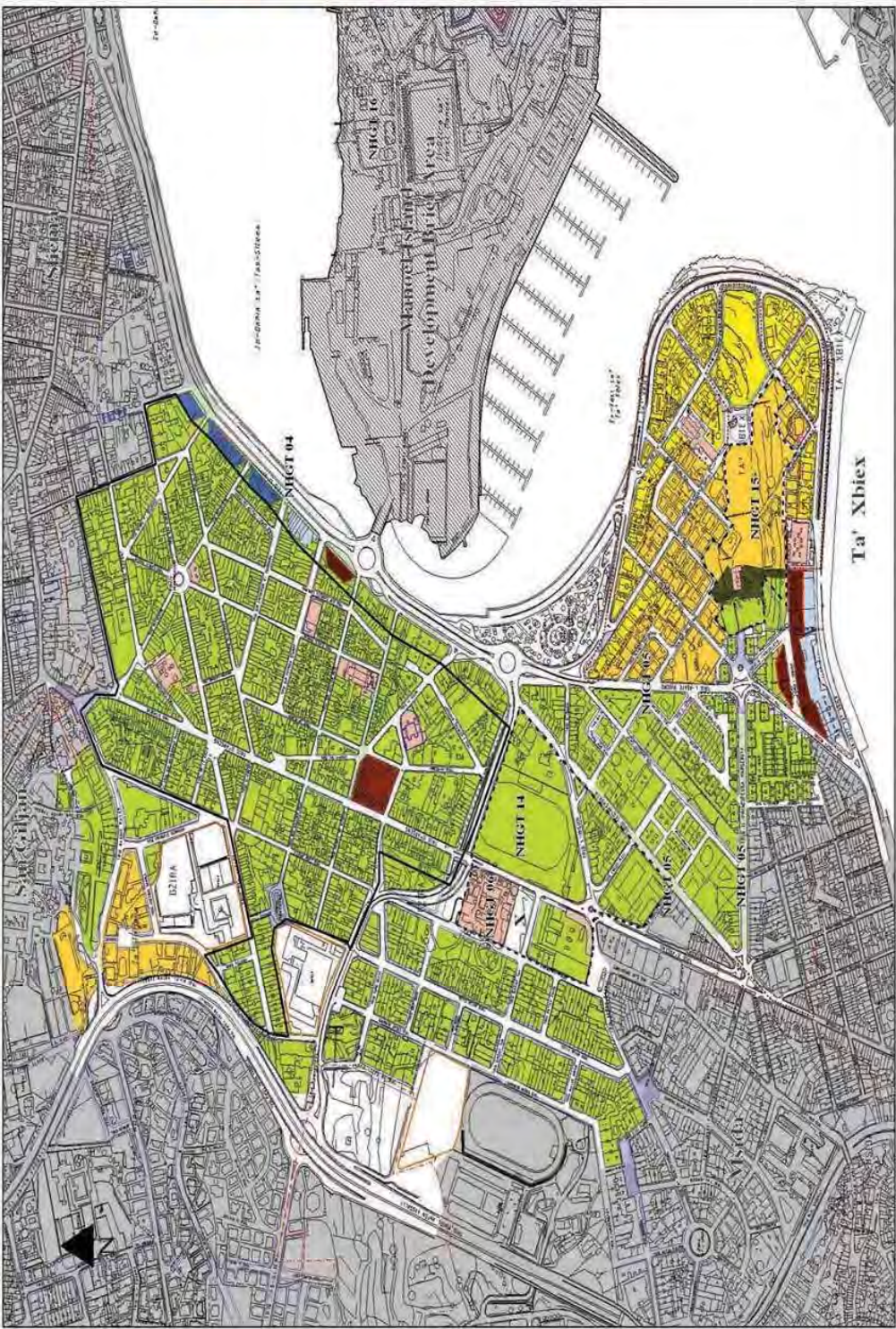
- Scheduled Sites/Areas
- Properties of cultural importance may be added in the course of completing the National Protective Inventory of the Maltese Islands, or removed if officially descheduled.
- For Scheduled buildings, where no specific building height is shown, Structure Plan UCO policies apply.

Gzira & Ta' Xbiex Building Heights & Urban Design

Scale: **1:5500**
Date: **July 2006**

Map: **GT2**

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North Harbours Local Plan

Approved Document

July 2006

development to appropriate growth areas in locations that will utilise existing Regional Road connections or are well served by the arterial road network.

NHSE04

Building Height Amendments

In line with Policy NHSE03 and the Plan's overall strategy, building height limitations have been reviewed for each local council area and are detailed through the relevant area policies and Building Heights and Urban Design Maps. The Local Plan designates only limited relaxation of Building Height Limitations established by the Temporary Provision Schemes (1988).

Development shall comply with the maximum building height limitation indicated in the relevant Building Heights and Urban Design Maps, shall comply with the relevant area policies that regulate building heights, shall be in accordance with the criteria for building heights established in the DC2005, and shall comply with all the relevant sanitary regulations.

For sites located within designated Urban Conservation Areas, where Receded Floors are permitted in accordance with the relevant Building Heights and Urban Design Maps, each Receded Floor is to be setback by 2m from the building alignment of the underlying floor notwithstanding that this may not be in accordance with the provisions of the DC2005. Penthouses above the Receded Floors will not be allowed. In addition, and except for townhouses on two floors located within the Sliema Urban Conservation Area, a setback floor on residential buildings of not more than 2 floors that are located within Urban Conservation Areas may be permitted provided the setback floor is receded by at least 2 metres from the front façade, notwithstanding that this would not comply with criterion (iii) of Paragraph 10.5 of the DC2005. However all the other criteria of Paragraph 10.5 of the DC2005 are to be adhered to. For townhouses on two floors located within the Sliema Urban Conservation Area, the provisions of Policy NHSJ06 shall apply.

Where maximum building heights are not specified in this local plan, the redevelopment of land or buildings will be considered in relation to the prevailing building height limitation for the area in which the development is situated. In addition these proposals shall enhance the townscape and the setting of the development within its context.

Where the need arises for an existing school to extend so as to incorporate required ancillary facilities, and this expansion cannot be achieved by means of horizontal extensions due to site constraints, then MEPA in consultation with the Department of Education will consider the development of an additional floor for the school above the maximum building height limitation indicated in the relevant Building Height Limitations and Urban Design Maps. This additional floor will be considered irrespective of the predominant height of existing buildings in the vicinity of the site in question. However, extension above the height limitation will not be permitted by MEPA in the following circumstances:

- i. for additional classrooms which would result in an increase in the student population of the school;
- ii. for schools located within Residential Priority Areas; and
- iii. where the additional floor would, in MEPA's opinion, create an unacceptable visual impact on important scheduled or landmark buildings as viewed in their setting and/or against the skyline.

MEPA will also consider relaxing building height limitations in relation to the provision of Public Civic Facilities in accordance with the provisions of Policy NHSO02, in relation to hotel extensions in accordance with the provisions of Policies NHTO01 and 2, and in relation with the provision of Public Car Parks in accordance with the provisions of Policy NHSC03. However, should the school, public civic facility, public car park or hotel land uses indicated above cease to operate and a change of use be approved by MEPA involving the demolition and reconstruction of the existing buildings on site,

the development right for the additional floor shall be nullified and the building height of the new development is to conform to the maximum building height limitation as indicated for the site in the relevant Building Height and Urban Design Map. Furthermore, if the use of the structure for school, public civic facility, public car park or hotel land uses indicated above remains in operation for a period of ten years or longer, then the additional floor can be retained even where a change of use has been permitted by MEPA.

The maximum building height limitations indicated in this local plan override any approved supplementary guidelines with respect to building heights.

- 2.4.9 The Structure Plan requires Local Plans to consider in detail the appropriate height of buildings in conjunction with a full range of development issues. Overall, the Local Plan aims to concentrate new development in accessible areas to create a balanced transport network (see Policy NHSE03). Where activity nodes such as town centres or employment sites have been designated, a relatively flexible approach to building heights has been taken. The Local Plan also defines maximum heights in areas where ambiguity previously existed through the TPS (1988).
- 2.4.10 Within Urban Conservation Areas building height amendments have been effected to the TPS (1988) in line with the provisions of the 'Design Guidance: Development Control within Urban Conservation Areas' (1995). Therefore within UCAs the designated building height limitations as indicated in the Building Heights and Urban Design Maps actually reflect the predominant height of the existing buildings and building permits already issued. Where building heights have been reviewed, consideration has also been given to the size and scale of surrounding buildings. Urban areas that were already developed in the 1960's have generally been developed without semi-basements. Therefore in order to safeguard the streetscapes of these urban areas as identified in the relevant Building heights Maps, no new buildings with semi-basements will be permitted. Regarding sites located within the Sliema and St. Julian's UCAs, since most streets within these urban cores are quite narrow, recessed additional floors with a reduced setback of 2m would generally still not cause a negative impact on the skyline. In addition, given that many plots within the Sliema and St. Julian's UCAs are quite restricted, a 2m recess (excluding penthouses) would enable the provision of more required floorspace. This same reasoning applies to allowable setback floors on residential buildings of not more than 2 floors that are located within Urban Conservation Areas.
- 2.4.11 Building height relaxation not exceeding one floor is being permitted on school sites if this is the only option available to accommodate school extensions needed for the provision of new ancillary educational facilities (e.g.; media room, computer labs, art rooms etc.). This is being sought so as to avoid the costly relocation of existing schools. However, these vertical extensions will be allowed by MEPA provided that they are strictly in line with the Department of Education's school design policy and regulations. MEPA will not permit that the new space provided by the extension be used for new classrooms as this would increase the student population and thereby lead to increased impacts in traffic generation and reduced amenity. School extensions above height limitation for sites located within RPAs or affecting important Local Views in UCAs are not being allowed in order to protect the environment and amenity of these areas. Other floor increases are planned for Public Civic Facilities, Hotels subject to conditions and Public Car Parks in San Gwann subject to Policy NHSG03. It is noted that a hotel operation does not include time share or serviced apartments.

NHSE05

Upgrading of Public Open Spaces

Excessively wide road spaces, traffic junctions and designated urban public open spaces with potential for upgrading are identified for improvement as indicated in the Building Heights and Urban Design Maps and in Appendix 1. On these sites, MEPA encourages proposals for embellishment by private or public sector bodies in line with the environmental and design criteria stipulated in Appendix 1.

4.4 Policies

NHHO01

Residential Areas

The Local Plan designates Residential Areas (RAs) within the Urban Development Boundaries of the following settlements as indicated in the relative Area Policy Maps:

Gzira, Ta'Xbiex, Msida, Pieta', Pembroke, Paceville, San Gwann, Sliema and St. Julian's.

The following is a list of acceptable land-uses (new uses, extensions to existing uses, and change of uses) within all frontages located within the RAs.

- i. A mix of Class 1 (Use Classes Order, 1994) terraced residential development as detailed in the DC 2005, Part 3, and in accordance with the specific zoning conditions indicated in the same guidance, unless otherwise stated by a policy in this Local Plan;
- ii. Class 2 (Use Classes Order, 1994) residential institutions, provided that:
 - they are of a small scale and do not create adverse impacts on the residential amenity of the area;
 - Class 2 (a) institutions are located in close proximity to a town or local centre; and,
 - Class 2 (b) nursing homes and clinics are easily accessible from the arterial and distributor road network.
- iii. Class 3 (Use Classes Order, 1994) hostels provided that these uses are in accordance with all other relevant Local Plan policies.
- iv. Class 4 (Use Classes Order, 1994) small shops provided that:
 - the small shops (of any nature) are not to exceed a total floor area of 50 sqm each, and convenience shops are not to exceed a total floor area of 75 sqm each;
 - they comply with all the provisions of paras. 1.4.16 to 1.4.18 of the Interim Retail Planning Guidelines (2003); and
 - they comply with any relevant section of the DC2005 (design, access, amenity, etc.).
- v. Supermarkets provided that they comply with all the provisions of Policy NHRE04.
- vi. Class 5 (Use Classes Order, 1994) offices provided that:
 - the floorspace does not exceed 75 sqm;
 - they do not unacceptably exacerbate parking problems in a residential street that already has an acute under provision of parking spaces for residents; and,
 - they comply with any relevant section of the DC 2005(design, access, amenity, etc.).
- vii. Classes 7 and 9 (Use Classes Order, 1994) non-residential institutions, swimming bath or pool, skating rink, health club, sauna, sports hall, other indoor or outdoor land based sports or recreation uses not involving motorised vehicles or firearms, and interpretation centres, provided the facility:
 - is of a small scale and does not create adverse impacts on the residential amenity of the area;
 - is located on land already occupied by buildings and will replace these buildings provided they are not worthy of retention due to their historic/architectural merit and/or their contribution to the character of the area, unless land is specifically allocated for the facility by this Local Plan; and,
 - the immediate surroundings of the site are already of a mixed use character.
- viii. Class 8 (Use Classes Order, 1994) educational facilities, provided that access and the character of the area are taken into account and are deemed adequate by MEPA to allow the safe and neighbour compatible use of such facilities.
- ix. Class 11 (Use Classes Order, 1994) business and light industry provided that:
 - The gross floor area of the premises does not exceed 50 sqm (including storage of materials and/or finished products);

- The activity conducted within the premises does not use heavy duty and/or noisy electrical/mechanical (including pneumatic) equipment, and equipment which requires a 3 phase electricity supply;
- The activity conducted within the premises does not entail extensive and/or prolonged use of percussion hand tools (eg. hammers, mallets etc);
- The activity employs less than 5 people; and
- The activity conducted within the premises does not inherently entail the generation of combustion, chemical or particulate by products.

Examples of acceptable uses considered by MEPA include tailor, cobbler, lace making and computer and electronic repair. Moreover, examples of unacceptable uses include carpentry, panel beating, mechanic, mechanical plant servicing, spray painting and bakery.

Proposals to convert from existing Class 12 (Use Classes Order, 1994) general industry to Class 11 (Use Classes Order, 1994) business and light industry within designated Residential Areas shall only be considered acceptable by MEPA if all the conditions listed above are adhered to, and provided that it can be proven that the Class 12 Use (general industry) operation is a permitted one and the Class 11 Use (business and light industry) operation is actually more neighbourhood compatible than the Class 12 Use operation it intends to replace.

- x. Taxi Business or for the hire of motor vehicles as per para. 6.15 of DC2005.

Land-uses falling outside those mentioned above will not be considered favourably within the designated RAs, unless there are overriding reasons to locate such uses within these areas.

- 4.4.1 Residential Areas are the predominant land use in the urban areas especially on levels above ground floor. The range of non-residential activities, especially at ground floor level, tends to be a mix of uses and includes shops and offices, mostly of a local scale and serving local need, spread throughout the predominantly residential area. Garage businesses, schools, showrooms, bars and other uses can also be found in some residential areas, but the range and scale of the mix of uses is greatly influenced by the locality itself.
- 4.4.2 This policy seeks to guide the future growth of Residential Areas primarily by encouraging the location of more dwelling units within them. It is not the intention of MEPA to create “dormitory towns” through a rigid zoning policy, but it is important that these areas remain primarily an attractive place to live in and remain predominantly residential in use. This policy applies to all sites within the Residential Areas, unless a specific site is controlled by other policies in this Local Plan, in which case the site-specific policy should take precedence.
- 4.4.3 This policy also identifies those non-residential uses that can be located within the Residential Areas because they support and enhance community amenity (such as very small shops, old people’s homes or kindergartens) and/or do not create adverse environmental impacts (such as small offices and small health facilities or visitor attractions). The policy specifically excludes land-uses that are deemed to be incompatible with Residential Areas due to their nature and scale of activity, such as bad neighbour industrial uses. In this regard, acceptable light industrial uses in residential areas shall only include very low impact industrial activities such as electronic repair, servicing and maintenance as well as handcrafts that do not inherently require the use of electrical machinery, especially those related to textiles. Activities which require the extensive use of manual percussive tools (eg. hammers, mallets etc) are not deemed compatible with residential areas.

NHHO02

Residential Priority Areas

The Local Plan designates Residential Priority Areas (RPAs) within the Urban Development Boundaries of the following settlements as indicated in the relative Area Policy Maps:

Gzira, Ta’ Xbiex, Msida, Pembroke, Paceville, San Gwann, St. Julian’s, and Swieqi.

environmental impact on residents. The aim of this policy is to reduce the amount of through traffic in the residential areas.

12.4.7 With traffic levels along Testaferrata Street, Abate Rigord Street and Princess Margaret Street expected to decrease with the introduction of the Manoel Island Link Road there is potential to improve the environmental quality of these streets.

NHGT06

Drainage Pumping Station Site

MEPA will favourably consider the satisfactory rehabilitation and re-use of the Drainage Pumping Station Site as indicated on Map GT1, provided that the implementation of the Manoel Island Link Road as per Policy NHGT03 is not prejudiced, and provided that all the conditions of this Policy are satisfied.

The development of a modern drainage pumping facility and its relocation to Site X as shown on Map GT1 is permitted provided that:

- i. The new facility is located underground;
- ii. The site is re-instated as a public open space at current street level; and
- iii. The new facility does not negatively affect the amenity of local residents.

The adaptive re-use of the existing pumping station heritage building is encouraged provided that:

- iv. Rehabilitation/refurbishment of the pumping station is according to the parameters of a Conservation Order;
- v. The re-use of the pumping station building is not for residential purposes or other incompatible uses;
- vi. Any proposal is to safeguard not only the listed status of the pumping station but also its setting and local views; and,
- vii. Proposals also include appropriate pedestrian links to the public open space that is planned at the ex-Stadium Site in line with Policy NHGT14.

Any additional buildings within the curtilage of the pumping station will be permitted subject to:

- viii. Such additions being in accordance with the parameters of the Conservation Order;
- ix. The additional development is to safeguard not only the listed status of the existing pumping station but also its setting and local views; and
- x. A satisfactory justification is given by the developer for such additional buildings.

12.4.8 The relocation of the pumping station underground at Site X would allow for the positive reuse and rehabilitation of the existing important heritage building and as a buffer zone to protect residents from smells nuisance. In view of the current availability of modern processes, this facility can be suitably relocated with a reduced requirement for buffering. Any development shall not prejudice the future implementation of the Manoel Island Link Road.

12.4.9 Proposals for the refurbishment of the pump house should particularly include maintenance of the facade, gardens and external walls in accordance with the Conservation Order to be prepared by MEPA at the appropriate time.

NHGT07

Height Envelopes and Frontage Width

Maximum building heights for Gzira and Ta' Xbiex are designated as shown in Map GT2. Specific heights guidance applies for the following sites/areas:

Ta' Xbiex Central Opportunity Site

In accordance with Policy NHGT15 and as indicated in Map GT2, MEPA will adopt a restrictive approach on the Ta' Xbiex Opportunity site in order to safeguard the wider setting of the Peninsula.

Gzira Front

A strict block-by-block stepping down of building heights from 7 floors to 4 floors will be sought as shown in Map GT2.

Frontage Width

To avoid pencil development along the Gzira waterfront, proposals for new high buildings having a façade width that is less than 25m will not be permitted, except where the proposed facade will have a design that is identical to, and that is continuous with, that of its existing neighbouring building.

12.4.10 In the Central Ta' Xbiex Opportunity Site, no development will be permitted which detracts from the skyline of the peninsula and views of the UCA and waterfront. Along the Gzira Strand, MEPA recognises that a more relaxed approach to building heights has been taken. The Local Plan seeks to recognise this by promoting a stepping down of heights on a block-by-block basis in this area. Where existing frontages on the Strand have remained predominantly 4 floors in height, MEPA will seek to retain permissible heights to four floors in view of sensitive view lines identified through Policies NHSE07 and NHSE08.

12.4.11 Recent high-rise developments occurring along the Gzira waterfront have resulted in a series of pencil developments with blank third party walls and inappropriately designed facades. The Local Plan will address this issue by applying strict control on development along this waterfront whereby proposals will not be permitted with facades less than 25m wide unless specific design criteria are followed.

NHGT08

Gzira and Ta' Xbiex Design Priority Areas

In considering the detailed development of the Ta' Xbiex Design Priority Area as designated on Maps GT1 and GT2, MEPA will ensure that proposals respect the following criteria:

- i. The essential character of the adjoining Urban Conservation Area must be maintained. In particular proposals must respect the area's prevailing villa typology, scale, architectural characteristics and detailing of buildings;
- ii. Proposals are to include a minimum of 25% of the site area for landscaping with generous foliage provision, particularly along side curtilages; and
- iii. Building heights are not to exceed 2 floors without semi-basement, and the height of the new building shall not exceed the roofline of neighbouring properties.

Development within the Gzira Design Priority Area as designated on Map GT2 must respect the following criteria:

- a. The essential character of the Gzira Design Priority Area must be maintained. In particular proposed developments must fully respect the area's streetscape by following the floor heights, proportions, fenestration and architectural characteristics of the adjacent buildings; and
- b. The incorporation of projecting rooms in the facades of new development will not be allowed by MEPA.

12.4.12 Gzira lies between the Sliema UCA (approved in 1995) and the proposed Msida UCA. Gzira evolved on much the same lines and during the same periods as Sliema and Msida. In fact, the

coastal areas of Gzira were characterised by late 19th Century villas surrounded with small gardens along the seafront nearer to Sliema, and two storied traditional late 19th – early 20th Century resort and workers' dwellings and taverns nearer to Manoel Island bridge. Gzira evolved as a suburb of Sliema during the turn of the 19th to 20th century, and spread northwards to and along Rue D'Argens. Gzira also has a number of buildings whose type and use first appeared at the turn of the 19th-20th century. These include the Drainage Pumping Station (1890s), designed by Sir. E.L. Galizia in the neo-gothic style; the Empire Stadium (1922), now derelict; the Orpheum Theatre/Cinema, (1934), scheduled as Grade 2, and the Marshall Court (1950s), built as a Naval Married quarters and in the 1970s was transformed as social housing. Much of the original urban fabric of Gzira still survives, apart from those along the seafront and some of the nearby streets, and parts of Rue D'Argens. Consequently some areas of the original urban fabric have been omitted from the Design Priority Area for Gzira. For these reasons the Local Plan designates the older parts of Gzira as a Design Priority Area. The design of development within this Design Priority Area shall fully respect the architectural characteristics of adjacent buildings. Similarly, new built development within the Ta' Xbiex Design Priority Area must fully respect the design and environmental characteristics of the adjacent UCA villa area.

NHGT09

Ta' Xbiex Housing Estate

MEPA will favourably consider proposals for the environmental upgrading of the Housing Estate area as follows:

- i. An outline application is to be submitted and is to include proposals for improvements to all the areas within the Estate;**
- ii. Proposals are to include better utilisation of all spaces between blocks, formalised car parking spaces and re-designed landscaped public spaces and pedestrian links;**
- iii. The junction of Abate Rigord Street and Princess Margaret Street shall be improved according to criteria identified in Appendix 1 (see Square GTS03);**
- iv. The road carriageway along Princess Margaret Street shall be narrowed and short-stay, chevron (45 degree) parking and landscaping shall be introduced; and**
- v. Proposals are to include the establishment of an RPZ as shown on Map GT1 prior to the setting up of short-stay car parking in Princess Margaret Street.**

12.4.13 Ta' Xbiex Housing Estate exhibits a number of problems primarily associated with the state of the public realm. These include lack of formal play spaces and car parking spaces, unnecessarily wide roads and a lack of well-maintained landscaped areas. There are no safe play areas in proximity to the Estate. In order to provide an infrastructure and safe play spaces suitable for this Housing Estate, proposals must improve the public realm within the Estate as a whole.

NHGT10

Ta' Xbiex Marina

MEPA will positively consider measures to enhance the setting of the Marina area through the provision of suitable landscaping and better definition of pedestrian open space from parking areas.

12.4.14 The existing car park at Ta' Xbiex is an important facility for promenaders, residents and businesses in the locality. It includes existing foliage and extensive hard landscaping. MEPA will promote the environmental enhancement of this area where proposals secure better pedestrian provision.

NHGT11

Offices in Ta' Xbiex

Within the Ta' Xbiex Residential Priority Area, development permission for all new office uses (including local office uses) will not be granted, except where the proposed office use satisfies all of the following criteria:

ANNEX 8
MTA LICENCE



LICENCE / RECEIPT

RESTAURANT

Third Class

Licensee	MIFSUD SILVAN J MR OBO S.J.M. ENTERPRISE	Vat No: 1716 3537
On behalf of	S.J.M. ENTERPRISES LTD	ID Card No: 126172M
Licence No	GH/CE/0176	Date Paid 24/04/18
Licensed Premises	IL-GRAPPOLO RESTAURANT (IN EURO GUE 6/7 TRIQ PONSOMBY	Time: 11:32
	GZIRA	Licence Valid To 31/12/2018
	GZR 1075	Receipt Ref *****109212
		Invoice Ref *****142645
		Amount Received in Euro: € 349.41

Values displayed in Maltese Lira are based on the rate €1=Lm0.429300 and are for information purposes only
L-ammonti bil-Lira Maltijae huma bbazati fuq ir-rata ta €1=Lm0.429300 u huma ghal uzu ta' informazzjoni biss

Special Conditions:

CATERING LICENCE.

General Conditions

This licence is being issued under the following conditions:-

- 'The licensee' abides with the provisions of the laws and regulations of the Malta Tourism Authority, the Malta Resources Authority as well as with other relevant laws and regulations currently in force in Malta.
- Price lists, including also any additional charges, are to be clearly and prominently displayed so as to be easily seen by prospective customers.
- Without prejudice to any new licensing and classification regulations governing catering establishments that the Authority may in future determine.
- TO PROVIDE, ON THE OUTER SIDE OF THEIR PREMISES ENTRANCE, A RECEPTACLE OR MEANS FOR THE DISPOSAL OF CIGARETTE BUTTS. THE RECEPTACLE IS TO BE KEPT CLEAN AND SHOULD NOT CARRY ANY ADVERTISING.

In the case of payment by cheque the licence / receipt is invalid unless the cheque is cleared.

For Malta Tourism Authority



LICENCE / RECEIPT

**GUEST HOUSE
STANDARD CLASS**

Licensee	MR SILVAN J MIFSUD OBO S.J.M. ENTERPRISE	Vat No: 1716 3537
On behalf of	S.J.M. ENTERPRISES LTD	ID Card No: 126172M
Licence No	GH/0176	Date Paid 16/04/18
Licensed Premises	EURO GUEST HOUSE 6/7	Time: 09:49
	TRIQ PONSOMBY	Licence Valid To 31/12/2018
	GZIRA	Receipt Ref *****108442
	GZR 1075	Invoice Ref *****139035
		Amount Received in Euro: € 186.35

Values displayed in Maltese Lira are based on the rate €1=Lm0.429300 and are for information purposes only
L-ammonti bil-Lira Maltijae huma bbazati fuq ir-rata ta' €1=Lm0.429300 u huma ghal uzu ta' informazzjoni biss

Special Conditions:

Transfer of licence w.e.f. 2004. Guest House will be demolished. Affidavit to this effect - vide affidavit in file.
LICENCE WEF 25/02/2009.
GUEST HOUSE STANDARD HAS BEEN CHANGED FROM COMFORT TO STANDARD WEF 04/02/2015 AS PER LETTER IN FILE.

This Licence is being issued on condition that 'the licensee' abides with the provisions of the laws and regulations of the Malta Tourism Authority and the Malta Resources Authority as well as with other relevant laws and regulations currently in force in Malta.

In the case of payment by cheque the licence / receipt is invalid unless the cheque is cleared.

For Malta Tourism Authority

ANNEX 9
UNDERLYING ASSUMPTIONS & PERFORMANCE INDICATORS

Underlying assumptions and KPIs

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Revenue assumptions – St. Julian's

Assumption		Source
Inflation	2% per annum	ECB long-term rate
Occupancy build-up	70% as from stabilised year	As provided by the client and slightly lower than market data (MHRA 4 star: 82.8%). It is assumed the boutique hotel shall reach the stabilized year in its third year of operations
ADR	€134	As provided by the client (which translates into an RevPAR of €94) as from FY2020 and in line with current market data (average St. Julian's of €118-€138 depending on the room type).
Management fee	9%	Fee in line with agreement with Casa Rooms
Housekeeping cost POR	€5	Fee in line with agreement with Casa Rooms
Laundry cost POR	€4.20	Fee in line with agreement with Casa Rooms
Room amenities POR	€2.50	Fee in line with agreement with Casa Rooms
Utilities POR	€4.50	Fee in line with agreement with Casa Rooms


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Revenue assumptions – Gzira

Assumption		Source
Inflation	2% per annum	ECB long-term rate
Occupancy build-up	72.5% as from stabilised year	As provided by the client and slightly lower than market data (MHRA 4 star: 82.5%). It is assumed the boutique hotel shall reach the stabilized year in its third year of operations
ADR	€77	As provided by the client (which translates into an RevPAR of €58) as from FY2019 and in line with current market data (avg Gzira of €81).
Management fee	9%	Fee in line with agreement with Casa Rooms
Housekeeping salary POR	€3	Fee in line with agreement with Casa Rooms
Laundry costs POR	€2.50	Fee in line with agreement with Casa Rooms
Room amenities POR	€1	Fee in line with agreement with Casa Rooms
Utilities POR	€4.50	Fee in line with St. Julian's

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Key performance indicators

KPIs	St. Julian's Year 3 of operation	Gzira Year 3 of operation (incl extension)
ADR	€134	€83
REVPAR	€94	€60
Occupancy	70%	73%
GOP margin	33%	30%
GOPAR	€11,445	€8,450

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ANNEX C: VALUATION REPORT ON THE ST. JULIAN'S BOUTIQUE HOTEL

**Archi+
Architects'
Studio**

BS Building,
Mesta Road,
Lija, Malta
LJA 9012

T: +356 2149 3995
M: +356 7879 1425
E: info@archiplus-studio.com
W: www.archiplus-studio.com



Valuation Report

25/01/2019

**SITE AT TRIQ WIED GHOMOR,
SAN GILJAN, MALTA**

Client: FES Projects Ltd
Int. Ref.: STJ.FES.01



The Board of Directors,
FES Finance p.l.c.

The Board of Directors,
FES Projects Ltd

19, Conservatory Street,
Floriana, FRN1521,
Malta.

25th January 2019

Dear Sirs,

RE: PROPERTY VALUATION OF SITE AT TRIQ WIED GHOMOR, SAN GILJAN

In accordance with your instructions, I, the undersigned architect and civil engineer holder of ID 580385M and warrant number 989 have drawn up a valuation report of the property in caption for the inclusion with the Company Admission Document to be published in connection with the proposed bond issue.

Perit Adrian Mangion B.E. & A. (Hons) A. & C.E.
Partner
For and on behalf of
Archi+

Encl.: Valuation report



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SECTION A: BACKGROUND

Report date

25th January 2018

Valuation date

The effective date of the valuation is the 25th January 2019. It must be noted that to the best of my knowledge and belief there have been no material changes in circumstances between the date of the site visit and the date of this report.

Client

FES Finance p.l.c. (C89431) & FES Projects Ltd (C83872)

Subject property

This report relates solely to the property known as the Boutique Hotel Site in Triq Wied Ghomor, San Giljan, Malta (see Annex 1 for a Site Plan indicating the boundaries assumed for the property), hereafter referred to as the "Property".

Purpose of valuation

The purpose of this valuation is for inclusion with the Company Admission Document to be published in connection with the proposed bond issue. The valuation has been prepared in accordance with the proposed bond issue.

Compliance with valuation standards

The valuation has been prepared in accordance with the following standards:

- Chapter 4 of the Prospects Rules (Rule 4.13.00) published by the Malta Stock Exchange (MSE); and
- The Royal Institute of Chartered Surveyors (RICS) Valuation – Global Standards (2017) hereafter referred to as the "Valuation Standards".

There has been no departure from these standards.

Basis of valuation

The Prospects Rules require that the valuation be made on the basis of an open market value (more frequently the term market value is applied, with the "open" adjective, regard being given to the Valuation Standards and the latest publications of related internationally accepted Standards such as the IVS, RICS and EVS and the local KTP Standard) for existing use.



"Market Value", is defined in the Valuation Standards as *"the estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."*

Since the Property is in course of development this Valuation Report also estimates:

- The estimated capital value at current prices on the basis of current market conditions after the development has been completed (the value on completion of works); and
- The estimated capital value at current prices on the basis of current market conditions after the development has been completed and the Property has been let and/or where the trade has stabilized (the value on maturity).

Currency

The currency used in the Valuation Report is euro (€).

Capacity of Valuer

The undersigned has taken on this assignment as an Independent Valuer as defined in the Valuation Standards. Furthermore, it is hereby confirmed that the undersigned:

- Is a warranted architect in terms of section 7 (3) of the architecture and civil engineering professionals (Periti) Act 1996 and is a fully paid member of the KTP, and is thus qualified to act as a valuer;
- Has sufficient current local knowledge of the particular property market involved and has the knowledge, skills and ability required to perform this valuation report competently;
- Is covered by Professional Indemnity Insurance which is updated in terms of standard provisions;
- Is not aware of any actual or potential conflict of interest in relation to the Property or to the Client, since the undersigned or his associates will not benefit from the valuation instruction, other than the valuation fee. Furthermore, the proportion of the fee to the total fees earned by Archi+ in the preceding twelve months is minimal; and
- Is the *Perit* responsible for the proposed works (namely architectural design, updates in planning applications, civil works detailing and supervision, and finishes detailing and supervision) on the Property.

Consent to publication and use

The undersigned acknowledges and agrees that the Valuation Report will be published in an unabbreviated form in the Company Admission Document and will be referred to in marketing and other materials prepared in the context of the issuance and listing of bonds. The Company Admission Document will be accessible to potential Investors on the Company's website and the website of the MSE. Apart from that, neither the whole nor any part this Valuation Report nor any reference thereto may be included in any



Current occupation

At the time of inspection, the Site was vacant.

Proposed occupation

- To be operated by a third-party operator; and
- To be managed by a property manager, overseeing operator performance.

Tenure

The Site is being acquired under title of temporary emphyteusis for a term of 49 years, with a break option after 35 years. No upfront fee is to be paid, and the contract shall give the FES Projects Ltd a grace period on ground rent for a period of one year from the day of acquisition.

Details of charges, easements and other burdens

Prospects Rule 4.13.04 requires that a valuation report provides details of registered mortgages and privileges and other charges, real rights thereon including details of emphyteutical concessions, easements and other burdens.

I have sought the input of legal advice in determining details of registered mortgages and privileges and other charges. I understand that Property is being acquired on the conditions described above and that there are no registered charges or mortgages over the Property.

The Property is also free from debts, special hypothecs, special privileges, charges and cautions, and is not subject to any requisition order or expropriation order.

SECTION E: PLANNING & STATUTORY CONSIDERATIONS**Planning considerations**

The Site falls under the requirements of the North Harbour Local Plan (SJ2) published by the Planning Authority (see Annex 6). The Site lies Outside the Development Zone (ODZ), thus the Rural Policy and Design Guidance (2014) applies. This policy document has a number of policies which refer to buildings ODZ, in particular Policy 6.2C which states that the replacement building of an existing building in the ODZ shall be limited to any other use that would result in a wider environmental benefit, provided the site is already serviced by a road network that would adequately cater for the proposed new use.



Development permits

The Site is covered by the following development permits (see Annexes 3 and 4):

Case No.	Description of Works	Status	Date
PA/01576/12	Demolition of existing residence & structures, construction of a semi-basement garage & overlying residential property with pool	Approved	11/02/2015
PA/03805/17	Amended development application. Construction of Class 3A guest house and related amenities in lieu of previously approved villa covered by PA 01576/12	Approved	04/04/2018

Appeal

It is to be noted that there is an ongoing appeal (PAB/00167/18) on the latest development permit (PA/03805/17) on which this valuation is being based on (see Annex 5). As instructed by the Client, this valuation assumes that this appeal will not have an impact on the Project.

Statutory considerations

It is to be noted that there does not appear to be any enforcement action on the Property, and that it seems to adhere all relevant statutory considerations, building laws and sanitary regulations.

Highest and Best Use

The proposed usage of the Property (from the approved development permit PA/03805/17) has been stated and classified by the undersigned as the Highest and Best Use, because this use meets the following criteria:

- That the use is physically possible with regards to what would be considered reasonable by market participants;
- That the use is legally permissible and any legal restrictions on the use of the site are taken into account; and
- That the use is financially feasible and takes into account whether an alternative use that is physically possible and legally permissible will generate sufficient return to a typical market participant, after taking into account the costs of conversion to that use, over and above the return on the existing use.

Any alternative use value is significantly lower than the proposed use.



SECTION F: PROPOSED SCHEME DETAILS

Property type and features

Feature	Description
Property type	A small fully-finished and fitted Boutique hotel (Class Order 3A: Guest house) housing 46 beds in 23 rooms, hereafter referred to as the "Boutique Hotel".
Internal layout & design	The layout of the Boutique Hotel is shown on the attached development permit drawings (Annex 3). It is considered to be very efficient and strategically laid out as there is vertical core placed to meet fire escape regulations, shafts to ventilate and service the ensuites, and internal load-bearing walls are designed to be continuous throughout all floors.
No. of floor levels	Three floors above ground level and two below.
Access	It has private access via two single-lead doors from <i>Triq Wied Ghomor</i> , one leading to the reception and the other to the staircase.
Vertical circulation	1 main staircase and a passenger lift which gave access to all of the levels besides the roof level.

Facilities

Type	Facility	Floor level	NIA*
Catering	Breakfast area	0	≈ 35m ²
Leisure	Lounge	-1	≈ 9.1m ²
	Reception	0	≈ 3.8m ²
	Outdoor infinity-pool	0	≈ 21.8m ²
	Terrace	0	≈ 36.5m ²
Back-of-house	Offices	-2	≈ 20.6m ²
	Store	-2	≈ 6.1m ²
	Preparation area	-1	≈ 5.5m ²
	Box room	2	≈ 3.7m ²

*NIA: Net Internal Area (also known as IPMS 3)

**Parking facilities**

There is no parking provision or drop-off points being proposed.

Services on offer

Breakfast, restaurant and bar, laundry and dry-cleaning services, tours and ancillary services.

Business mix

The Boutique Hotel will have several potential additional income streams other than the hotel rooms including, however not limited to, breakfast, café, laundry and dry-cleaning, luggage storage and drinks.

Finishes

The following assumptions have been taken about the level of finish of the Boutique Hotel once complete:

- The building will be fully-finished and furnished making it operational upon completion;
- The finishes will be of a high standard giving the Boutique Hotel an upmarket image of leisurely and pleasant guest stays;
- Workmanship will be of good quality throughout; and
- It is also being considered that a major refurbishment or renovation would not be required before at least 7 years' time, barring any extraordinary events.

Structural type and condition

The structure will consist of load-bearing masonry walls supporting reinforced concrete slabs.

Building services

The building will be served by all modern electrical, mechanical and electronic systems which are required by the latest international standards for this category of hotels. The building services will be concealed, however access points will be left for maintenance and repairs.

Environmental considerations

The building will house a water reservoir (having a volume of 57.8m³) and have double-glazed apertures and roof insulation installed.



Areas and dimensions

The areas and dimensions indicated below are indicative only and were calculated from the plans downloaded from Planning Authority (previously referred to as MEPA) website from the drawings of PA/03805/17 (see Annex 3) and were measured using the Code of Measuring Practice in the Valuation Standards.

Floor level	GEA*	NIA	External area	Roof area	Clear height**
-2	≈ 234.4m ²	≈ 183.4m ²	≈ 65.6m ²	0m ²	≈ 2.58m
-1	≈ 234.4m ²	≈ 184.5m ²	≈ 28m ²	0m ²	≈ 2.7m
0 (Ground)	≈ 164.9m ²	≈ 127.8m ²	≈ 87m ²	0m ²	≈ 2.7m
1 st	≈ 152.3m ²	≈ 114.6m ²	≈ 36m ²	0m ²	≈ 2.57m
2 nd	≈ 136.3m ²	≈ 101.5m ²	≈ 57.1m ²	0m ²	≈ 2.57m
3 rd (Roof)	0m ²	0m ²	0m ²	≈ 136m ²	
Total	≈ 922.3m²	≈ 711.8m²	≈ 273.7m²	≈ 136m²	

*GEA: Gross External Area (also known as IPMS 1)

**Clear height (also known as net height): The height between the under structural floor level (USFL) and the finished floor level (FFL)

Bedroom accommodation

Room	No. of beds	Floor level	GIA*	External area	Ensuite	View	Accessible -for-all
1	2	-2	≈ 21.3m ²	≈ 11.3m ²	Yes	Valley	No
2	2	-2	≈ 20.2m ²	≈ 9.5m ²	Yes	Valley	No
3	2	-2	≈ 20.2m ²	≈ 9.6m ²	Yes	Valley	No
4	2	-2	≈ 21.7m ²	≈ 9.7m ²	Yes	Valley	No
5	2	-2	≈ 22.4m ²	≈ 9.7m ²	Yes	Valley	No
6	2	-2	≈ 29.9m ²	≈ 8.8m ²	Yes	Valley	Yes
7	2	-1	≈ 21.2m ²	≈ 5.3m ²	Yes	Valley	No
8	2	-1	≈ 23.1m ²	≈ 4.4m ²	Yes	Valley	No
9	2	-1	≈ 23.5m ²	≈ 4.4m ²	Yes	Valley	No
10	2	-1	≈ 22.9m ²	≈ 4.4m ²	Yes	Valley	No
11	2	-1	≈ 24m ²	≈ 4.4m ²	Yes	Valley	No
12	2	-1	≈ 31.6m ²	≈ 4m ²	Yes	Valley	No
13	2	0	≈ 21.2m ²	≈ 5.3m ²	Yes	Valley	No



14	2	0	≈ 20.2m ²	≈ 4.4m ²	Yes	Valley	No
15	2	0	≈ 20.2m ²	≈ 4.4m ²	Yes	Valley	No
16	2	0	≈ 21.5m ²	≈ 4.2m ²	Yes	Valley	No
17	2	1 st	≈ 21.2m ²	≈ 6.1m ²	Yes	Valley	No
18	2	1 st	≈ 20.2m ²	≈ 5.1m ²	Yes	Valley	No
19	2	1 st	≈ 31.1m ²	≈ 6.5m ²	Yes	Valley	No
20	2	1 st	≈ 36.1m ²	≈ 16.6m ²	Yes	Street & valley	No
21	2	2 nd	≈ 27.9m ²	≈ 25m ²	Yes	Valley	No
22	2	2 nd	≈ 27.5m ²	≈ 8.4m ²	Yes	Valley	No
23	2	2 nd	≈ 36.1m ²	≈ 19.2m ²	Yes	Street & valley	No

*GIA: Gross Internal Area (also known as IPMS 2)

Analysis

Parking spaces to bedrooms	0
Beds to bedrooms	2.0
GEA to bedrooms	40.1
NIA to GEA	77%
Plot area to bedrooms	13.0

Expected dates of completion and occupancy

Development period: After consulting with the Client, it is expected that works will commence in the first quarter of 2019 and completion of all works, including finishes, building services and furnishing is expected in the second quarter of 2020.

Start-up phase: It is being assumed that the hotel shall reach the stabilized year in its third year of operations (2022).

Estimated total cost of the development

The estimated cost of completion of the development (excluding a contingency allowance and professional fees) amount to €1,200,000 (one million, two hundred thousand euro) exc. VAT as outlined below:



Item	Value
Site preparation	€20,000
Civil works	€200,000
Construction of elevated pool & related amenities	€100,000
Building services	€350,000
Finishes & furniture	€530,000
Total	€1,200,000

SECTION G: LOCATION

Local Authority

St. Julian's (San Giljan) Local Council

Macro location: Locality

St. Julian's is one of the most sought after localities both for leisure and entertainment properties with the area having a large inventory with many hotels being planned and constructed resulting in plenty of existing and future competition. This is due to the high occupancy rates and positive signs in rental rate trends.

The locality is situated circa. 11 kilometres from the airport and 7 kilometres from Valletta.

Micro location: Surroundings

The area is desirable as it is in a strategically important area in view of its close proximity to one of the most important commercial and entertainment areas in Malta. The area has a positive outlook and which has fantastic unobstructed valley views.

On a visual examination of the plot, it is easy to note that the land plot is composed of bedrock, and the street over the site is well retained which shall aid the construction process of the property. The examination was carried out merely for the purposes of this valuation and which does not constitute a structural condition report. It is being assumed that the land plot is essentially suitable to undertake the development proposed.



Roads

The site is located at the end of a cul-de-sac, which is surrounded and overlooked by residential buildings. The street is of a slight inclination with no known unusual characteristics. It is made up and surfaced with tar macadam and is in a decent condition. Adjacent roads are also made up and surfaced and have street lighting installed.

The street is quiet with limited public parking and exposure as there is little footfall or vehicular traffic. Access is only from *Triq Wied Ghomor* which commences from the location best known as *Tigullio*, and the St. Julian's Police station if one is accessing the street on foot.

The site is also close to *Triq Gorg Borg Olivier* and *Triq Mikiel Anton Vassalli*, this gives the area easy road access via private transport and public transport facilities.

SECTION H: VALUATION ANALYSIS

Basis

Hospitality assets are classified as "trade-related property" and as such the following have been considered in determining market value:

- The land;
- The building (including the structure, finishes and building services);
- Trade fixtures, furniture, fittings and equipment; and
- All licenses, permits, certificates and trading potential.

For the purpose of this valuation, all of the parts within the hotel development are being valued as one asset.

Valuation methodology

This valuation focused on the existing state and the proposed state and use of the Property. Since the proposed hotel will be an operational entity the value is based on the estimated cash-flow generated by room sales and other facilities and services which is converted into a value estimate through a capitalization process.

As the existing Property is a site which will be undergoing development and bearing in mind that there is a valid building permit in respect of the proposed development, the so called residual method has been adopted. This method is based on the premise that the value of any property suitable for or undergoing development may be arrived at by deducting from the end value of a proposed completed development the total cost of development, including financing costs and fees incurred on property acquisition,



construction costs, professional fees, development financing costs and an appropriate amount for "developer's profit". The residual amount remaining represents the price which a developer could justifiably pay for the property in order to gain a reasonably expected profit from the sale proceeds of the development.

Variables and assumptions

The following table shows the key valuation criteria as at the valuation date:

Capitalization rate, K	6.0%
Day-One Value risk rate	0.5%
Annual Growth Rate, Gr	2.0%
Discount rate, R	8.0%
Exit yield	6.0%

Projected net adjusted profit

The following table shows the estimated EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) which is the net adjusted profit based upon the estimate trading performance of a reasonably efficient operator (REO) based on the first stabilized year (however on the special assumption that the rates are taken at current rates):

No. of rooms	23
Available lettable rooms per annum	8,395
Room occupancy (& credit loss)	70%
Let rooms per annum	5,877
Rack rate (Average advertised tariff)	€150
AARR (Average Achieved Room Rate)	€134
RevPAR (Revenue Per Available Room)	€94
Potential gross income	€1,124,930
Total rooms revenue	€787,451
Other hotel revenue	€24,354
Total hotel revenue	€811,805
Operating expenses ratio (OER)	67%
Purchase and operating expenses	€543,909
EBITDA	€267,896
Say	€270,000



The value on completion of works

On the basis of the characteristics and conditions described above, I estimate the capital value at current prices on the basis of current market conditions after the development has been completed (also known as the Day-One Value) to be €4,120,000 (four million, one hundred and twenty thousand euro) if freehold, as outlined below:

Direct Capitalization Method	
EBITDA	€267,896
Capitalization rate, K*	6.5%
Market Value	€4,121,472

*This rate is higher (an additional 0.5%) to reflect a higher operational risk and discounting element.

Discounted Cash Flow Method					
Year	Potential gross income	Room occupancy	Other revenue	Operating expenses ratio	EBITDA
0*	€1,124,930				
1**	€1,147,429	40%	3%	80%	€94,633
2**	€1,170,377	50%	3%	70%	€180,986
3***	€1,193,785	70%	3%	67%	€284,293
4	€1,217,660	70%	3%	67%	€289,979
5	€1,242,014	70%	3%	67%	€295,779
6	€1,266,854	70%	3%	67%	€301,694
7	€1,292,191	70%	3%	67%	€307,728
8	€1,318,035	70%	3%	67%	€313,883
9	€1,344,395	70%	3%	67%	€320,160
10	€1,371,283	70%	3%	67%	€326,563
Exit value					€5,551,577
Net Present Value (NPV)					€4,114,570

*Construction period: The potential gross income is taken from the workings above in 'Projected net adjusted profit'

**The start-up phase

***The first year where trade has stabilized.



The Day-One Value if freehold is taken at the mean of the above values.

Furthermore, the Day-One Value of the Property on emphyteutical title is €2,620,000 (two million, six hundred and twenty thousand euro).

The value on maturity

On the basis of the characteristics and conditions described above, the capital value of the immovable freehold Property based on timely completion, approval of fault-free construction and after trade has stabilized is estimated to be €4,460,000 (four million, four hundred and sixty thousand euro) when taken at current rates and on the basis of current market conditions; and €4,740,000 (four million, seven hundred and forty thousand euro) when taken at the projected EBITDA of the first year where trade has stabilized, as outlined below:

Direct Capitalization Method		
	Current rates	Projected rates
EBITDA*	€267,896	€284,293
Capitalization rate, K	6.0%	6.0%
Market Value	€4,464,928	€4,738,217
Say	€4,460,000	€4,740,000

Furthermore, the Value on maturity of the Property on emphyteutical title is €2,900,000 (two million, one hundred and twenty thousand euro).

Present capital value in existing state

On the basis of the characteristics and conditions described above, I estimate the value of existing site:

- €1,600,000 (one million, six hundred thousand euro) if freehold, for the entire site extending to an area of 300m² implying an average land value of €5,833/m²; and
- €950,000 (nine hundred and fifty thousand euro) based on its emphyteutical title.



Disclaimer

Valuations are not a prediction of price, nor a guaranteed of value, and whilst this valuation is one which I consider both reasonable and defensible, different valuers may properly arrive at different opinions of value.

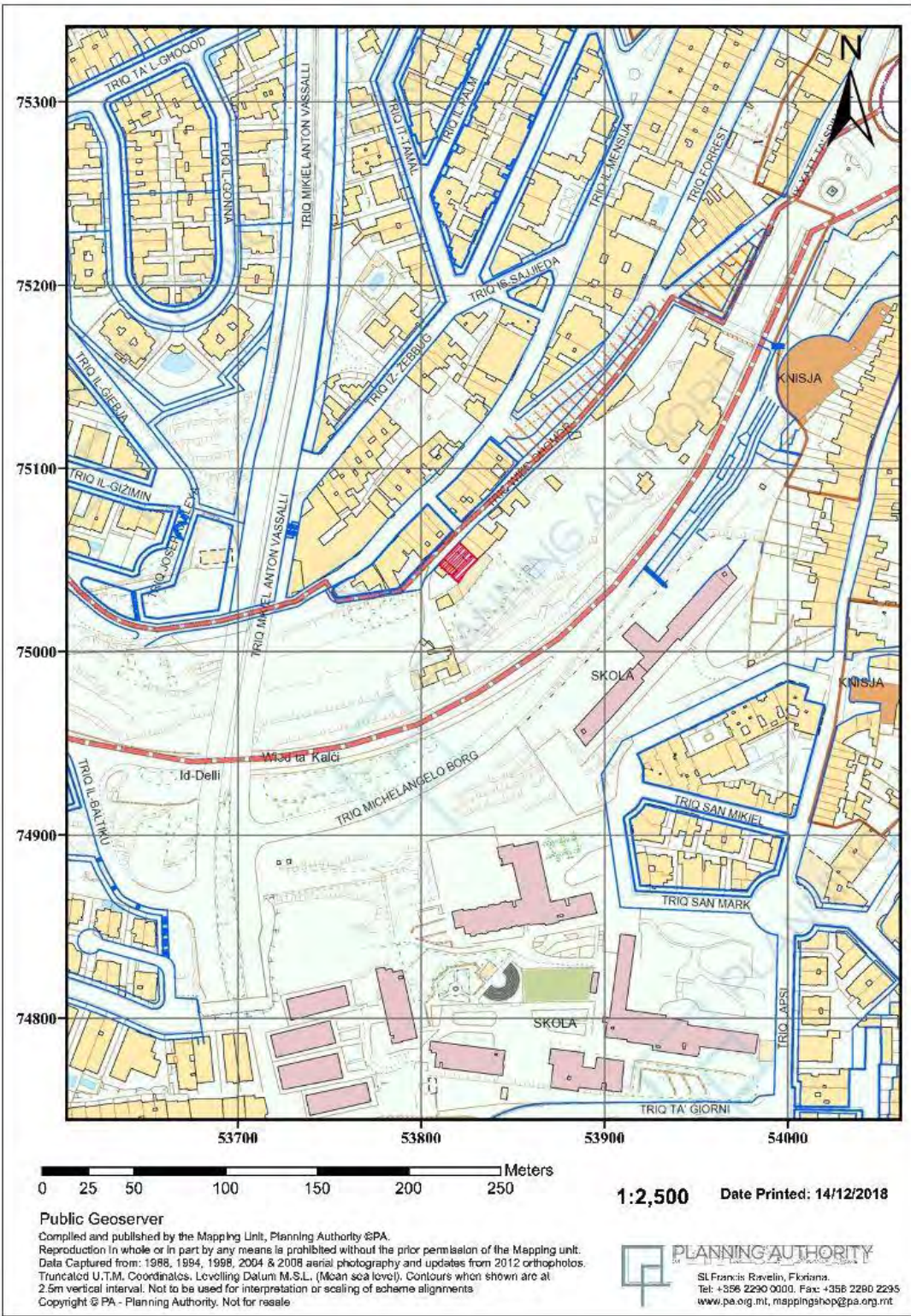
Perit Adrian Mangion B.E. &A.(Hons) A.&C.E.
Partner
For and on behalf of
Archit+



ANNEXES

1. SITE PLAN
 2. SITE PHOTOGRAPHS
 3. PERMIT DRAWINGS
 4. DEVELOPMENT PERMIT
 5. APPEAL DETAILS
 6. EXTRACTS FROM LOCAL PLAN
 7. UNDERLYING ASSUMPTIONS
-

ANNEX 1
SITE PLAN



0 25 50 100 150 200 250 Meters

1:2,500 Date Printed: 14/12/2018

Public Geoserver

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PLANNING AUTHORITY
 SL Francis Rowlett, Floriana.
 Tel: +356 2290 0000. Fax: +356 2280 2295
 www.pa.org.mt, mppingshop@pa.org.mt

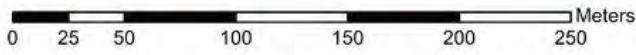
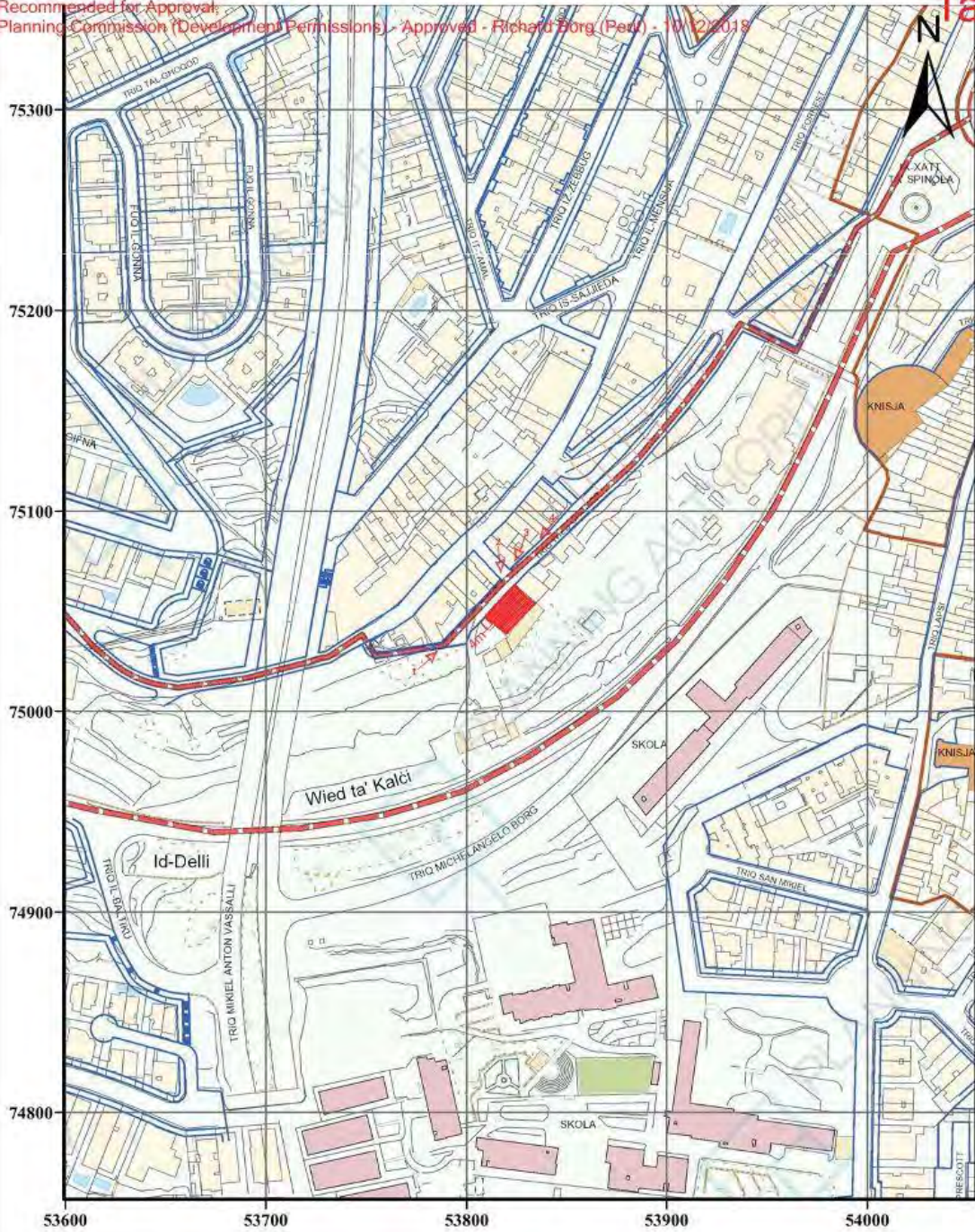
ANNEX 2
SITE PHOTOGRAPHS



**SITE AT TRIQ WIED GHOMOR,
SAN GILJAN, MALTA**

Date: 05/12/2018
Sheet: 1

ANNEX 3
PERMIT DRAWINGS

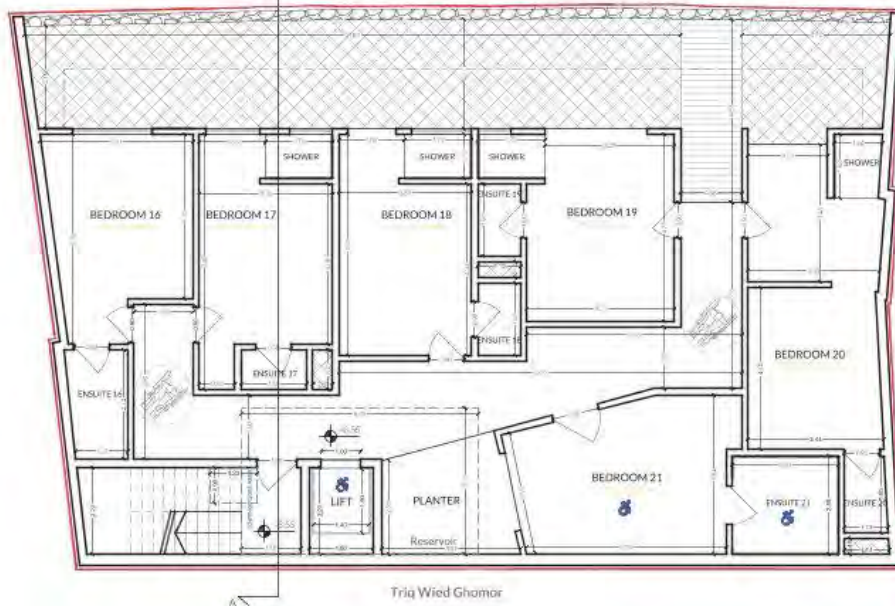


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PLANNING AUTHORITY
 St Francis Ravelin, Florida.
 Tel: +358 2968 0000 Fax: +358 2968 0000



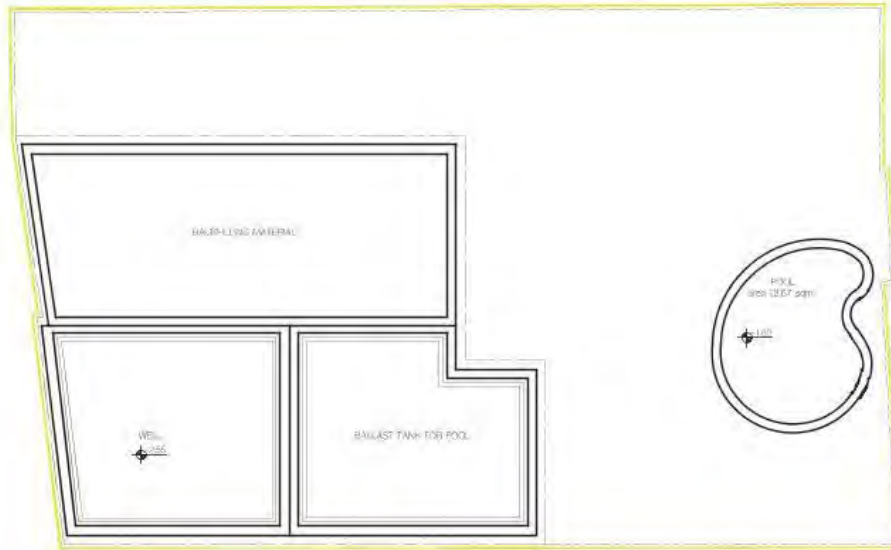
PROPOSED LEVEL -2 PLAN
SCALE 1:100

LEGENDE

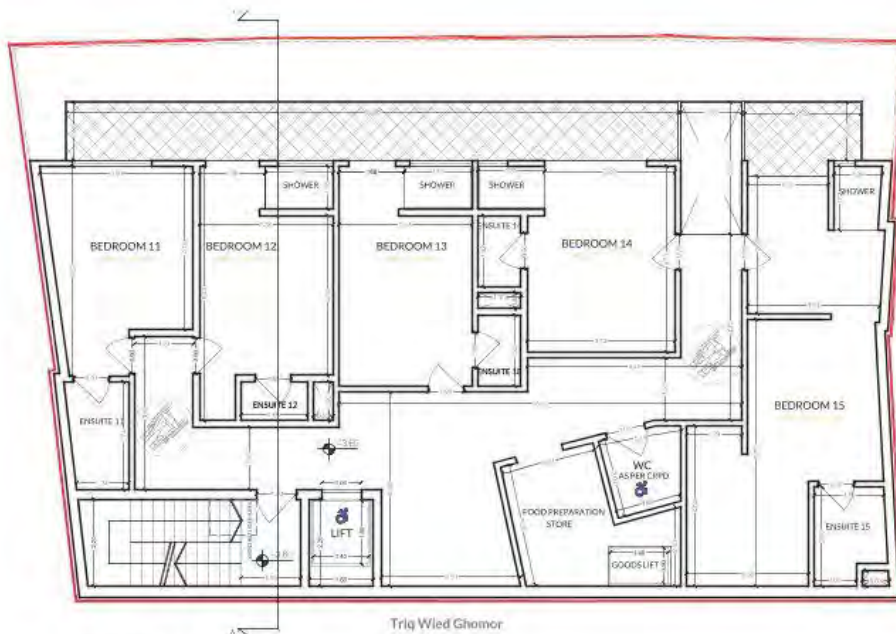
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■	TO DEMOLISH	■	TO SANITISE



Client SOMALIA JOHN ADDRESS Triq Wied Ghomr, San Gwann REGISTRATION NO. PROPOSED LEVEL -2 PLAN	Architect PROPOSED PROTOTIQUE HOTEL ADDRESS Triq Wied Ghomr, San Gwann REGISTRATION NO. PROPOSED LEVEL -2 PLAN	Scale 1:100 DATE 18/12/2018	Drawn 18/12/2018 DATE 18/12/2018	
		Checked 18/12/2018 DATE 18/12/2018	Scale 1:100 DATE 18/12/2018	



APPROVED LEVEL -1 PLAN
SCALE 1:100 Approved By PA 1576/12



PROPOSED LEVEL -1 PLAN
SCALE 1:100

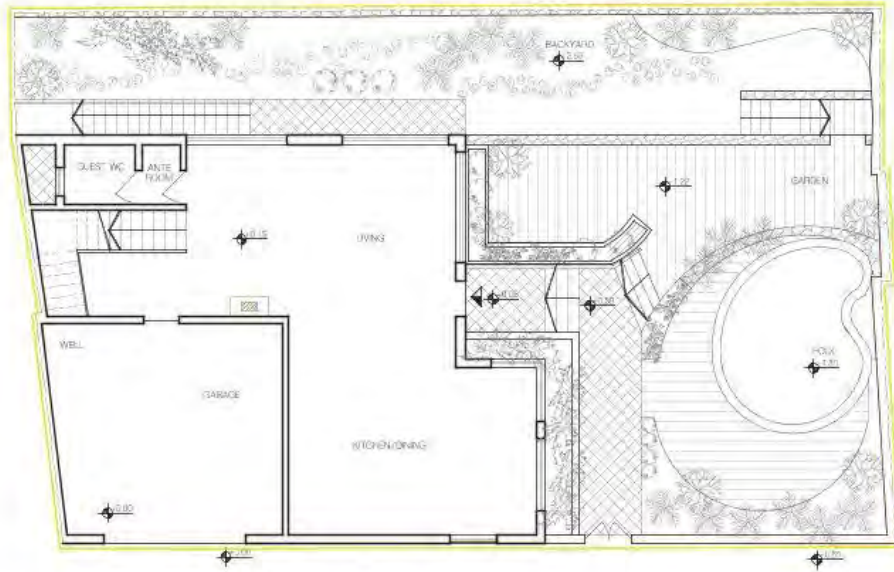
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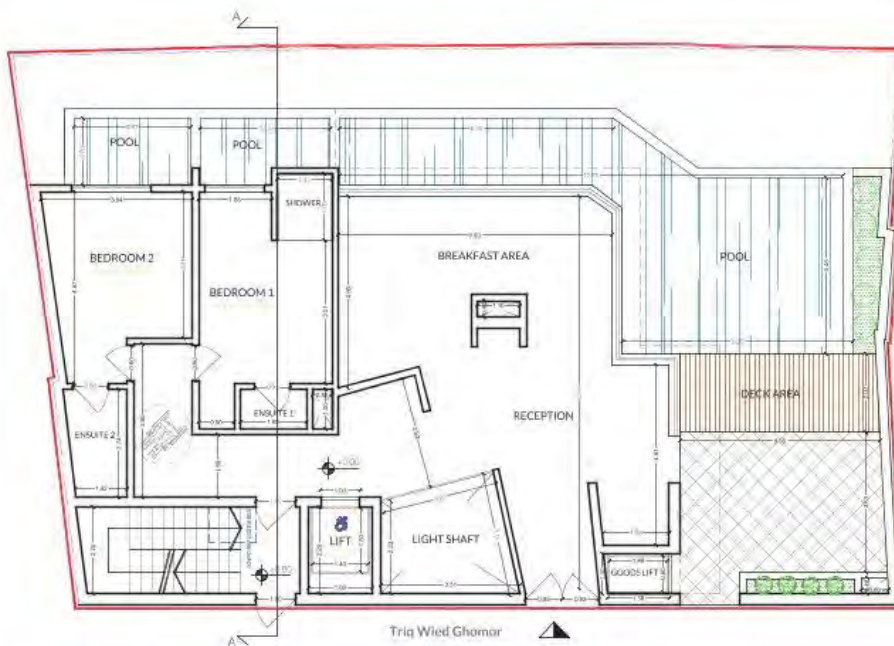


CLIENT BONAVIA JOHN	CONTRACTOR PROPOSED MOUTOUQUE HOTEL	SCALE 1:100	FILE NO. 07/17/2018
DESIGNER Triq Wled Ghomor, See G101	APPROVED BY RICHARD BORG	DATE 04/07/2018	PROJECT NO. PA/03805/17
APPROVED AND PROFESSIONAL PLAN	PERIT KOFERAD/BEZZINA	DATE 03/04/2018	SCALE 1:100





APPROVED LEVEL 0 PLAN
SCALE 1:100 Approved By PA 1576/12



PROPOSED LEVEL 0 PLAN
SCALE 1:100

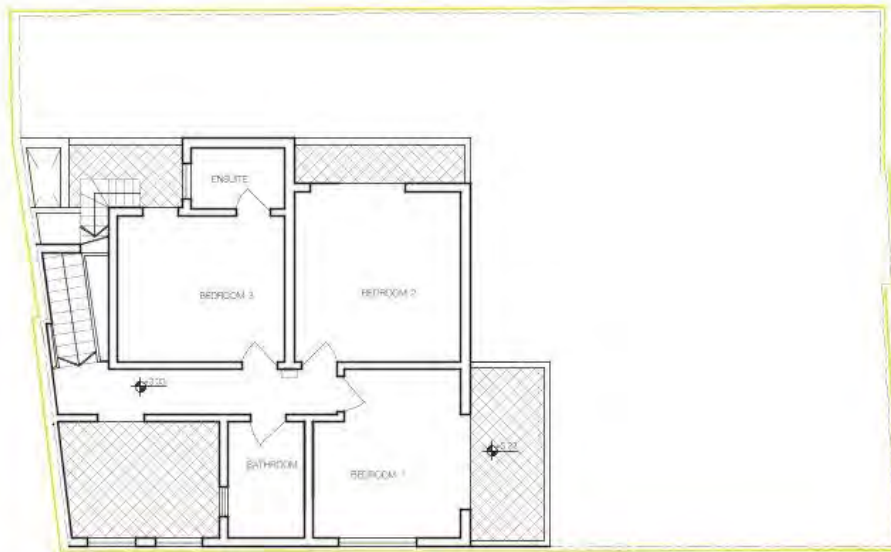
LEGEND

	TO PROPOSED		APPROVED BUT NOT CONSTRUCTED
	TO LEVELS		TO SHAPEN

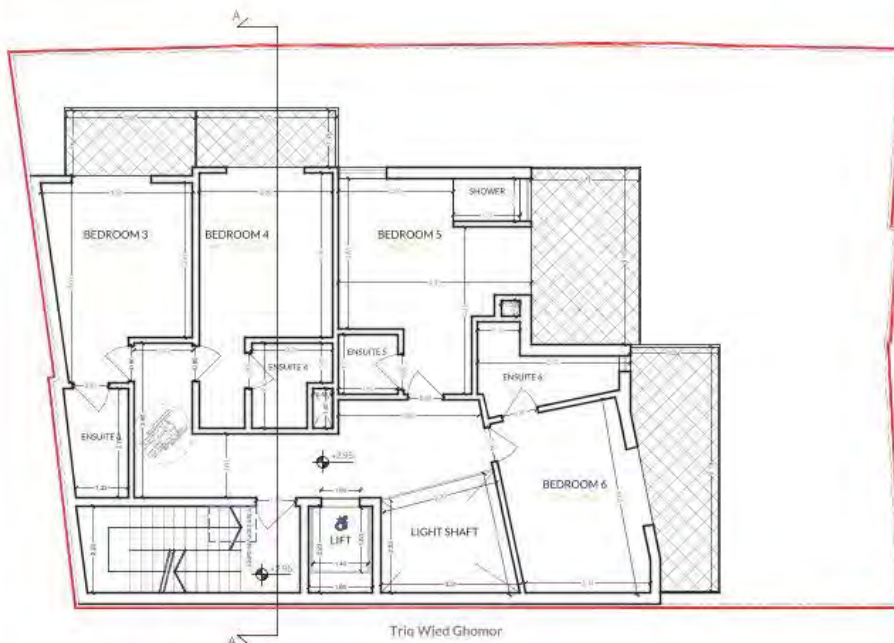


CLIENT SONAWA JOHN	CONTRACTOR PROPOSED MOUTIQUE HOTEL	SCALE 1:100	DATE 07/12/2018
DESIGNER Triq Wied Ghomar, See Other	APPROVED BY PERIT	DATE 03/04/2018	FILE NO. PA/03805/17
PROJECT NO. 158b	PERIT NO. 1576/12	DATE 03/04/2018	SCALE 1:100





APPROVED LEVEL 1 PLAN
SCALE 1:100 Approved By PA 1576/12



PROPOSED LEVEL 1 PLAN
SCALE 1:100

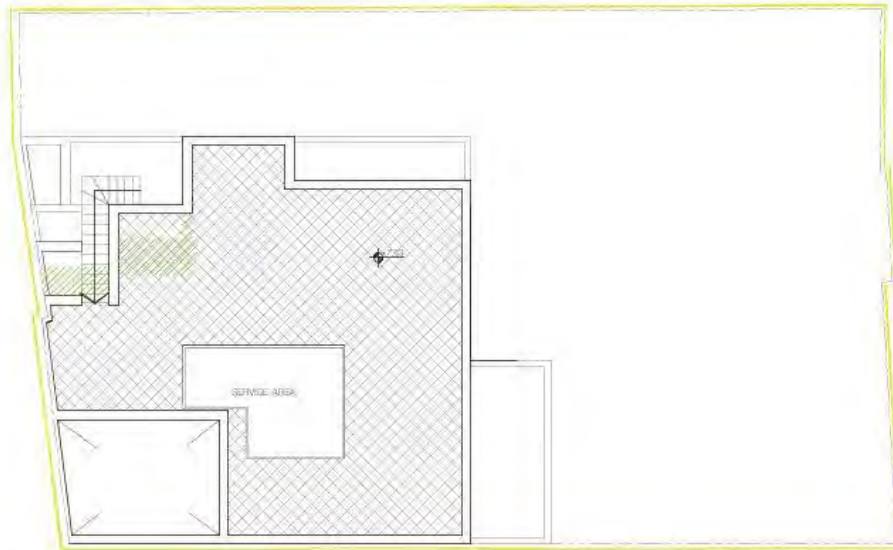
LEGEND

	TO PROPOSE		APPROVED BUT NOT CONSTRUCTED
	TO REVOLVE		TO SHORTEN

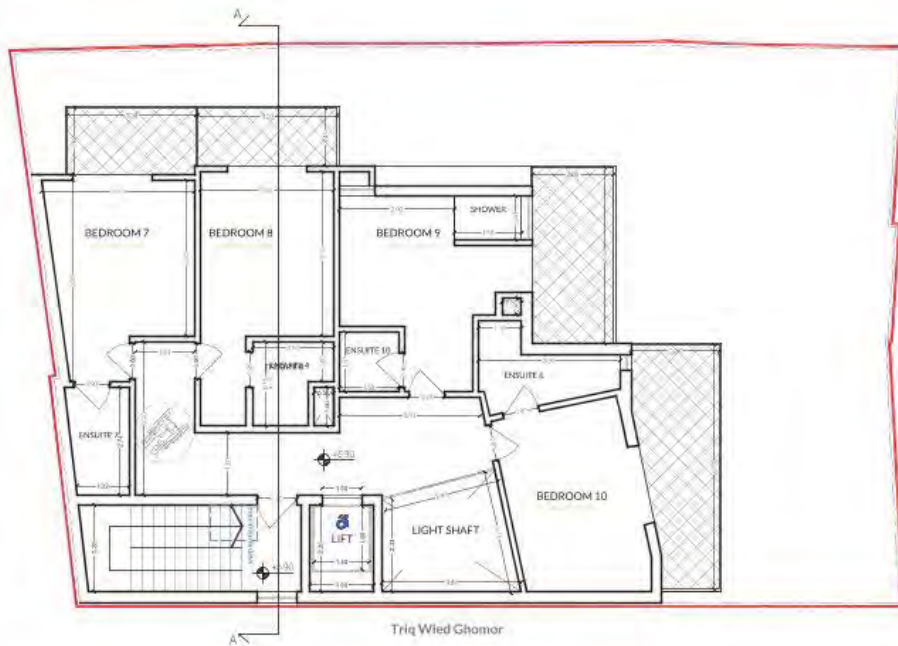


CLIENT SONAWA JOHN	CONTRACTOR PROPOSED MOUTIQUE HOTEL	SCALE 1:100	DATE 07/12/18
DESIGNER Richard Borg, See G3/01	APPROVED BY PA/03805/17	FILE NO. 158c	DATE 10/12/2018
PROJECT FILE APPROVED AND PROPOSED LEVEL 1 PLAN	CHECKED BY PERT KOGHAD/BEZZINA	DATE 03/04/2018	SCALE 1:100





APPROVED ROOF LEVEL PLAN
SCALE 1:100 Approved By PA 1576/12



PROPOSED LEVEL 2 PLAN
SCALE 1:100

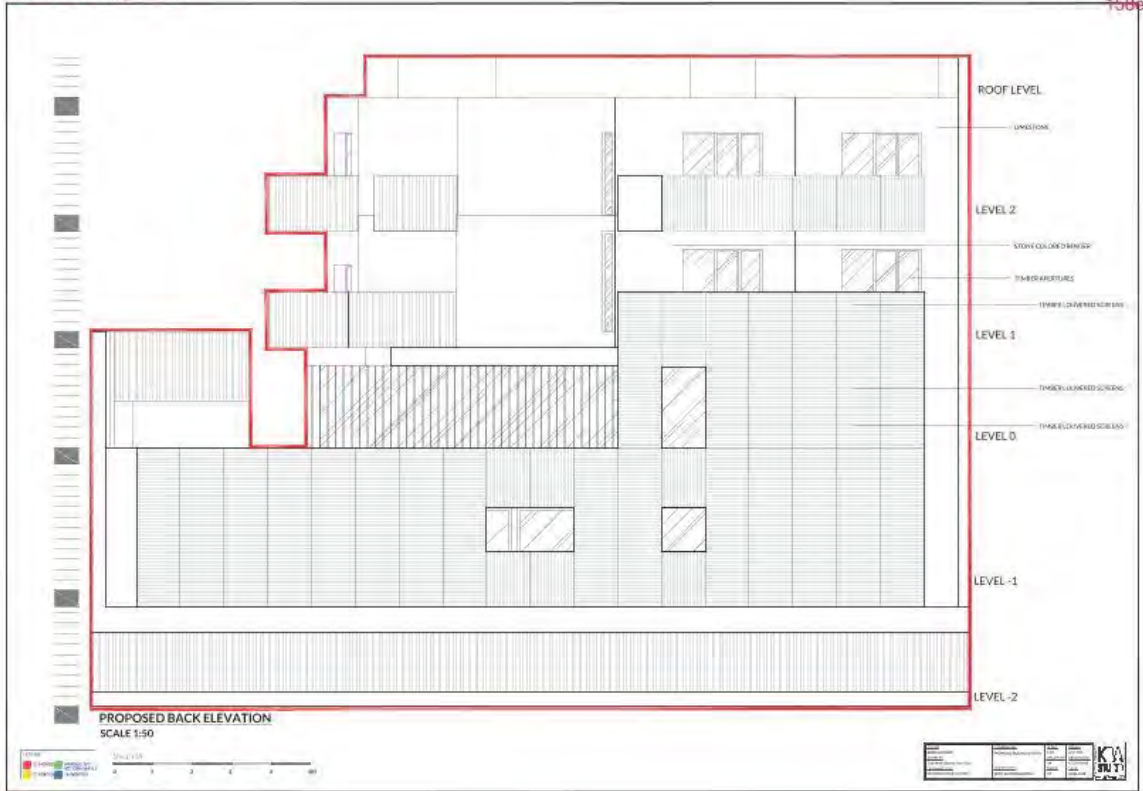
LEGEND

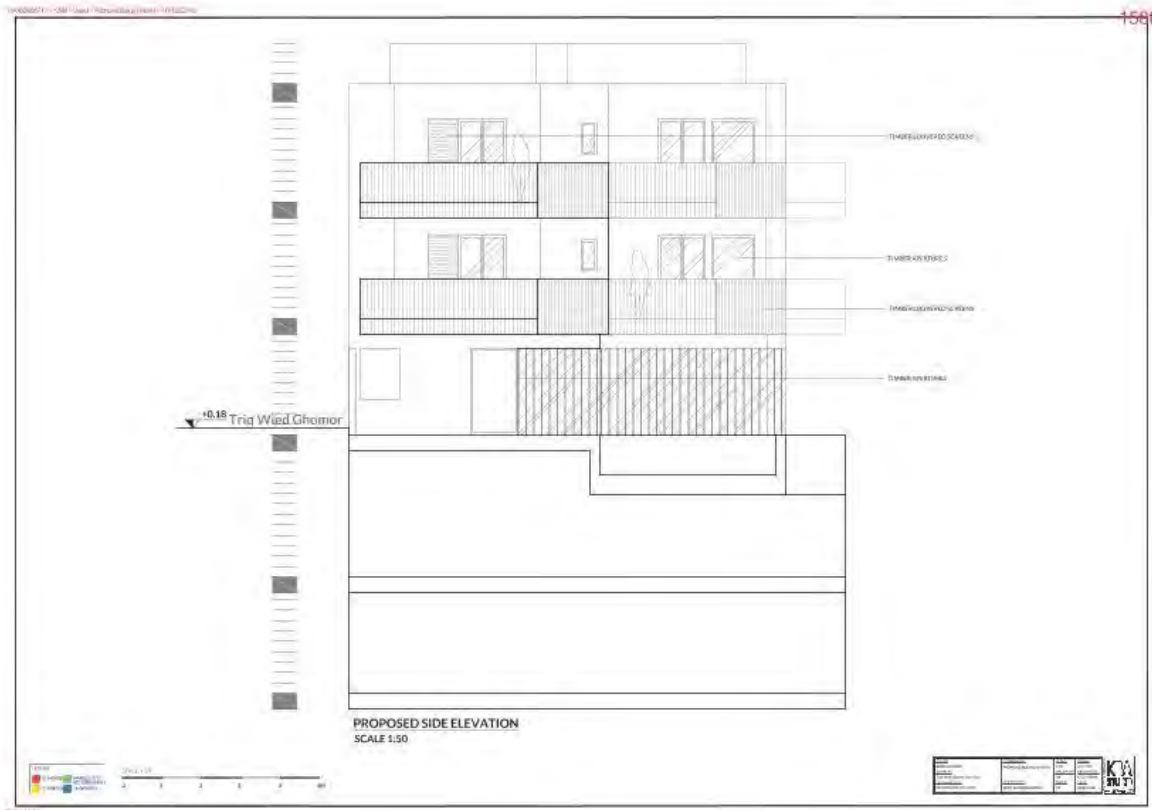
	TO PROPOSE		APPROVED BUT NOT CONSTRUCTED
	TO LEVELS		TO SHAPEN



CLIENT BONAVIA JOHN	CONTRACTOR PROPOSED BOUTIQUE HOTEL	SCALE 1:100	DATE 07/17/2018
DESIGNER Triq Wied Ghomor, See Other	APPROVED BY PERIT KONRAD WICZINSKI	DATE 03/04/2018	FILE NO. PA/03805/17
CHECKED BY PERIT KONRAD WICZINSKI	DATE 03/04/2018	KBA STUDIO ARCHITECTS	
APPROVED AND PROPOSED BY PERIT KONRAD WICZINSKI	DATE 03/04/2018		







ANNEX 4
DEVELOPMENT PERMIT

Mr. John Bonavia

Date: 10 April 2018
Our Ref: PA/03805/17

Application Number: PA/03805/17
Application Type: Full development permission
Date Received: 6 April 2017
Approved Documents: PA 3805/17/1A/56J/56K/56L/57A/73A/73B/73C/73D/73E/73F; and supporting documents:
PA 3805/17/40A - Environment and Health Directorate
PA 3805/17/51A - Superintendence of Cultural Heritage
PA 3805/17/73G - Engineer's Report
PA 3805/17/67A - Commission for the Rights of Persons with Disability

Location: Site at, Triq Wied Ghomor, San Giljan, Malta
Proposal: Amended development application . Construction of Class 3A guest house and related amenities in lieu of previously approved villa covered by PA 01576/12

Development Planning Act, 2016
Full Development Permission

The Planning Authority hereby grants development permission in accordance with the application and documents described above, subject to the following conditions:

- 1
 - a) This development permission is valid for a period of FIVE YEARS from the date of publication of the decision in the press but will cease to be valid if the development is not completed by the end of this validity period.
 - b) This permission relates only to the development as specifically indicated on the approved drawings. This permission does not sanction any other illegal development that may exist on the site.
 - c) Copies of all approved drawings and documents shall be available for inspection on site by Planning Authority officers at all reasonable times.
 - d) The development shall be carried out in complete accordance with the approved drawings, documents and conditions of this permission. Where a matter is not specified, then the conditions of this permission and of Development Control Design Policy, Guidance and Standards 2015 shall apply.
 - e) Before any part of the development hereby permitted commences, the enclosed green

PA/03805/17

Print Date: 07/11/2018

copy of this development permission shall be displayed on the site. This must be mounted on a notice board, suitably protected from the weather and located not more than 2 metres above ground level at a point on the site boundary where it is clearly visible and can be easily read from the street. The copy of the permission must be maintained in a good condition and it shall remain displayed on the site until the works are completed.

f) A Commencement Notice is to be submitted to the Planning Authority, by the perit on behalf of the applicant, at least FIVE DAYS prior to the date of commencement of works or utilisation of the permission. Failure to submit the Commencement Notice (with all fields correctly completed) or failure to submit it within the required timeframe shall invalidate the Notice and shall result in the imposition of fines according to Schedule D of Legal Notice 277 of 2012, or its amendments, or its replacements. In addition, **if the applicant fails to submit the Commencement Notice or the Commencement Notice submitted is invalid, the relative permission shall be considered as never having been utilised** - Article 72(4) of the Development Planning Act (2016).

g) All building works shall be erected in accordance with the official alignment and official/existing finished road levels as set out on site by the Planning Authority's Land Surveyor. The Setting Out Request Notice must be submitted to the Land Survey Unit of the Planning Authority when the setting out of the alignment and levels is required.

h) Where an officially schemed street, within the development zone, bordering the site is unopened or unformed, it shall be opened up and brought up to its proper, approved and official formation levels prior to the commencement of any development hereby being permitted.

i) It is the responsibility of the permit holder to ensure that development is carried out in accordance with the provisions of the Environmental Management Construction Site Regulations, Legal Notice 295 of 2007 (or subsequent amendments). Any hoarding shall be erected in accordance with Schedule 2 of the same Regulations.

j) New development on vacant or redeveloped sites shall be provided with a water cistern to store rainwater run-off as required by the Energy Performance of Buildings Regulations (2012) [published through Legal Notice 376 of 2012 and any amendments thereto].

k) No steps, ramps or street furniture are to be constructed on or encroached onto the public pavement or road.

l) Any doors and windows, the lower edge of which is less than 2m above road level, and any gates shall not open outwards onto a public pavement or road.

m) Where present, window grilles (including 'pregnant' windows), sills, planters and other similar elements which are part of or fixed to the facade of buildings, the lower edge of which is less than 2 metres above road level, shall not project more than 0.15 metres from the facade over a public pavement or street.

n) Air conditioning units shall not be located on the facades of the building which are visible from the street or a public space.

o) There shall be no service pipes, cables or wires visible on the front elevation or on any other elevations of the building which are visible from the street or public space.

2 a) Unless located within an official category settlement, if the approved structures are not

used for a period of three consecutive years within thirty years from the date of issue of this permit, and/or are not used for the permitted purpose, these shall be demolished at the expense of the owner and the site shall be reverted back to the original state within a specific time period as decided by the Planning Authority.

b) The whole exterior of buildings, including all roof structures and all elevations, shall be constructed/ retained in local recycled stone, except where other materials, finishes or colours are specified on the approved drawings or documents. Where in local stone, the stone shall remain unrendered and unpainted, and allowed to weather naturally. Exteriors indicated to be rendered/finished other than in local stone, are to be painted in local stone colour, unless other colours are indicated on the approved drawings.

c) Except where otherwise specified on the approved drawings, all external apertures, closed balconies and gates shall be constructed in timber or timber-like finish. Open balcony railings and all other metalwork shall be in wrought iron. No apertures or railings shall be constructed of gold, silver or bronze aluminium.

d) All services at roof level are to be clustered together and surrounded by a 1 metre high solid unrendered masonry wall. The services shall not exceed the height of this screen.

e) Existing random rubble walls shall be retained and maintained in accordance with the Rubble Walls and Rural Structures (Conservation and Maintenance) Regulations (Legal Notice 160/97 as amended by Legal Notice 169/04).

f) In case alterations to existing random rubble walls are being approved, these shall be carried out in a traditional manner (loose, unhewn random rubble stones which stand by gravity and friction without the use of mortar). Unless specified on the approved drawings, the height of any boundary wall shall not exceed 1.2 metres along its whole length, provided that where there is a difference between the levels on either side of the wall, the overall height of the wall shall not exceed 2.4 metres from the lower level and 1.2 metres from the higher level, at any point along its length.

g) New boundary walls are to be constructed in random-sized irregularly shaped rough dressed stones using the same traditional construction methodology of rubble walling. Unless specified on the approved drawings, the height of any new boundary wall shall not exceed 0.6 metres along its whole length from the existing site levels.

h) The development does not grant consent for any new access routes (and/or modification of existing access routes) beyond the land area approved for development.

i) Where trenching is required, works covered by this permission shall be restricted to trenching (and cable laying) within the confines of the existing road carriageways as indicated on the approved drawings. The applicant shall also be responsible for ensuring that:

- (i) operations do not cause or entail damage to any trees (including their roots), buildings, bridges, rubble walls (hitan tas-sejjieh), or exposed rock, or to any land, property, habitats or features beyond such road carriageways;
- (ii) all material, structures, vehicles and machinery used for, or generated by, the works are entirely confined to the land area occupied by the existing road carriageways, and no overflows or trampling beyond such land area are allowed to occur;

- (iii) all the land surface affected by trenching operations is immediately reinstated to its pristine condition once the works have been completed;
 - (iv) no overhead wiring is installed; and
 - (v) in the case of trenching for electricity cables, the development shall also include the removal of all existing overhead wiring and ancillary poles/masts throughout the site.
- j) The development is not to be a source of light pollution, especially at night. To this effect:
- (i) lighting should be strictly limited to within the developed part of the site;
 - (ii) the development hereby being permitted should not be considered as a justification for the lighting of the access roads, tracks and paths leading to the site or other lighting beyond the site boundary;
 - (iii) the lighting has to be from any peripheral landscaping inward, so as to be screened as much as possible by the landscaping itself; and
 - (iv) all exterior lighting installed on site is to be of the downward-pointing, full cut-off type. No luminaire globes or uplighters are accepted.
- k) This permission does not grant consent for the erection of distribution poles and overhead lines. No new distribution poles or overhanging electricity cables are to be erected to supply electricity to the building hereby approved. The electrical connection of the building hereby approved to the nearest electricity source shall be provided through adequate underground ducts, installed at the applicant's expense, to the satisfaction of the Planning Authority. This applies to other services to be installed that would require the erection of poles or other supports. Unless indicated on the approved drawings of this permission, a separate application/notification needs to be submitted to obtain the necessary approval.
- 3 The approved premises shall be used as indicated on the approved drawings or as limited by any condition of this permission. If a change of use is permitted through the Development Planning (Use Classes) Order, 2014 (or its subsequent amendments), and it is not restricted by a condition of this permission, approval from the Commission for the Rights of Persons with Disability may still be required. Reference needs to be made to PA Circular 3/10 (with the exception of Appendix A), PA Circular 2/14 and their subsequent amendments.
- The breakfast area approved with this development permission shall be ancillary to the overall use of the building as a Class 3A guesthouse. The catering use shall not be segregated from the approved Class 3A.
- 4 No approval is hereby granted for the display of any sign or advertisement. This must be subject of a separate application.
- 5 The development hereby permitted shall be subject to Final Compliance (Completion) Certification, verifying that the development has been carried out in full accordance with

the approved drawings, documents and conditions imposed in this development permission, except where such conditions are enforced by other entities. Prior to the issue of any compliance certificate on any part of this development, the applicant shall submit to Planning Authority, in relation to that part of the building:

(i) Clearance from the Commission for the Rights of Persons with Disability verifying that the development fully satisfies the accessibility standards and/or any conditions imposed by the Commission in supporting document PA 3805/17/67A.

Note: Should a partial compliance certificate be requested, a Bank Guarantee of €25,000 shall apply to ensure that CRPD clearance is obtained

(ii) Certification from a qualified engineer confirming that the development fully satisfies the requirements specified in supporting document PA 3805/17/73G.

- 6 The conditions imposed and enforced by the Environmental Health Directorate are at supporting document PA 3805/17/40A. The architect/applicant is required to contact the Environmental Health Directorate, throughout the implementation of the development hereby approved, to ensure conformity with the imposed conditions. A copy of the relative correspondence / clearance shall be submitted to the Planning Authority accordingly.
- 7 The architect/applicant is required to submit a formal application with the Malta Tourism Authority. A copy of the relative correspondence / clearance shall be submitted to the Planning Authority accordingly.
- 8 The conditions imposed and enforced by the Superintendence of Cultural Heritage are at supporting document PA 3805/17/51A. The architect/applicant is required to contact the Superintendence of Cultural Heritage, throughout the implementation of the development hereby approved, to ensure conformity with the imposed conditions. A copy of the relative correspondence / clearance shall be submitted to the Planning Authority accordingly.
- 9 This permission is subject to a Bank Guarantee to the value of €1900.87 (one thousand, nine hundred Euro and eighty seven) to ensure that the street is properly restored in accordance with the Environmental Management Construction Site Regulations, 2007 (Legal Notice 295 of 2007). The bank guarantee shall only be released after the perit submits a post-construction condition report together with photographs evidencing compliance with this condition, accompanied by clearance from the Local Council. The clearance from the Local Council is to be endorsed by the Mayor and the Executive Secretary of the Local Council. This guarantee shall be forfeited if, after 3 months from the date of notification by the Authority of a notice to effect the remedial works, these are not carried out. Its forfeiture shall not, however, preclude the applicant from adhering to all the conditions contained in this development permission.
- 10 To make up for the shortfall in parking provision of five (5) parking spaces, this development permission is subject to a contribution amounting to the sum of €10,482.20 (ten thousand, four hundred, eighty two Euro and twenty cents) in favour of Planning Authority's Commuted Parking Payment Scheme for the locality within which the site is located. The funds raised shall be used as prescribed in the policy document "Commuted Parking Payment Scheme for Malta" (1998).

11 **Conditions imposed and enforced by other entities**

A. Where construction activity is involved:

(a) the applicant shall:

(i) **Appoint a Project Supervisor for the Design Stage and a Project Supervisor for the Construction Stage** and any such appointment shall be terminated, changed or renewed as necessary. The same person may be appointed to act as project supervisor for both the design and construction stage, if that person is competent to undertake the duties involved and

(ii) **Keep a health and safety file** prepared by the Project Supervisor for the Design Stage.

(b) When the construction works related to this application are scheduled to last longer than thirty working days and on which more than twenty workers are occupied simultaneously, or on which the volume of work is scheduled to exceed five hundred person-days, the project supervisor **shall communicate a prior notice to the Occupational Health and Safety Authority (OHSA) at least four calendar weeks before commencement of works.**

(c) The Project Supervisor for the Design Stage shall **draw up a health and safety plan** which sets out the occupational health and safety rules applicable to the construction activities concerned, outlining the measures to ensure cooperation between different contractors and shall also include specific measures concerning occupational risks that may be present at this site.

B. Where the development concerns a change of use to a place of work, the applicant shall obtain a Perit's declaration that the building conforms to the requirements of LN 44 of 2002.

C. Where the development concerns a place of work:

The applicant shall:

(i) obtain a Perit's declaration that the necessary requirements arising out of LN 44 of 2002 have been included in the plans and drawings; and

(ii) obtain a Perit's declaration that the building conforms to the requirements of LN 44 of 2002.

D. The development is to strictly adhere to the 'Design Guidelines on fire safety for buildings in Malta' to ensure that all Fire Safety measures and provisions are addressed as indicated in the Design Guidelines on Fire Safety for Buildings in Malta, published by the DCID in 2004, (or other relevant standard, provided it is approved by the Civil Protection Department), Policies, and the Laws and Regulations of Malta.

E. Where the development includes a livestock farm:

(a) The farm **shall not** be connected directly to the sewer network.

(b) Silting traps, sedimentation pits as well as manure clamps shall be installed, as shown on the approved drawings. Settled Waste water shall only be discharged in approved

waste receiving stations.

(c) Any effluents discharged shall have chloride levels lower than 1000 mg/L. The operators shall acquire a Public Sewer Discharge Permit before commencing operations.

F. Where the development includes a swimming pool:

(a) Any effluent, if discharged in the sewers, shall meet the specifications listed in L.N.139 of 2002 as amended by L.N.378 of 2005.

(b) Adequate sampling points should be installed as directed by WSC – Discharge Permit Unit officials.

(c) Chlorine concentration of the effluent should not exceed 100 mg/L Cl₂.

G. Prior to laying of water and wastewater services in the road, the development shall comply with the requirements of Legal Notice 29/10 Part III (Roads in inhabited Areas) Clause 12.

H. In the event of an accidental discovery in the course of approved works, any cultural heritage feature discovered should not be damaged or disturbed and the Superintendence is to be immediately informed of such discovery. Any cultural heritage features discovered are to be investigated, evaluated and protected in line with the Cultural Heritage Act 2002 (CAP 445). The discovery of cultural heritage features may require the amendment of approved plans.

In terms of Article 72(3) of the Development Planning Act, 2016, the execution and validity of this permission is automatically temporarily **suspended** and no works as approved by the said development permission may commence before the lapse of the time period established in Article 13 of the Environment and Planning Review Tribunal Act and subsequently will remain so suspended if the Tribunal so decides in accordance with the Environment and Planning Review Tribunal Act.

Where the approved drawings and/or documents are dimensioned, then the declared dimensions shall prevail over the actual size as depicted on the approved drawings and/or documents.

Developers are advised to check the invert level to the sewer main with the Water Services Corporation as they would have to make their own arrangements where a gravity service connection is not possible. In these cases, the architect has to indicate the solutions envisaged and to indicate on the plan what needs to be carried out and obtain approval from WSC. Developers are further reminded that connection of storm water into main sewers is not allowed.

If the declaration of ownership, as contained in the application form, is determined as incorrect by a Court of Law, then the said Court of Law can declare this development permission as null and void. This development permission does not remove or replace the need to obtain the consent of the land/building owner to this development before it is carried out. Furthermore, it does not imply that consent will necessarily be forthcoming nor does it bind the land/building owner to agree to this development. Where the land/building is owned or administered by the Government of Malta a specific clearance and agreement must be obtained for this development from the Land and/or Estate Management Departments.

This development permission is granted saving third party rights. This permission does not exonerate the applicant from obtaining any other necessary permission, license, clearance or approval required from any Government department, local council, agency or authority, as required by any law or

PA/03805/17

Print Date: 07/11/2018

regulation.

This development permit does not authorise any storage of substances listed in Occupational Health and Safety Authority Act (Cap. 424) - Control of Major Accident Hazards Regulations, 2003, as amended, in quantities that would render this site an establishment within scope of these regulations. The storage and handling of said substances may require a new or amended development permission in line with current policies and regulations.

For any non-residential uses hereby being approved, prior to commencement of any works on site or any eventual permitted change of use, the applicant shall be required to contact the Environment and Resources Authority to obtain any necessary operational permit or registration. This requirement does not apply to Class 2B, 2C, 4A and 4B uses as listed in the Development Planning (Use Classes) Order 2014, or its subsequent amendments.

This decision is being published on 18 April 2018.

Marthese Debono
Secretary Planning Commission (Development Permissions)

Notes to Applicant and Perit

Right for reconsideration

Where applicable, you have a right to submit a request for reconsideration to the Authority in terms of regulation 14 of Legal Notice 162 of 2016.

Right for appeal

You have a right to submit an appeal, against the decision, to the Environment and Planning Review Tribunal in terms of Article 13 of the Environment and Planning Review Tribunal Act, 2016.

Time limits

Requests for reconsideration or appeals must be made within 30 days from the publication of the decision notification in the local press as required by regulation 14(1) of Legal Notice 162 of 2016.

Fees to submit a request for reconsideration or appeal

In either case, there is a fee to be paid which should accompany the request for reconsideration or the appeal. The fees are as follows:

For reconsideration - 3% of the Development Permit Fee paid in respect of the original application, subject to a minimum of €69.88.

For appeal - 5% of DPF (Development Permit Fee) paid in respect of the original application, subject to a minimum of €150 + €50 administrative fee (LN 112 of 2016).

Submission of request for reconsideration or appeal

With regards to requests for reconsideration, Form PA 4/16 must be used for submission. All fields of the Form must be filled in as appropriate. Requests for reconsideration can only be submitted electronically.

With regards to appeals, as required by Article 13 of the Environment and Planning Review Tribunal Act, 2016, the submission must include the detailed grounds for appeal and the requests being made by the appellant. Appeals must be submitted physically at the offices of the Environment and Planning Review Tribunal, St. Francis Ditch, Floriana.

Important Notice

In view of the provisions of Article 72(4) of the Development Planning Act (2016), a Commencement Notice is to be submitted to the Planning Authority, by the perit on behalf of the applicant, at least FIVE DAYS prior to the date of commencement of works or utilisation of the permission. Failure to submit the Commencement Notice (with all fields correctly completed) or failure to submit it within the required timeframe shall invalidate the Notice and shall result in the imposition of fines according to Schedule D of Legal Notice 277 of 2012, or its amendments, or its replacements. In addition, if the applicant fails to submit the Commencement Notice or the Commencement Notice submitted is invalid, the relative permission shall be considered as never having been utilised.

-PADCN-

ANNEX 5
APPEAL DETAILS

o **Type:** Sitting

[Click here for more Committies...](#)

Decision Date:

Decisions:

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Is-Swieqi
LOCAL COUNCIL

Environment and Planning Review Tribunal

PO BOX 172

Marsa

3rd May 2018

Dear Sir/Madam,



PA 3805/17

Construction of Class 3A Guest House and related amenities in lieu of previously approved villa covered by PA 1576/12: Site at Wied Ghomor, San Giljan

THIRD PARTY APPEAL BY SWIEQI LOCAL COUNCIL AGAINST APPROVAL GRANTED BY PLANNING AUTHORITY (decided on 4.4.2018, published 18.4.2018)

The Swieqi Local Council appeals against the Planning Authority's decision to approve the above development for the following reasons:

1. The site in question is located Outside the Development Zone, and therefore any development is limited to that listed in the Rural Policy and Design Guidelines 2014 document.

This document allows for the possibility of a specific list of development typologies in ODZ areas, all clearly related to farming / agricultural uses:

- 2.2 Farm dwellings for livestock farmers and arable farmers;
- 2.3 Livestock farm units;
- 2.4 Slaughter Houses;
- 2.5 Agricultural Stores;
- 2.6 Greenhouses;
- 2.7 Reservoirs;
- 2.8 Conversion of land for agricultural use;

Swieqi Local Council, Triq G. Bessiera, Swieqi SWQ 2261, Malta.

P: +356 2137 3939, +356 2137 0199 - F: +356 2137 4555 - E: swieqi.lc@gov.mt - W: www.swieqi.gov.mt - F: www.facebook.com/swieqilc

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Is-Swieqi
LOCAL COUNCIL

- 2.9 Rubble walls;
- 2.10 Access Paths;
- 2.11 PV panels;
- 3.2 Wineries;
- 3.3 Olive Oil production;
- 3.4 Bee Keeping;
- 4.2 Farm Retail Outlets;
- 4.3 Visitor Attractions within farming enterprises;
- 4.4 Agrotourism;
- 5.1 Animal Sanctuaries;
- 5.2 Stables;
- 6.2 & 6.3 Dwellings

Nowhere in this document is there any reference to Commercial Development, apart from that related to agricultural / farm uses. In the case of dwellings (which form part of a different Use Class to Guest Houses under LN 74/2014), this document does not in any case allow for substantial extensions or re-building of existing buildings.

The proposed Guest House is clearly a Commercial development which cannot be allowed, under PA regulations, Outside the Development Zone.

ODZ areas and in particular valleys are to be protected from Commercial Development if the Government's policy on conservation of these areas is to be respected.

2. Document RPDG 2014 furthermore sets out the Planning Authority's attitude towards development in ODZ areas in the initial section entitled "Scope":

" 0.3 The implementation of the policy will be considered as an enhancement to the rural scene if the buildings are used for what they are permitted. Buildings have to be seen as an improvement to the economic growth of the farming sector, with a particular emphasis on young farmers who should be given all support in establishing their farming enterprise. The use of buildings should be continuous and the creation of derelict buildings within their expected life-time should be discouraged."

The planning philosophy behind the Planning Authority's document, which is clearly aimed at encouraging rural rather than commercial development, is manifestly not respected by PA 3805/17.

Swieqi Local Council, Triq G. Bessiera, Swieqi SWQ 2261, Malta.

P: +356 2137 3939, +356 2137 0199 - F: +356 2137 4555 - E: swieqi.lc@gov.mt - W: www.swieqi.gov.mt - F: www.facebook.com/swieqilc

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LOCAL COUNCIL

3. Planning Permission PA 1576/12, which is quoted in the Description of the Development proposed in PA 3805/17, which was granted on this site for the construction of a two storey house, was originally refused by the Planning Commission and was eventually granted following Appeal PAB 155/13.

The Appeals Tribunal decided that permission for a dwelling may be granted but that its bulk should be restrained in order to respect the topography of the valley. The Tribunal was of the opinion that

- a. The proposed semi-basement level should be eliminated;
- b. The height of the building should not exceed 2 floors above street level;
- c. The garden should be stepped in order to respect the existing site levels.

These points, set by the Appeals Board in their decision dated 4.11.2014, that is after the approval of the RPDG 2014 document in September 2014, are still valid and are to be respected in any later decision on development on the site in question.

It is to be noted that, in the approved PA 3805/17:

- a. There is no semi-basement, however there are 2 full basements (which will entail excavation into the ODZ valley bank for which approval was not sought in the planning application, and which would therefore be illegal);
- b. The height of the building on the street side is 3 floors, with the roof parapet wall bringing the building height to circa 1 metre above that of the adjacent building;
- c. The building line on the valley side is perfectly vertical and there is no stepping as required by the Appeals decision.

It is our contention that the Planning Authority was wrong in approving an application whose attributes are contrary to those dictated by the Appeals Board.

In addition, the excavation of 2 full basement levels (plus a reservoir) below street level, and therefore within the ODZ valley, which as said above was approved but not applied for, goes against the Rural Policy and Design Guidelines 2014 document which does not allow, under any circumstances, the construction of more than one basement level; the possibility of one basement is only mentioned in Policy 6.2C (Rehabilitation and change of use of existing buildings) and in Policy 6.3 (Extensions to existing dwellings). Therefore the Planning Authority's approval of a second basement goes against the provisions of its own Policy, and excavation within an ODZ valley is not permissible under this same Policy.



Is-Swieqi
LOCAL COUNCIL

4. The Planning Authority's approval of a five storey elevation on the valley side of the site is inappropriate to the location Outside the Development Zone. This mass of building will dominate the rural character of the valley, and goes against SPED Rural Objective 4: "To protect and enhance the quality of the landscape and the traditional components of the rural landscape by ... (c) ... the control of location and design of development within the landscape". In the case in point, there is absolutely no empathy between the proposed 5 storey block and the rural environment within which it is located, and which must be protected at all costs.

For the above reasons, and others which we reserve the right to put forward during the EPRT proceedings, the Swieqi Local Council respectfully requests that this Appeal be granted and that the Planning Authority decision to grant PB 3805/17 be overturned.

A handwritten signature in black ink, appearing to be 'Noel Muscat'.

Noel Muscat

Mayor

PA's Report to the Environment and Planning Review Tribunal

Application No. PA/03805/17
Appeals Board Ref: 00167/18

1. Application Details:

Application Type: Full development permission
Appeal Type: Third Party appeal against approval
Appellant: Swieqi Local Council
Applicant: Mr. John Bonavia
Architect: Bezzina, Perit Konrad
Drawing Numbers: PA 3805/17/1A/56J/56K/56L/57A/73A/73B/73C/73D/73E/73F

and supporting documents:

PA 3805/17/40A - Environment and Health Directorate
PA 3805/17/51A - Superintendence of Cultural Heritage
PA 3805/17/73G - Engineer's Report
PA 3805/17/67A - Commission for the Rights of Persons with Disability

Proposal: Amended development application . Construction of Class 3A guest house and related amenities in lieu of previously approved villa covered by PA 01576/12
Location: Site at, Triq Wied Ghomor, San Giljan, Malta

2. Decision Being Appealed:

Decision Type: Grant Permission
Decided By: Planning Commission (Development Permissions)
Decision Date: 4 April 2018

3. Representations:

Objection letters at documents 38A, 39A, 42A, 43A, 44A, 45A, 46A, 47A, 50A and 52A state that this application is for a building which is 4 stories high when viewed from the street and 5 stories high when viewed from the valley and from across the valley and in an area where 2 story buildings only are permissible. This goes totally against the Appeals Tribunal recommendation, and guesthouses in ODZ is nowhere covered by Part 6 of the Rural Policy and Design Guidelines 2014 document which only allows dwellings and which does not allow for substantial extensions. I urge you to keep these observations that go against the Rural Policy, in mind when assessing this application. St Julians and the valley of Wied Ghomor do not deserve any more urban sprawl within this ODZ ecologically sensitive area.

Directorate's Comments on Representations

The proposed development is assessed in terms of the policies governing the construction of guesthouses. The application is being recommended for approval on policy grounds.

1

4. Officer's Report:

4.1 The Proposal

The full development application sought permission to amend the previously approved drawings in PA1576/12 by changing the internal layout of the approved dwelling unit so that the building is used as a guesthouse – see drawings 56J, 56K, 56L, 57A and 73A to 73F.

4.2 Site Description

The site is located outside the limits to development of St. Julian's and lies on the valley side of Wied Ghomor – see site plan 1A. The site consists of a building in ruins and abuts a garage and a two-storey building – see photos 1L.

4.3 Appellant's Arguments

An appeal to the decision by the Planning Commission was lodged by a third party through document 197b in Application No. listed above according to Article 11 of Act 5 of 2016. The arguments as brought forward by the appellant as required by Article 15 of Act 5 of 2016 are briefly listed below.

Appellant stated:

- 1 The site in question is located Outside the Development Zone, and therefore any development is limited to that listed in the Rural Policy and Design Guidelines 2014 document. The proposed Guest House is clearly a Commercial development which cannot be allowed, under PA regulations, Outside the Development Zone.
- 2 The planning philosophy behind the Planning Authority's document (RPDG 2014), which is clearly aimed at encouraging rural rather than commercial development, is manifestly not respected by PA 3805/17.
- 3 Planning Permission PA 1576/12, which is quoted in the Description of the Development proposed in PA 3805/17, which was granted on this site for the construction of a two storey house, was originally refused by the Planning Commission and was eventually granted following Appeal PAB 155/13. The Appellant explained the divergences from the approved permit
- 4 The Planning Authority's approval of a five storey elevation on the valley side of the site is inappropriate to the location Outside the Development Zone.

4.4 Comments On Appellant's Arguments

In this request for appeal, appellant is stating that this request for development is not justified in view that the proposed development does not satisfy all the requisites of the relevant policies. However, after noting all of appellant's arguments as presented in this request for appeal the Authority

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disagrees with these justifications and states that the development as proposed complies with the relevant policies. The Authority has examined all of the appellant's arguments and would highlight the following issues:

With regards to the first, second and third comments by the appellant which discuss the applicability of the RPDG 2014 in terms of location and use, the Planning Authority would like to point out to the extract from the Development Permit Application Report:

The proposal is for the change of use from an approved Class 1 residential unit to a Class 3A guesthouse. As per North Harbours Local Plan, the site is located Outside the Development Zone, thus the Rural Policy and Design Guidance (2014) applies. This policy document has a number of policies which refer to buildings ODZ, in particular Policy 6.2C: Redevelopment and Change of Use of Existing Buildings ODZ which refers to redevelopment and change of use of existing buildings ODZ. Criterion (d) of the policy states that the replacement building shall be limited to any other use that would result in a wider environmental benefit, provided the site is already serviced by a road network that would adequately cater for the proposed new use. A similar application to the current application was approved in PA3248/15 in Xlendi valley which has more scheduling than Wied Ghomor. Moreover, the direction given by the Directorate – see minute 78 – states that in view of the previous permission on site the proposal is acceptable in principle subject that the lack of parking provision is addressed.

With regards to the building envelope the Planning Authority reiterates the reasoning discussed in the Development Permit Application Report where the following was stated:

The proposed development respects the approved height in permission PA1576/12. Drawings No increase in height is being proposed. Although three floors are proposed the design of the elevation reads as two floors – see drawing 73F. In terms of Policy NHTO01, the height of the proposed development can extend one floor above the adjacent building of two floors. Thus the proposed services at the roof level comply with P52 of DC2015, in terms of area, height and setbacks

4.5 Conclusion

Conclusively, the Authority states that whilst taking note of appellant's submitted arguments in this request for appeal, the Authority notes that there are no sound planning justifications that justify a dismissal of the development planning application. Hence, reference is made to the reports as presented by the Directorate and to the Planning Commission's decision which accepted this request for development since the Commission had based the decision on the valid relevant policies applicable to this area. Reference is also made to the detailed reports as included in the file and to the submissions (verbal and written) which will be presented during the appeals sittings. The Planning Authority therefore reiterates that it acknowledges and confirms that the approval of the development was justified on planning considerations which took into consideration all the relevant facts, planning policies, legislation and submissions. The Authority reserves the right to forward further submissions during the appeals process as necessary.

5. Request

For the above-mentioned reasons, the Planning Authority respectfully requests that the Environment & Planning Review Tribunal to confirm the issued permit and to refuse this third party appeal.

This report to the Environment and Planning Review Tribunal has been prepared by:

Case Officer: Ian Galea

Checked by: Peter Cefai

Signature:

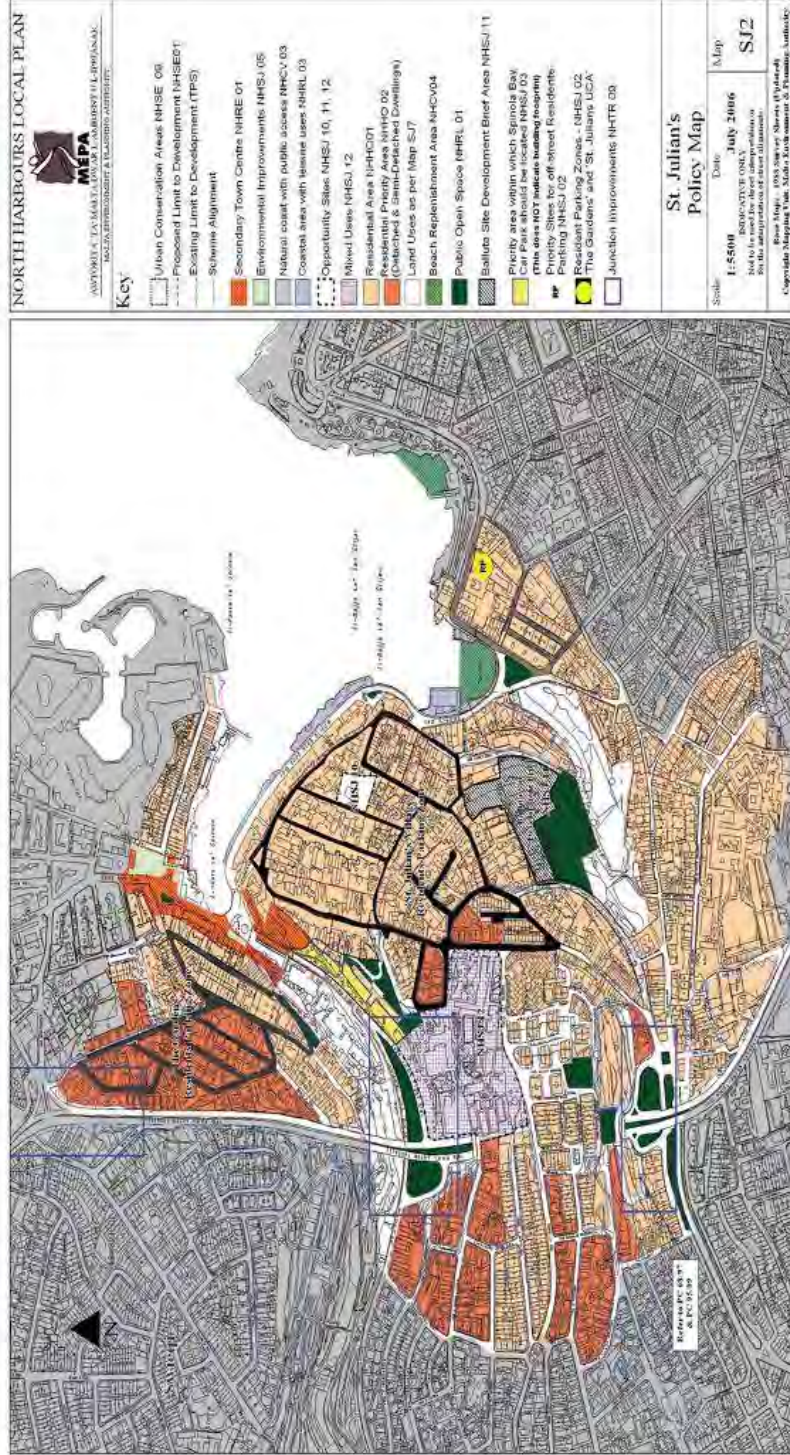
Signature:

Date:

Date:

-APLRepEndorsed-

ANNEX 6
EXTRACTS FROM LOCAL PLANS



North Harbours Local Plan

Approved Document

July 2006

development, especially high buildings. Views of important valleys will also be protected. Key identified view corridors are:

- i. Valletta/Marsamxett Harbour to Msida Church and towards Mdina.
- ii. University Site to Tigné Point, Marsamxett Harbour and Valletta.
- iii. Fort Madliena to Madliena Tower, White Rocks Tower and Sir Adrian Dingli School.
- iv. Wied Ghomor/St. George's Bay/Spinola Bay from Tal-Balak.

Where deemed necessary by MEPA, applicants shall be required to provide photo-montages in order to prove that the new development will not significantly disrupt the identified building planes and skylines.

2.4.16 Within the identified Strategic View Corridors MEPA shall safeguard the settings of key landscapes, landmark buildings, Urban Conservation Areas and the Valletta World Heritage Site. The purpose of identifying these corridors is to recognise that certain key buildings can be seen from many locations. Their setting should be protected to maintain visual orientation and prevent homogeneous townscapes and skylines. Further policy guidance on safeguarding views as they affect Urban Conservation Areas is given in MEPA's Policy and Design Guidance: Development Control in Urban Conservation Areas (1995), para. 29.

NHSE08

Strategic and Local Views

MEPA will refuse development permission for any proposed development that is likely to have a detrimental effect on strategic views (as indicated in Map SE2) and local views of valley sides (as indicated in Map CV5), scheduled buildings or landmark buildings as viewed in their setting and/or against the skyline.

Landmark buildings for Gzira/Ta' Xbiex, Msida/Pieta', Pembroke, Paceville and Sliema/St. Julian's are indicated on the relevant Building Heights and Urban Design Maps.

2.4.17 MEPA will seek to ensure that any building proposal is compatible with the character of strategic and local views in terms of setting, scale and massing. Whether inside or outside UCAs, proposed development will not generally be acceptable if it impinges on locally important views or skylines, or if it would appear too close or too high in relation to a scheduled building or other landmark building/feature, or behind it so that its silhouette is marred.

2.4.18 A key urban design objective of the Local Plan is to improve visual orientation throughout the plan area. In this respect, landmark buildings are identified within the above-mentioned localities where it is required that the height and design of buildings in the vicinity respects the visual importance of these landmarks.

NHSE09

Urban Conservation Areas

MEPA designates new Urban Conservation Area boundaries for Ta' Xbiex, Msida, Pieta', Sliema and St. Julian's. Their boundaries are shown within the relevant Area Policy Maps. Within all designated Urban Conservation Areas, MEPA will promote the rehabilitation of traditional buildings and will seek to secure the conservation or enhancement of the character and appearance of the UCA.

MEPA is also categorizing the above-mentioned UCAs according to a street hierarchy system that takes into account the overall quality of the architecture, streetscapes and open spaces within the various sub-areas. The extent of the various categories is indicated on the relevant UCA Street Classification Maps. The hierarchy shall be as follows:

Category A: There shall be a strong presumption against any changes to the facades of (including changes in apertures) the built fabric and ancillary open spaces, street alignment and the addition of accretions in these areas. Structural interventions should be limited to the replacement of deteriorated components (which shall be carried out in materials and structures identical to the original) and the removal of incompatible accretions from the facades. No additional floors or significant structures will be allowed over the existing Category A properties.

Category B plus (B+): There shall be a presumption against any changes to the facades of the built fabric, street alignment and the addition of accretions in these areas. Structural interventions shall be limited to repair, upkeep and minor compatible interventions unless these are envisaged to restore the original façade. Additional floors over the existing Category B plus properties may be considered by MEPA provided that the design of the additional floors is of exceptionally high standard, that they do not detract from the architectural homogeneity of the existing vernacular building, and that such extension reflects the scale, floor heights, proportions, fenestration, architectural characteristics, materials, colours, textures and detailing of the existing building. In certain circumstances, sensitive signage, decorative and illumination fixtures may be considered, provided that these are deemed by MEPA to be compatible with the overall street context.

Category B: Minor alterations to the facades (e.g. changes to apertures), over and above those allowable in Grade B+ may be allowed, provided that traditional proportions, fenestration, architectural characteristics, materials, colours, detailing and textures are used. Complete replacement of facades is not allowed. Additional floors over the existing Category B properties may be considered by MEPA provided that the design of the additional floors does not detract from the architectural homogeneity of the existing vernacular building, and that such extension reflects the scale, floor heights, proportions, fenestration, architectural characteristics, materials, colours, textures and detailing of the existing building.

Category C: Significant alterations or even demolition of the façades, and/or the construction of additional floors may be allowed provided that the replacement building respects the surrounding context in terms of scale, floor heights, proportions, fenestration, materials, colours, and textures.

In all cases, if a building or feature is listed under the provisions of Structure Plan Policy UCO 7 and this listing has more onerous restrictions than those of the above-mentioned Street Categorization, then the more restrictive provisions shall prevail.

In all cases should a building or group of buildings which are incongruous* in character with the rest of the Categorization of a streetscape be proposed for total re-development, the replacement of such buildings which emulates the character indicated by the rest of the streetscapes shall be sought by MEPA. Massing, design, overall height, alignment of the façade as well as choice of materials, colours and detailing shall play a determinant role on whether the request for development permission for such replacement buildings is acceded to or otherwise.

In the case of vacant sites within a designated UCA and which is as yet un-built and not otherwise protected, or designated for another use, a new building may be allowed. The design of the façade, scale, massing, floor to ceiling height, the number of floors and the finishes used in the new building should reflect the predominant streetscape character.

**incongruous refers to a building or group of buildings whose architecture and/or design elements clearly stand out as not belonging to the same era (e.g. new buildings built after the 1960's) and/or being clearly so ill-designed that a well designed compatible replacement building would constitute a rehabilitation of the streetscape. Vernacular and/or traditional buildings shall not be considered to constitute incongruous buildings.*

2.4.19 MEPA in accordance with the Development Planning Act (1992) and as amended will identify historic urban areas worthy of retention and seek their designation and protection as Urban Conservation Areas in line with Structure Plan Policies UCO6 - UCO15. Structure Plan Policy

UCO2 requires local plans to specify the precise boundaries of Urban Conservation Areas, and to this affect the local plan has revised the boundaries of UCAs at Ta' Xbiex, Msida, Pieta', Sliema and St. Julian's.

- 2.4.20 Justification for the designation of the three UCAs in Ta' Xbiex, Pieta' and Msida is summarised in Appendix 4. MEPA's Design Guidance: Development Control in Urban Conservation Areas (1995) together with the street hierarchy system specified in this policy and the Building Heights and Urban Design Maps drawn in accordance with the mentioned Design Guidance are indicated to those proposing to undertake work on buildings within Urban Conservation Areas. This guidance and classification gives further information and advice on the features considered by MEPA to be important, and which the Authority will take into account in considering development applications.
- 2.4.21 The street hierarchy system prioritises streets where it is important to retain the traditional characteristics in terms of style, scale, height, detailing or views. In streets where there has been some encroachment by unsympathetic building forms, there is scope to allow limited demolition and redevelopment where, in the case of redevelopment, the proposal would positively contribute to the character and appearance of the UCA. This policy therefore aims to ensure that redevelopment in the UCAs respects the basic character of the street and is directed away from streets of outstanding historic character.
- 2.4.22 The use of alternative materials, colours and textures may be considered by MEPA in streets that are classified as Category C. However detailed guidance on this particular issue shall be fully explained in a subsidiary document that is to be approved by the Authority. This subsidiary document shall also include recommended samples of apertures, louvers, acceptable materials etc.

NHSE10

New Uses for Historic Buildings

MEPA will adopt a flexible approach in considering appropriate new uses (like the provision of schools) for scheduled historic buildings with a strong emphasis on putting such buildings to good use rather than just preserving them. Normal planning requirements relating to floor areas, use, parking standards or contribution to CPPS funds may be relaxed at the discretion of MEPA in order to achieve this aim. Proposals must, however, retain the original structure and architectural characteristics of the building or group of buildings, incorporate uses that do not have an adverse impact on the building's fabric or character, and must incorporate uses that are neighbour compatible.

In negotiations for rehabilitation or extensions to scheduled historic buildings, the replacement of existing non-traditional features with traditional alternatives will be sought. Additions and alterations to scheduled buildings will be required to be in scale and sympathy with the original character of the building. No development will be allowed that would detract from the setting of the building, or that would be contrary to other relevant policy guidance. MEPA will require the developer to submit a satisfactory justification of the need for any proposed addition/alteration.

- 2.4.23 The best use for a scheduled building is that for which it was intended. In most cases this use can satisfactorily be continued, but some buildings were purpose designed for uses that are no longer required, and if left empty neglect becomes a considerable danger. In these circumstances, changes of use of a building may be suitable, if it will help to achieve the long-term preservation of the building and does not result in considerable alteration or loss to its character.
- 2.4.24 This Policy prioritises the effective but sensitive re-use of scheduled buildings. By adopting a flexible approach to applying planning constraints that would normally apply to new-build schemes, MEPA will seek to ensure that the re-use of scheduled buildings is viable to developers. Policy NHPE08 puts particular emphasis on the re-use of key scheduled buildings in Pembroke. These buildings collectively contribute to the special character of Pembroke and hence merit a separate policy.

RURAL POLICY AND DESIGN GUIDANCE, 2014



Rural Policy and Design Guidance.

POLICY 6.2C: REDEVELOPMENT AND CHANGE OF USE OF EXISTING BUILDINGS ODZ

Permission may be granted for the total redevelopment of an existing building, or the consolidation of buildings, located outside development zone, provided that all of the following criteria are satisfied:

- (1) the applicant can sufficiently prove that the building/s is covered by development permission (other than those specifically permitted for agricultural use after the coming into force of this policy document), or that it is/are/was a pre-1978 building/s;
- (2) the building/s does not merit inclusion in the list of scheduled property and/or is not of historical, architectural, vernacular or other significance;
- (3) the replacement building does not exceed the total floor area of the previous building/s;
- (4) the replacement building is of a high quality rural design and shall fully respect the wider context in which it is located;
- (5) the replacement building shall be limited to:
 - a) a use already legally established and/or covered by a development permission; or
 - b) new uses permitted by this policy document subject to the respective criteria. Except for dwellings referred to in Policy 2.2B, this policy excludes dwellings which dwellings can only be permitted in terms of policies 6.2A and 6.2B;
 - c) disused livestock farms which have ceased operation for at least 10 years (prior to the coming into force of this policy document) and which are creating a negative environmental impact on the site and its surroundings. These may be redeveloped into 1 single dwelling unit which is not to exceed 200m² floor space;
 - d) any other use that would result in a wider environmental benefit, provided the site is already serviced by a road network that would adequately cater for the proposed new use;
- (6) the use of the building shall be subject to prior consultation with the Departments/Authorities responsible for regulating such use; and
- (7) any existing trees and shrubs within and around the site shall be fully cared for and retained, and if no such vegetation exists, soft landscaping around the redeveloped building shall contain a number of trees and shrubs of at least three different indigenous species, planted in clusters.

A full basement may be permitted and is limited to the footprint of the existing building (the basement will not count as part of the total floor area).

Where no legally-established peripheral boundary walls exist around the building to be redeveloped, the Authority may allow the construction of walls built in random-sized irregularly shaped rough dressed stones (recycled from demolition) using the same traditional construction methodology of rubble walling to define the curtilage of the building, provided this does not lead to visual or environmental impacts (including the demolition of existing rubble walls).

6.3 EXTENSIONS TO EXISTING DWELLINGS ODZ

POLICY 6.3: EXTENSIONS TO EXISTING DWELLINGS ODZ

Permission may be granted for a limited extension to an existing dwelling outside development zone, provided that all of the following criteria are satisfied:

- (1) the building is not of architectural, historical, vernacular or other significance, and/or is not scheduled, in which case it shall be assessed on the basis of Policy 6.2A and 6.2B;
- (2) the proposed extension is of a compatible design and must respect the rural context. Scheduled locations (Class A or Class B Area/Site of Archaeological Importance, and/or Level 1 or 2 Area of Ecological Importance/Site of Scientific Importance) are in principle considered inappropriate locations, unless it can be duly demonstrated through the necessary assessment, that the development does not compromise the site scheduling characteristics;
- (3) the applicant can sufficiently prove that:
 - a) the property in question has been used as a residence prior to 1992 or
 - b) the dwelling is covered by a development permission, or dates back to pre-1978;
- (4) the dwelling can be extended up to a maximum floor space of 200m²; and
- (5) the scale, massing and design of the extension shall:
 - a) not visually dominate the existing dwelling; and
 - b) be acceptable in the wider landscape setting of the site;
- (6) extensions to existing dwellings ODZ made prior to October 1994 may be regularised, provided that all the conditions of paragraph (5) are respected.

A basement completely below ground level may be permitted provided it does not extend beyond the footprint of the building and is accessible internally.

6.3.1 Policies 6.2 and 6.3 are superseding the 1995 Policy Paper on Developments Outside Built-up Areas (PLP20).

ANNEX 7
UNDERLYING ASSUMPTIONS & PERFORMANCE INDICATORS

Underlying assumptions and KPIs

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Revenue assumptions – St. Julian's

Assumption		Source
Inflation	2% per annum	ECB long-term rate
Occupancy build-up	70% as from stabilised year	As provided by the client and slightly lower than market data (MHRA 4 star: 82.6%). It is assumed the boutique hotel shall reach the stabilized year in its third year of operations
ADR	€134	As provided by the client (which translates into an RevPAR of €94) as from FY2020 and in line with current market data (average St. Julian's of €116-€136 depending on the room type).
Management fee	9%	Fee in line with agreement with Casa Rooms
Housekeeping cost POR	€5	Fee in line with agreement with Casa Rooms
Laundry cost POR	€4.20	Fee in line with agreement with Casa Rooms
Room amenities POR	€2.50	Fee in line with agreement with Casa Rooms
Utilities POR	€4.50	Fee in line with agreement with Casa Rooms

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Revenue assumptions – Gzira

Assumption		Source
Inflation	2% per annum	ECB long-term rate
Occupancy build-up	72.5% as from stabilised year	As provided by the client and slightly lower than market data (MHRA 4 star: 82.5%). It is assumed the boutique hotel shall reach the stabilized year in its third year of operations
ADR	€77	As provided by the client (which translates into an RevPAR of €56) as from FY2019 and in line with current market data (avg Gzira of €81).
Management fee	9%	Fee in line with agreement with Casa Rooms
Housekeeping salary POR	€3	Fee in line with agreement with Casa Rooms
Laundry costs POR	€2.50	Fee in line with agreement with Casa Rooms
Room amenities POR	€1	Fee in line with agreement with Casa Rooms
Utilities POR	€4.50	Fee in line with St. Julian's


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Key performance indicators

KPIs	St. Julian's Year 3 of operation	Gzira Year 3 of operation (incl extension)
ADR	€134	€83
REVPAR	€94	€60
Occupancy	70%	73%
GOP margin	33%	39%
GOPAR	€11,445	€8,450

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ANNEX D: CONSOLIDATED PROSPECTIVE FINANCIAL INFORMATION AND ACCOUNTANTS' REPORT

Summary of significant assumptions and accounting policies

1. Introduction

The consolidated projected statement of financial position, the consolidated projected income statement and the consolidated projected statement of cash flows of FES Finance p.l.c. and FES Projects Ltd (together “FES Group”) for the four years from 1 January 2019 to 31 December 2022 (“the consolidated prospective financial information”) have been prepared to provide financial information for the purpose of inclusion in the Company Admission Document of FES Finance p.l.c. dated 6 March 2019. The consolidated prospective financial information, set out on in Annex D and the assumptions below are the sole responsibility of the Directors of the Issuer.

The consolidated prospective financial information has been prepared on the basis of a bond issue of €5,000,000 at a nominal value of €100 per bond offered by FES Finance p.l.c.

The consolidated prospective financial information for the four years ending 31 December 2022 has been based on the projections of the FES Group covering the period 1 January 2019 to 31 December 2022.

The consolidated prospective financial information is intended to show a possible outcome based on a mixture of best-estimate assumptions as to future events which the Directors expect to take place and actions the directors of the Guarantor expect to take and hypothetical assumptions about future events and management actions which might not necessarily occur. Events and circumstances frequently do not occur as expected and therefore actual results may differ materially from those included in the consolidated prospective financial information. Attention is drawn, in particular, to the risk factors set out in the Company Admission Document which describe the primary risks associated with the business and operations to which the consolidated prospective financial information relates.

The consolidated projected financial information is not intended to and does not, provide all the information and disclosures necessary to give a true and fair view of the financial results, financial position and cash flows of the FES Group in accordance with International Financial Reporting Standards as adopted by the EU.

The Directors have exercised due care and diligence in adopting the assumptions below. The consolidated prospective financial information was formally approved on 6 March 2019 by the Directors and the stated assumptions reflect the judgements made by the Directors as at that date. The assumptions that the Directors believe are significant to the consolidated prospective financial information are set out in section 2 of this Annex D.

2. Basis of preparation and principal assumptions

The principal assumptions relating to the environment in which the FES Group operates, and the factors which are exclusively outside the influence of the Directors and which underlie the consolidated prospective financial information are the following:

- there will be no material adverse events originating from market and economic conditions;
- the FES Group will enjoy the confidence of its suppliers;
- interest rates will not change materially throughout the period covered by the projections;

- the basis and rates of taxation will not change materially throughout the period covered by the projections; and
- the rate of inflation will not exceed that experienced in the last few years.

The principal assumptions relating to the environment in which the FES Group operates and the factors which the Directors can influence and which underlie the prospective consolidated financial information, are the following:

2.1 Revenues

The FES Group's projected revenue for the four years ending 31 December 2022 is based on the preliminary agreements entered into and market rates/market data.

The projections assume that the Gzira boutique hotel shall operate as a 36 room boutique hotel as from 1 July 2019 following conversion works which are expected to take place soonest after the issuing of the relevant permits. Further development works are expected to take place in Winter 2019/2020, and as from 1 April 2020, the Gzira boutique hotel shall have a room stock of 56 rooms. The projections assume that the boutique hotel will have an occupancy level of 72.5% as from FY2021 and generate revenue of €60 per available room, at 2% per annum thereafter.

The projections assume that the site in St. Julian's shall be developed into a 23 room boutique hotel by 1 July 2020. The projections assume a gradual increase in occupancy, stabilising at 70% as from FY2020, and a average daily rate of €94/room, at 2% per annum thereafter.

2.2 Direct costs

Direct costs are expected to stabilise at c. €0.7 million per annum as from FY2022 and shall consist of direct wages and other costs directly related to the hotel operations, including consumables, laundry and commissions. As a result, the FES Group is expected to generate a gross profit margin of c. 65%.

2.3 Administrative expenses

Administrative expenses shall primarily comprise the Manager and Operator fee, marketing costs, professional fees, insurance costs and ongoing bond issue costs. Such costs are expected to stabilise to c. €500k per annum from FY2021. Amortisation and depreciation costs shall stabilise at c. €200k per annum and shall include the amortisation of bond issue costs and right of use asset, as well as depreciation on the boutique hotels. Depreciation and amortisation costs are calculated using the straight-line method to allocate the development costs and right of use asset respectively on the St. Julian's property, over the emphyteutical term, except for furniture which is based on a 10-year useful life. The buildings and furniture cost on the Gzira property are depreciated using the straight-line method, based on an estimated useful life of 50 years and 10 years respectively.

2.4 Finance costs

Finance costs relate to interest on the Bond which is expected to be issued in FY2019, which has been assumed at 5% per annum, and the unwinding of interest on the finance lease liability, given that the emphyteutical lease entered into on St. Julian's boutique hotel has been accounted for under IFRS 16 *Leases*. The interest on the Bond is assumed to commence on 1 April 2019, with the final payment being made on 31 December 2028. The projections assume that contributions to a sinking fund will be made as from FY2024, in order to facilitate the redemption of the bond. Interest receivable on amounts held in the sinking fund is assumed at 1.5% p.a., net of final withholding tax.

2.5 Taxation

Current taxation is provided at 35% of chargeable income for the period.

2.6 Capital and Reserves

The FES Group's capital and reserves are expected to increase over the projection period as a result of retention of profits as well as a revaluation of the St. Julian's boutique hotel based on the valuation report set out in Annex C, net of a 35% deferred tax and the accounting of negative goodwill arising on the acquisition of the Gzira boutique hotel, together with the revaluation of the Gzira property in line with the valuation report set out in Annex B. No dividends have been assumed in the consolidated prospective financial information. The FES Group does not intend to distribute dividends to the ultimate beneficial owners in the first three years following the Bond Issue.

2.7 Working capital

The FES Group's working capital mainly comprises the net impact of inventory, trade and other receivables and trade and other payables. Settlement of trade receivable and trade payable balances has been assumed to be effected within 30 days.

3. Conclusion

The Directors believe that the assumptions on which the prospective financial information is based are reasonable.

Approved by the Directors on 6 March and signed on its behalf by:



Mr Christopher Vella
Director



Dr Reuben Debono
Director



Mr Paul Bugeja
Director



Dr Edward Woods
Director

Consolidated income statement

€000	FY2019	FY2020	FY2021	FY2022
Revenue	499	1,350	1,814	2,035
Cost of sales	(190)	(483)	(642)	(710)
Gross profit	309	867	1,172	1,325
Administrative expenses	(673)	(587)	(690)	(742)
Operating profit	(364)	280	482	583
Net finance costs	(263)	(330)	(331)	(332)
Profit before tax	(627)	(50)	151	251
Tax expense	64	4	(82)	(117)
Profit after tax	(563)	(46)	69	134

FES Group forecasts for the years ending 31 December 2019, 2020, 2021 and 2022

Consolidated statement of financial position

€000	FY2019	FY2020	FY2021	FY2022
ASSETS				
Non-current assets				
Property, plant and equipment	7,997	8,649	8,523	8,398
Intangible assets	94	84	74	64
Deferred tax asset	83	111	54	-
Total non-current assets	8,174	8,844	8,651	8,462
Current assets				
Inventories	6	19	26	30
Trade and other receivables	39	111	152	172
Cash and cash equivalents	602	52	282	586
Total current assets	647	182	460	788
Total assets	8,821	9,026	9,111	9,250
EQUITY AND LIABILITIES				
Equity				
Share capital	401	601	601	601
Revaluation	2,085	2,077	2,070	2,063
Retained earnings	(563)	(609)	(540)	(406)
Total equity	1,923	2,069	2,131	2,258
Non-current liabilities				
Borrowings	5,000	5,000	5,000	5,000
Finance lease liability	1,537	1,542	1,549	1,556
Deferred tax liability	291	288	284	280
Total non-current liabilities	6,828	6,830	6,833	6,836
Current liabilities				
Trade and other payables	20	53	73	82
Borrowings	-	-	-	-
Finance lease liability	50	74	74	74
Total current liabilities	70	127	147	156
Total liabilities	6,898	6,957	6,980	6,992
Total equity and liabilities	8,821	9,026	9,111	9,250
Gearing (net debt/net debt + equity) including finance lease liability	75.7%	76.0%	74.8%	72.8%
Gearing (net debt/net debt + equity) excluding finance lease liability	69.6%	70.5%	68.9%	66.2%

FES Group forecasts for the years ending 31 December 2019, 2020, 2021 and 2022

Consolidated statement of cash flows

€000	FY2019	FY2020	FY2021	FY2022
Cash flows from operating activities				
Operating profit	(364)	280	482	583
Add back depreciation and amortisation	140	187	194	202
Payment of ground rent	-	(50)	(74)	(74)
Working capital adjustments				
Changes in inventory	(6)	(13)	(8)	(3)
Changes in receivables	(39)	(73)	(41)	(19)
Changes in payables	20	34	19	10
Operating cash flow	(249)	365	572	699
Interest paid	(188)	(250)	(250)	(250)
Tax paid	(19)	(25)	(25)	(65)
Net cash (used in)/ generated from operating activities	(456)	90	297	384
Cash flow from investing activities				
Payments for property, plant and equipment	(4,141)	(840)	(69)	(78)
Net cash used in investing activities	(4,141)	(840)	(69)	(78)
Cash flow from financing activities				
Proceeds from issue of shares	300	200	-	-
Proceeds from bond issue	5,000	-	-	-
Bond issue costs	(102)	-	-	-
Net cash generated from financing activities	5,198	200	-	-
Movement in cash and cash equivalents	601	(550)	228	306
Cash and cash equivalents at the beginning of the year	1	602	52	280
Cash and cash equivalents at end of year	602	52	280	586

FES Group forecasts for the years ending 31 December 2019, 2020, 2021 and 2022



Grant Thornton

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The Directors
FES Finance p.l.c.,
19-23,
Conservatory Street,
Floriana,
Malta

Grant Thornton
Level 2, Fort Business Centre
Mriehel Bypass
Birkirkara BKR3000
T +356 20931000
www.granthornton.com.mt

6 March 2019

Dear Sirs

Independent Accountants' Report on the consolidated projected financial information of FES Projects Limited in its capacity as the Guarantor and FES Finance p.l.c. in its capacity as the Issuer.

We report on the consolidated projected financial position, income statement and statement of cash flows ("the consolidated projected financial information") of FES Projects Limited, which include the projected financial information of FES Projects Limited and its subsidiaries (together referred to as the "FES Group") for the four year period from 1 January 2019 to 31 December 2022. The consolidated projected financial information, the basis of preparation and the material assumptions upon which the projections are based, are set out in Annex D in sections 1 to 4 of the Company Admission Document issued by FES Finance p.l.c. dated 6 March 2019.

This report is required in terms of Appendix 4.6 of the Prospects Rules issued by the Malta Stock Exchange and is given for the purpose of complying with that regulation and for no other purpose.

Directors' responsibilities for the consolidated projected financial information

It is the responsibility of the Directors of FES Finance p.l.c. to prepare the consolidated projected financial information and the assumptions upon which it is based, as set out in sections 1 to 4 of Annex D, in accordance with the requirements of Prospects Rules issued by the Malta Stock Exchange.

Accountants' responsibility

It is our responsibility to form an opinion as required by Appendix 4.6 as issued by the Prospects Rules as to the proper compilation of the consolidated projected financial information, in so far as the application of the underlying accounting policies and accuracy of calculations are concerned, and to report that opinion to you.

Chartered Public Accountants
Member firm of Grant Thornton International Ltd.
A list of partners and directors of the firm is available at Fort Business Centre, Level 2, Mriehel Bypass, Mriehel BKR 3000, Malta.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with the Prospects Rules, consenting to its inclusion in the Company Admission Document.

Basis of preparation of the consolidated projected financial information

The financial information has been prepared on the basis stated in Annex D of the Company Admission Document and is based on a projection covering the four year period ending 31 December 2022. The consolidated projected financial information is required to be presented on a basis consistent with the accounting policies adopted by the FES Group.

Basis of Opinion

We have examined the basis of compilation and the accounting policies of the accompanying consolidated projected financial information of the FES Group for the four year period ending 31 December 2022 in accordance with ISAE 3400 – “The Examination of Prospective Financial Information”.

Our work included an evaluation of the basis on which the consolidated projected financial information included in the projection has been prepared. Moreover, we have assessed whether the consolidated projected financial information has been prepared and considering whether the consolidated projected financial information has been accurately computed in accordance with the disclosed assumptions and accounting policies of FES Group.

The assumptions upon which the consolidated projected financial information is based are solely the responsibility of the Directors of FES Finance p.l.c. and accordingly we express no opinion on the validity of the assumptions.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the consolidated projected financial information has been properly compiled on the basis stated, in so far as the application of the underlying accounting policies and accuracy of calculations are concerned.

The consolidated projected financial information is not intended to, and does not, provide all the information and disclosures necessary to give a true and fair view of the results of the operations and the financial position of the Group in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs).

Since the consolidated projected financial information and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the consolidated projected financial information and differences may be material. Also, we have not, in the course of the engagement, performed an audit or a review of the actual financial information for the four-year period ending 31 December 2022 which was used in compiling the consolidated projected financial information.

Opinion

In our opinion, the consolidated projected financial information has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies normally adopted by the FES Group.

Yours faithfully,



George Vella
Partner

ANNEX E: LIST OF DIRECTORSHIPS OF THE ISSUER'S DIRECTORS

Name	Current Directorships	Past Directorships (within the past 5 years)
Directors		
Christopher Vella	Polymath & Boffin Limited Polymath & Boffin Real Estate Management Solutions Limited Vuelo Jet Limited FES Platinum Projects Ltd FES Projects Ltd FES Finance p.l.c.	Royal Credit Union Limited
Reuben Debono	Pactum Company Limited Trustforte Fiduciary Limited Testa Finance p.l.c. FES Platinum Projects Ltd FES Projects Ltd FES Finance p.l.c. SP Finance p.l.c.	
Paul Bugeja	Malta Air Travel Limited FES Finance p.l.c.	
Edward Woods	Malta Communications Authority FES Finance p.l.c.	

ANNEX F: APPLICATION FORM

FES Finance p.l.c. – Application Form €5 million 5% Secured Bonds 2029

A	APPLICANT					
	<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 & SURNAME / REGISTERED NAME			
	Date of Birth	Nationality	I.D. CARD / PASSPORT / COMPANY REG NO.	Document Type	Country of Issue of ID document	
	ADDRESS					
						POST CODE
	MSE A/C NO. (if applicable)	LEI (MANDATORY for non-individuals)		TEL NO.	MOBILE NO. (MANDATORY for e-portfolio registration)	
	<input type="checkbox"/> Already registered for e-portfolio		<input type="checkbox"/> Please do not register me for e-portfolio		<input type="checkbox"/> Please register me for e-portfolio	
	B	ADDITIONAL (JOINT) APPLICANTS (see note 4)				
<i>(please use an additional Application Form if space is not sufficient)</i>						
TITLE (Mr/Mrs/Ms/...)		FULL NAME & SURNAME	DATE OF BIRTH	NATIONALITY	DOCUMENT TYPE	I.D. CARD / PASSPORT NO. AND COUNTRY OF ISSUE
TITLE (Mr/Mrs/Ms/...)	FULL NAME & SURNAME	DATE OF BIRTH	NATIONALITY	DOCUMENT TYPE	I.D. CARD / PASSPORT NO. AND COUNTRY OF ISSUE	
C	MINOR'S PARENTS / LEGAL GUARDIAN/S (see note 5) (to be completed ONLY if the Applicant is a minor)					
	TITLE (Mr/Mrs/Ms/...)	FULL NAME & SURNAME	DATE OF BIRTH	NATIONALITY	DOCUMENT TYPE	I.D. CARD / PASSPORT NO. AND COUNTRY OF ISSUE
	TITLE (Mr/Mrs/Ms/...)	FULL NAME & SURNAME	DATE OF BIRTH	NATIONALITY	DOCUMENT TYPE	I.D. CARD / PASSPORT NO. AND COUNTRY OF ISSUE
D	I/WE APPLY TO PURCHASE AND ACQUIRE (see notes 8 and 9)					
	AMOUNT IN FIGURES €	AMOUNT IN WORDS				
FES Finance p.l.c. 5% Bonds 2029 (minimum subscription of €5,000 and in multiples of €100 thereafter) at the Bond Issue Price (at par), as defined in the Company Admission Document dated 6 March 2019 (the 'Company Admission Document'), payable in full upon application under the Terms and Conditions of the Bonds as set out in the Company Admission Document						
E	RESIDENT - WITHHOLDING TAX DECLARATION (see note 10 & 11a) (to be completed ONLY if the Applicant is a resident of Malta)					
	<input type="checkbox"/> I/We elect to have final withholding tax deducted from my/our interest. <input type="checkbox"/> I/We elect to receive interest gross (i.e. without deduction of withholding tax).					
F	NON-RESIDENT - DECLARATION FOR TAX PURPOSES (see note 12) (to be completed ONLY if the Applicant is a non-resident)					
	TAX COUNTRY	CITY OF BIRTH		COUNTRY OF BIRTH		
	T.I.N. (Tax Identification Number)	PASSPORT / NATIONAL I.D. CARD NO.		COUNTRY OF ISSUE	ISSUE DATE	
<input type="checkbox"/> I/We am/are NOT resident in Malta but I/we am/are resident in the European Union. <input type="checkbox"/> I/We am/are NOT resident in Malta and I/we am/are NOT resident in the European Union.						
G	INTEREST, REFUND AND REDEMPTION MANDATE (see note 12) (completion of this panel is MANDATORY)					
	BANK	IBAN				
	I/We have fully understood the instructions for completing this Application Form and am/are making this application solely on the basis of the Company Admission Document subject to the Terms and Conditions as contained therein which I/we fully accept.					
Signature/s of Applicant/s (Both parents or legal guardian/s are/is to sign if the Applicant is a minor) (All parties are to sign in the case of a joint Application)				Date		
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 Company Admission Document dated 6 March 2019 regulating the Bond Issue.

1. This Application is governed by the Terms and Conditions of the Application in this Company Admission Document dated 6 March 2019. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Company Admission Document.
2. The Application Form is to be completed in BLOCK LETTERS.
3. Applicants who are Non-Residents in Malta for tax purposes, must indicate their passport number in Panel B and complete Panel G. The relative box in Panel A must also be marked appropriately.
4. Applicants are to insert full personal details in Panel B. In the case of an Application by more than one person (including husband and wife) full details of all individuals, including I.D. card numbers, must be given in Panels B and C but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 7 below). Interest and redemption proceeds will be issued to the account indicated in Panel H or as otherwise indicated by the Bondholder/s during the term of the Bond.
5. Upon submission of an Application Form, Bondholders who do not have an online e-portfolio account will be registered by the CSD for the online e-portfolio facility and will receive by mail at their registered address a handle code to activate the new e-portfolio login. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Those Bondholders who opt not to avail themselves of this facility should indicate such in Panel B of the Application Form. Further details on the e-portfolio are found on <https://eportfolio.borzamalta.com.mt/Help>.
6. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. The relative box in Panel A must also be marked appropriately. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
7. In the case of a body corporate, the name of the entity exactly as registered, and the registration number and LEI are to be inserted in Panel B. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
8. APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MSE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THIS APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE EFFECTED.
9. Applications must be for a minimum of €5,000 and thereafter in multiples of €100.
10. Payment must be made in Euro, in cleared funds to 'The Registrar – FES Finance p.l.c. Bond Issue'. In the event that the cheque accompanying an Application Form is not honoured on the first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application.
11. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will be obliged to declare interest so received in the tax return. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a Prescribed Fund (having indicated their status in the appropriate box in Panel A) will have final withholding tax (currently 10%), deducted from interest payments. In terms of section 23 of the Company Admission Document, 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).
12. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/ 107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation. 11a. the contents of Notes 10 and 11 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.
13. If any Application is not accepted after the closure of the subscription lists or is accepted for fewer Bonds than those applied for, the monies or the balance of the amount paid but not allocated, as the case may be, will be returned by direct credit into the bank account as indicated in Panel H. 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.
14. Subscription lists for the Applicants will close on 18 March 2019 at 12:00 CET. The Issuer reserves the right to refuse any Application which appears to be in breach of the Terms and Conditions of the Application as contained in the Company Admission Document. Any Applications received by the Registrar after the subscription lists close will not be accepted. Completed Application Forms are to be delivered to any of the Authorised Financial intermediaries listed in the Company Admission Document, during normal office hours. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not being received by the date of closing of the subscription lists.
15. By completing and delivering an Application Form you (as the Applicant(s)) acknowledge that:
 - a. the Issuer may process the personal data that you provide in the Application Form in accordance with the General Data Protection Regulation – GDPR (Regulation (EU) 2016/679
 - 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 G: AUTHORISED INTERMEDIARIES

Name	Address	Telephone
Financial Planning Services Limited	4, Marina Court, G. Cali Street, Ta' Xbiex, XBX1421, Malta	+356 2134 4244
Jesmond Mizzi Financial Advisors Limited	67, Level 3, South Street, Valletta, VLT1105, Malta	+356 2326 5690

Issuer



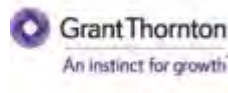
FES Finance p.l.c
19-23, Conservatory Street,
Floriana, Malta
www.fes.com.mt

Guarantor



FES Projects Ltd
19-25, Conservatory Street,
Floriana, Malta
www.fes.com.mt

Corporate Advisor and Reporting Accountant



Grant Thornton
Fort Business Center, Level 2
Mriehel Bypass
Birkirkara BKR 3000, Malta
www.grantthornton.com.mt



Placement Agent, Manager and Registrar

Financial Planning Services Limited
4, Marina Court, G. Cali Street
Ta' Xbiex, XBX1421, Malta
www.bonellofinancial.com