

Securities Note

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

Dated 6 October 2014

In respect of an Offer of:
€30,000,000 5% Secured Bonds 2024
of a nominal value of €100 per Bond issued at par
ISIN: MT0000811209
by

Hal Mann Vella Group p.l.c.

(a public limited liability company registered under the laws of Malta with registration number C 5067)

For a description of the security in respect of the Bonds, see the section entitled "Creating the Security" in section 8.1 of the Registration Document.

Registrar



Malta Stock Exchange plc

Security Trustee



FJV FIDUCIARY LTD

Sponsor



WEALTH MANAGEMENT + CORPORATE BROKING

Legal Counsel



LEGAL

APPROVED BY THE DIRECTORS

Vincent Vella

Joseph Vella

Mark Vella

Martin Vella

Arthur Galea
Salomone

William Van
Buren

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

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IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN OFFER BY HAL MANN VELLA GROUP PLC (THE "ISSUER") OF €30 MILLION SECURED BONDS 2024 OF A NOMINAL VALUE OF €100, ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 5% PER ANNUM, PAYABLE ANNUALLY ON 6 NOVEMBER OF EACH YEAR. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON THE REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION.

THIS SECURITIES NOTE:

- A. CONTAINS INFORMATION ABOUT THE ISSUER AND THE BONDS IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE ACT AND THE REGULATION, AND SHOULD BE READ IN CONJUNCTION WITH THE REGISTRATION DOCUMENT ISSUED BY THE ISSUER; AND
- B. SETS OUT THE CONTRACTUAL TERMS UNDER WHICH THE BONDS ARE ISSUED BY THE COMPANY AND ACQUIRED BY A BONDHOLDER WHICH TERMS SHALL REMAIN BINDING UNTIL THE REDEMPTION DATE OF THE BONDS UNLESS THEY ARE OTHERWISE CHANGED IN ACCORDANCE WITH THE TERMS OF THIS SECURITIES NOTE.

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

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

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

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

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

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

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

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

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

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

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

1 DEFINITIONS

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

Act	the Companies Act (Cap. 386 of the Laws of Malta);
Applicant/s	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 Bonds made by an Applicant/s by completing an Application Form/s and delivering same to the Registrar or to any of the Authorised Financial Intermediaries;
Application Form	the form of application of subscription for Bonds, a specimen of which is contained in Annex II of this Securities Note;
Authorised Financial Intermediaries	the licensed stockbrokers and financial intermediaries listed in Annex I of this Securities Note;
Bond(s) or Secured Bond(s)	the €30 million secured bonds due 2024 of a face value of €100 per bond redeemable at their nominal value on the Redemption Date, bearing interest at the rate of 5% per annum, as detailed in this Securities Note;
Bond Offer or Offer	the issue of the Secured Bonds;
Bond Offer Price	the price of €100 per Bond;
Bondholder/s	a holder of Secured Bonds;
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;
Collateral or Security Interests	<ul style="list-style-type: none"> (i) the first-ranking general hypothec to be constituted by the Company in favour of the Trustee, over all its assets present and future, for the amount of €30,000,000 (thirty million Euro), interest thereon and any other amounts due under the Bonds; (ii) the first-ranking special hypothec to be constituted by the Company in favour of the Trustee over the Hal Mann factory, showroom and adjacent land, measuring <i>circa</i> 22,300m² and situated in Hal Mann Road, Lija, for the amount of €30,000,000 (thirty million Euro), interest thereon and any other amounts due under the Bonds; (iii) the first-ranking general hypothec to be constituted by the Guarantor in favour of the Trustee, over all its assets present and future, for the amount of €30,000,000 (thirty million Euro), interest thereon and any other amounts due under the Bonds; (iv) the first-ranking special hypothec to be constituted by the Guarantor in favour of the Trustee: <ul style="list-style-type: none"> (a) over a plot of land measuring <i>circa</i> 5,200m² forming part of Hal Mann and situated in Pantar Road, Lija; and (b) over 50% (being the portion owned by the Guarantor) of a warehouse complex (known as 'Il-Binja il-Gdida') consisting of a two-storey development with an underlying two storey parking area, having a footprint of <i>circa</i> 1,200m² and situated in Pantar Road, Lija; <p style="margin-left: 40px;">for the amount of €30,000,000 (thirty million Euro), interest thereon and any other amounts due under the Bonds;</p>
CSD	the Central Securities Depository of the Malta Stock Exchange established pursuant to Chapter 4 of the Malta Stock Exchange Bye-Laws, 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 Issuer in the acts of Notary Anthony Abela whereby the Issuer constitutes the Collateral in favour of the Trustee;
Directors or Board	the directors of the Issuer whose names are set out under the heading "Identity of Directors, Advisors and Auditors" in section 3 of the Registration Document;
Euro or €	the lawful currency of the Republic of Malta;
Guarantee	the joint and several suretyship granted by the Guarantor as security for the punctual performance of the Issuer's payment obligations under the Bonds, 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;
Guarantor	Sudvel Limited, a private company registered under the laws of Malta with company registration number C 35806 and having its registered office at St Mary House, St Philip Street, Mgarr MGR 1373, Malta;
Hal Mann Vella Group or Group	the Issuer and its Subsidiaries and the Jointly Controlled Entities;
Hypothecated Property	<p>(i) the officially unnumbered immovable property known as the Halmann Factory and Showroom which together with adjacent land covers a global area of <i>circa</i> 27,500m². Part of the aforesaid property which has a footprint of <i>circa</i> 22,300m² is owned by the Company. An adjacent parcel of land is the property of the Guarantor and measures <i>circa</i> 5,200m². Both properties, forming a combined property, are located at a corner formed between Pantar Road, Lija, and the junction between Valletta Road, Mosta, and Mosta Road, Lija, and are hence variably referred to as in the Limits of Lija or the Limits of Mosta. The combined property is bounded on the north by property of the Government of Malta, held on encroachment by the Group from the Government of Malta, which property is then bounded on the north by Valletta Road, Mosta. On the East and North East, the combined property is bounded by Hal-Mann Road and on the West by Pantar Road; and</p> <p>(ii) 50% (being the portion owned by the Guarantor) of the warehouse complex situated in Pantar Road, Lija, having a footprint of approximately 1,200m² which consists of a large parking/storage area at lower basement level, warehouses at ground floor level and offices at first floor level;</p>
Interest Payment Date	6 November of each year between and including each of the years 2015 and 2024, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Issue Date	17 November 2014;
Issuer or Company	Hal Mann Vella Group p.l.c. (formerly Hal Mann Velsud Group Ltd), a public company registered under the laws of Malta with company registration number C 5067 and having its registered office at The Factory, Mosta Road, Lija LJA 9016, Malta;

Jointly Controlled Entities	each of: <ul style="list-style-type: none"> a) Madliena Ridge Limited (a limited liability company registered under the laws of Malta with company registration number C 44281) – 50% ownership; b) Hal Mann Holdings Ltd (a limited liability company registered under the laws of Malta with company registration number C 2215) – 50% ownership; c) HMK International Ltd (a limited liability company registered under the laws of Malta with company registration number C 46978) – 50% ownership; d) Hal Mann Solar Limited (a limited liability company registered under the laws of Malta with company registration number C 61110) – 50% ownership; e) MAC Investments Limited (a limited liability company registered under the laws of Malta with company registration number C 55957) – 33.3% ownership;
Listing Authority	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta) by virtue of Legal Notice 1 of 2003;
Listing Rules	the listing rules of the Listing Authority;
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta, and bearing company registration number C 42525;
Memorandum and Articles of Association	the memorandum and articles of association in force at the time of publication of the Prospectus;
MFSA	Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
Offer Period	the period between 27 October 2014 to 31 October 2014 during which the Bonds are on offer;
Official List	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
Placement Agreement	the agreement between the Sponsor and the Issuer to subscribe for Bonds in accordance with section 7.4 of this Securities Note for the purpose of distributing to or placing with their underlying customers and other financial intermediaries any portion of the Bonds;
Prospectus	collectively the Registration Document, Summary Note and this Securities Note;
Redemption Date	6 November 2024;
Redemption Value	the nominal value of each Bond (€100 per Bond);
Registration Document	the registration document issued by the Issuer dated 6 October 2014, forming part of the Prospectus;

Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; and Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 as regards to regulatory technical standards for publication of supplements to the prospectus;
Securities Note	this document in its entirety;
Security Interests	see Collateral;
Security Trust Deed or Trust Deed	the trust deed signed between the Company, Guarantor and the Security Trustee dated 6 October 2014;
Security Trustee or Trustee	FJV Fiduciary Ltd having its registered office at FJVA Business Centre, Industry Street, Qormi QRM 3000, Malta;
Sponsor	Charts Investment Management Service Limited (C 7944) of Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913, Malta, an authorised financial intermediary licensed by the MFSA and a Member of the MSE;
Subsidiary	<p>each of:</p> <ul style="list-style-type: none"> a) Mavina Holiday Complex Ltd (a limited liability company registered under the laws of Malta with company registration number C 1728). The company is the parent company of SMG Mode Ltd (a limited liability company registered under the laws of Malta with company registration number C 35517); b) Sudvel Limited (a limited liability company registered under the laws of Malta with company registration number C 35806); c) Hal Mann International Ltd (a limited liability company registered under the laws of Malta with company registration number C 21050). The company is the parent company of Hal Mann Vella Ltd (a limited liability company registered under the laws of Malta with company registration number C 28088); d) Hal Mann Properties Ltd (a limited liability company registered under the laws of Malta with company registration number C 39013); e) Vinmar Limited (a limited liability company registered under the laws of Malta with company registration number C 51195); f) Hal Mann Industries Ltd (a limited liability company registered under the laws of Malta with company registration number C 8028); g) Hal Mann (Letting) Ltd (a limited liability company registered under the laws of Malta with company registration number C 53109); h) Hal Mann Services Limited (a limited liability company registered under the laws of Malta with company registration number C 51196); <p>and the term 'Subsidiaries' shall collectively refer to the said companies;</p>
Summary Note	the summary note issued by the Issuer dated 6 October 2014, forming part of the Prospectus;
Terms and Conditions	the terms and conditions of the Bond Offer as contained in section 7.2 of this Securities Note;
Trust Property	the rights attaching to and emanating from the Trust Deed and the benefit of the security created by virtue of the Security Interests for the benefit of Bondholders.

2 RISK FACTORS

2.1 General

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE.

THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY ON THE REDEMPTION DATE UNLESS THE BONDS ARE PREVIOUSLY RE-PURCHASED AND CANCELLED.

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

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

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

2.2 Forward-looking statements

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

2.3 Risks relating to the Guarantee

The Bonds are being guaranteed by the Guarantor and therefore, Bondholders are entitled to request the Guarantor to pay the full amounts due under the Bonds if the Issuer fails to meet any amount. The guarantee also entitles the Bondholders to take action against the Guarantor without having to first take action against the Issuer. The level of recoverability by the Bondholders of any amounts due under any of the Bonds from the Guarantor is dependent upon the financial strength of the Guarantor and in the case of insolvency of the Guarantor, such level of recoverability is further dependent upon the existence or otherwise of any prior ranking claims in respect of the assets of the Guarantor. Furthermore, the Guarantor has a limited operating history and its business is intimately related to that of the Issuer and the Hal Mann Vella Group. Therefore the operating results of the Issuer and the Group have a direct effect on the Guarantor's financial position.

2.4 Risks relating to the Bonds

- The existence of an orderly and liquid market for the Bonds depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Issuer's Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell or otherwise trade in the Bonds at or above the Bond Offer Price or at all.
- Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.
- A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference, if different.

- Notwithstanding that the Bonds constitute the general, direct, unconditional and secured obligations of the Issuer and Guarantor and shall, subject to what is stated below, rank with preference and priority, over any unsecured debt of the Issuer and Guarantor, if any, there can be no guarantee that privileges accorded by law in specific situations will not arise during the course of the business of each of the Issuer and Guarantor which may rank with priority or preference to the Security Interests.
- The terms and conditions of this Bond Offer are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.
- No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.
- In the event that the Issuer wishes to amend any of the Terms and Conditions of the Bond Offer it shall call a meeting of Bondholders in accordance with the provisions of section 5.12 of this Securities Note. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

3 PERSONS RESPONSIBLE

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

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

3.1 Consent for use of Prospectus

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

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

- in respect of Bonds subscribed for through Authorised Financial Intermediaries listed in Annex I of this Securities Note during the Offer Period;
- to any resale or placement of Bonds taking place in Malta;
- to any resale or placement of Bonds taking place within the period of 60 days from the date of the Prospectus.

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

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

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

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

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

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

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

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

4 ESSENTIAL INFORMATION

4.1 Reasons for the Issue and use of proceeds

The proceeds from the Bond Offer, which net of Bond Offer expenses are expected to amount to approximately €29.3 million, will be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

- (i) the first €13.7 million of the proceeds from the Bond Offer will be used to refinance bank borrowings described in section 5.2 below;
- (ii) the aggregate amount of *circa* €5 million shall be used for funding the complete modernisation of the Hal Mann Vella factory and investment in new plant and machinery;
- (iii) the amount of *circa* €7 million shall be applied towards the costs of construction and development of a mixed used commercial property in Pantar Street, Lija. The project will consist of a three floor building above street level occupying a footprint area of *circa* 3,600m² (gross area: 5,200m²);
- (iv) any remaining balance of the net Bond Offer proceeds will be used for general corporate funding purposes of the Group and/or further reducing the corporate indebtedness of the Group.

In the event that the Bond Offer is not fully subscribed, the Issuer will proceed with the listing of the amount of Bonds subscribed for, and the proceeds from the Bond Offer shall be applied in the manner and order of priority set out above. Any residual amounts required by the Issuer for the purposes of the uses specified in this section 4.1 which shall not have been raised through the Bond Offer shall be financed from the Group's general cash flow and/or bank financing.

All proceeds from the Bond Offer shall be held by the Security Trustee pending the constitution of the Collateral to secure the Bonds. Subject to the satisfaction of the conditions precedent set out in section 7.2.1 of this document, the Bonds shall be subscribed pursuant to the Placement Agreement (see section 7.4 below) and general public offer (see section 7.3 below). In the event that either of the conditions precedent is not satisfied the Security Trustee shall return Bond proceeds received back to investors.

4.2 Expenses

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Offer are estimated not to exceed €700,000. There is no particular order of priority with respect to such expenses.

4.3 Issue statistics

Amount:	€30 million;
Form:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD;
Denomination:	Euro (€);
ISIN:	MT0000811209;
Minimum amount per subscription:	Minimum of €2,000 and multiples of €100 thereafter;
Redemption Date:	6 November 2024;
Plan of Distribution:	The Bonds are open for subscription by all categories of investors, including Authorised Financial Intermediaries either for their own account or on behalf of clients, and the general public;
Preferred allocations:	There are no preferred allocations except pursuant to the Placement Agreement entered into with Charts Investment Management Service Limited;
Bond Offer Price:	At par (€100 per Bond);
Status of the Bonds:	The Bonds, as and when issued and allotted, shall constitute the general, direct, unconditional and secured obligations of the Issuer and Guarantor, and shall at all times rank <i>pari passu</i> without priority or preference among themselves, but with priority or preference over all other unsecured indebtedness of the Issuer and Guarantor, if any;
Listing:	The Listing Authority has approved the Bonds for admissibility to listing and subsequent trading on the Official List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List;
Application Forms available:	13 October 2014;
Placement Agreement:	The Issuer has entered into a conditional placement agreement with Charts Investment Management Service Limited whereby a maximum amount of €20 million in value of Bonds has been made available for subscription on 24 October 2014;
Offer Period:	27 October 2014 to 31 October 2014, both days included;
Interest:	5% per annum;
Interest Payment Date(s):	Annually on 6 November as from 6 November 2015 (the first interest payment date);
Governing Law of Bonds:	The Bonds are governed by and shall be construed in accordance with Maltese law;
Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

4.4 Interest of natural and legal persons involved in the Issue

Save for the subscription for Bonds by Charts Investment Management Service Limited and any fees payable to Charts Investment Management Service Limited in connection with the Issue as Sponsor, so far as the Issuer is aware no person involved in the Issue has an interest material to the Issue.

4.5 Security

The Bonds shall be issued and allotted as secured and Bondholders shall benefit from the following security:

- (a) a first ranking general hypothec over all the assets of the Issuer and Guarantor; and
- (b) a first ranking special hypothec over the Hypothecated Property.

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 Guarantor have entered into a Trust Deed with the Security Trustee which consists of the covenants of the Issuer and Guarantor to pay the principal amount under the Bonds on the Redemption Date and interest thereon, the hypothecary rights under the Deed of Hypothec and all the rights and benefits under the Trust Deed. The Security Interests will be vested in the Security Trustee for the benefit of the Bondholders in proportion to the holding of Bonds. Pursuant to the provisions of the Trust Deed, the Security Trustee shall retain all proceeds from the Bonds until such time as the Security Interests shall have been duly constituted in favour of the Trustee. No Bonds shall be issued and allotted until the Security Interests have been duly constituted and the Malta Stock Exchange admits the Bonds to trading as listed instruments.

The Security Trustee's role includes holding of the Security Interests for the benefit of the Bondholders and the enforcement of those Security Interests upon the happening of certain events. The Security Trustee shall have no payment obligations to Bondholders under the Bonds which remain exclusively the obligations of the Issuer and the Guarantor.

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

5.1 General

- 5.1.1 Each Bond forms part of a duly authorised issue of 5% Secured Bonds 2024 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €30 million (except as otherwise provided under section 5.11 "Further issues and further indebtedness").
- 5.1.2 The currency of the Bonds is Euro (€).
- 5.1.3 Subject to admission to listing of the Bonds to the Official List, the Bonds are expected to be assigned ISIN: MT0000811209.
- 5.1.4 Unless previously purchased and cancelled, the Bonds shall be redeemable at par on the Redemption Date.
- 5.1.5 The issue of the Bonds is made in accordance with the requirements of the Listing Rules, the Act, and the Regulation.
- 5.1.6 The Issue Period of the Bonds is between 27 October 2014 and 31 October 2014, both days included.
- 5.1.7 The Issue Date of the Bonds is 17 November 2014.
- 5.1.8 The Bond Offer is not underwritten.

5.2 Ranking of the Bonds

The Bonds shall, as and when issued, constitute the general, direct, unconditional and secured obligations of the Issuer and Guarantor, and will rank with first priority and preference over all other present and future obligations of the Issuer and Guarantor. In addition, the payment of the principal under the Bonds and interests thereon shall be secured by a first-ranking general hypothec over all the assets of the Issuer and Guarantor, present and future, as well as a first-ranking special hypothec over the Hypothecated Property which the Company and Guarantor have agreed to constitute in favour of the Security Trustee for the benefit of Bondholders. The Bonds shall rank *pari passu* as between themselves.

Agreement has been reached between the Issuer and Bank of Valletta p.l.c. ("**BOV**") for the latter to cancel all hypothecary rights registered in its favour as security for advances made available to the Group. The hypothecary rights are registered over the Hal Mann factory, showroom and adjacent land, measuring *circa* 22,300m² and situated in Hal Mann Road, Lija. The cancellation of the hypothecary rights arising in favour of BOV shall take place after the Bond Offer and upon receipt by BOV of the total amount outstanding, estimated at €7.3 million.

Agreement has also been reached between the Issuer and HSBC Bank (Malta) p.l.c. ("**HSBC**") for the latter to cancel all hypothecary rights registered in its favour as security for advances made available to the Group. The hypothecary rights are registered over a plot of land measuring *circa* 5,200m² forming part of Hal Mann and situated in Pantar Road, Lija, and 50% of a warehouse complex (known as 'Il-Binja il-Gdida') located in Pantar Road, Lija. The cancellation of the hypothecary rights arising in favour of HSBC shall take place after the Bond Offer and upon receipt by HSBC of the total amount outstanding, estimated at €6.4 million.

The Hypothecated Property shall thereafter be unencumbered and without any charges registered over the Hypothecated Property. Pursuant to the Trust Deed, the Issuer and the Guarantor have agreed to constitute in favour of the Security Trustee for the benefit of Bondholders as beneficiaries ("**Registered Beneficiaries**"), a special hypothec over the Hypothecated Property and a general hypothec over all their assets, present and future.

The general and special hypothecs will secure the claim of the Trustee, for the benefit and in the interest of Registered Beneficiaries, for the repayment of the principal and interest under the Bonds.

Accordingly, following the issue of the Bonds and application of the proceeds as set out above, the Trustee for the benefit of the Registered Beneficiaries will have the benefit of a special hypothec over the Hypothecated Property for the full amount of €30 million and interests thereon in addition to the general hypothec over all the assets, present and future of the Company and Guarantor for the full amount of €30 million and interests thereon.

5.3 Rights attaching to the Bonds

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

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

No Bonds shall be issued and allotted to investors before the conditions precedent set out in section 7.2.1 have been duly satisfied.

5.4 Interest

5.4.1 The Bonds shall bear interest from and including 7 November 2014 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 6 November 2015. Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. In terms of article 2156 of the Civil Code (Cap. 16 of the Laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Bonds is barred by the lapse of five (5) years.

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

5.5 Yield

The gross yield calculated on the basis of the interest, the Bond Offer Price and the Redemption Value of the Bonds at Redemption Date, is five per cent (5%).

5.6 Registration, form, denomination and title

- 5.6.1** Certificates will not be delivered to Bondholders in respect of the Bonds. The entitlement to Bonds will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of bondholders held at the CSD for the purpose of inspecting information held on their respective account.
- 5.6.2** The CSD will issue, upon a request by a Bondholder, a statement of holdings to such Bondholder evidencing his/her/its entitlement to Bonds held in the register kept by the CSD.
- 5.6.3** The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of €100, provided that on subscription, the Bonds will be issued for a minimum of €2,000, per individual Bondholder. Authorised Financial Intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 to each underlying client.
- 5.6.4** Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under the heading "Transferability of the Bonds" in section 5.10 of this Securities Note.

5.7 Payments

- 5.7.1** Payment of the principal amount of Bonds will be made in Euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder may designate from time to time, provided such bank account is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Redemption Date. The Issuer shall not be responsible for any loss or delay in transmission. Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD.
- 5.7.2** In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment the Issuer and/or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.
- 5.7.3** Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Interest Payment Date. The Issuer shall not be responsible for any loss or delay in transmission.
- 5.7.4** All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is or may become compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.
- 5.7.5** No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

5.8 Redemption and purchase

- 5.8.1** Unless previously purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 6 November 2024.
- 5.8.2** Subject to the provisions of this section 5.8, the Issuer may at any time purchase Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.
- 5.8.3** All Bonds repurchased by the Issuer shall be cancelled forthwith and may not be re-issued or re-sold.

5.9 Events of default

Pursuant to the Trust Deed, the Security Trustee may in its absolute and uncontrolled discretion, and shall upon the request in writing of not less than seventy five per cent (75%) in value of the Registered Beneficiaries, by notice in writing to the Issuer and/or Guarantor declare the Bonds to have become immediately due and payable upon the happening of any of the following events:

- 5.9.1** the Issuer and/or Guarantor fail to effect the payment of interest under the Bonds on an Interest Payment Date and such failure continues for a period of sixty (60) days after written notice thereof by the Security Trustee to the Issuer and/or Guarantor;
- 5.9.2** the Issuer and/or Guarantor fail to pay the principal amount of a Bond on the date fixed for its redemption; and such failure continues for a period of sixty (60) days after written notice thereof by the Security Trustee to the Issuer and/or Guarantor;
- 5.9.3** the Issuer and/or Guarantor fail duly to perform or shall otherwise be in breach of any other material obligation contained in the Prospectus and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer and/or Guarantor by a Bondholder;
- 5.9.4** in terms of section 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/or Guarantor and is not paid out, withdrawn or discharged within one month;
- 5.9.5** the Issuer and/or Guarantor stop payment of their debts or cease or threaten to cease to carry on their business;
- 5.9.6** the Issuer and/or Guarantor are unable to pay their debts within the meaning of section 214(5) of the Act, or any statutory modification or re-enactment thereof;
- 5.9.7** a judicial or provisional administrator is appointed of the whole or any part of the property of the Issuer; and such appointment is certified by the Security Trustee to be prejudicial, in its opinion, to the Bondholders;
- 5.9.8** an order is made or an effective resolution is passed for winding up of the Issuer and/or Guarantor, except for the purpose of a reconstruction, amalgamation or division, the terms of which have been approved in writing by the Security Trustee;
- 5.9.9** the Issuer and/or Guarantor substantially change the object or nature of business as currently carried on;
- 5.9.10** the Issuer and/or Guarantor commit a breach of any of the covenants or provisions contained in the Trust Deed and on their part to be observed and performed and the said breach still subsists for thirty (30) days after having been notified by the Security Trustee (other than any covenant for the payment of interests or principal monies owing in respect of the Bonds);
- 5.9.11** the security constituted by any hypothec, pledge or charge upon the whole or any part of the undertaking or assets of the Issuer and/or 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;
- 5.9.12** any representation or warranty made or deemed to be made or repeated by or in respect of the Issuer and/or Guarantor is or proves to have been incorrect in any material respect in the sole opinion of the Security Trustee;
- 5.9.13** any material indebtedness of the Issuer and/or Guarantor is not paid when properly due or becomes properly due and payable or any creditor of the Issuer and/or Guarantor 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 and/or 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 €2 million;
- 5.9.14** the Issuer and/or Guarantor repudiate, or do or cause or permit to be done any act or thing evidencing an intention to repudiate the Bonds and/or the Trust Deed; or
- 5.9.15** 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 and/or Guarantor are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government.

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

PROVIDED THAT in the event of any breach by the Issuer and/or Guarantor 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 and/or Guarantor then the Security Trustee may, but shall be under no obligation so to do, give the Issuer and/or Guarantor such period of time to remedy the breach as in its sole opinion may be justified in the circumstances and if in its sole opinion the breach is remediable within the short term and without any adverse impact on the Bondholders. Provided 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.

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 and/or Guarantor are observing and performing all the obligations, conditions and provisions on their respective parts contained in the Bonds and the Trust Deed.

5.10 Transferability of the Bonds

- 5.10.1** The Bonds are freely transferable and, once admitted to the Official List, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time.
- 5.10.2** Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.
- 5.10.3** All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- 5.10.4** 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 for the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer.
- 5.10.5** The Issuer will not register the transfer or transmission of Bonds for a period of fifteen (15) days preceding the due date for any payment of interest on the Bonds.

5.11 Further issues and further indebtedness

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds), or upon such terms as the Issuer may determine at the time of their issue, provided that no issue may be made that would rank senior to the Bonds on the Collateral.

5.12 Meetings of Bondholders

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

- 5.12.1** No change to the applicable Terms and Conditions of the Bonds or any terms of this Prospectus which has an effect on the Bonds may be made unless such decision is made at a meeting of Bondholders duly convened and held.
- 5.12.2** A meeting of Bondholders shall be called by the Directors, through the Security Trustee, by giving all Bondholders listed on the register of Bondholders as at a date being not more than thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (14) days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section 5.12 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.
- 5.12.3** The amendment or waiver of any of the provisions of and/or conditions contained in this Securities Note, or in any other part of the Prospectus, may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.
- 5.12.4** 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 Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting: the number of Bondholders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.
- 5.12.5** Any person who in accordance with the Memorandum and Articles of Association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.
- 5.12.6** Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting the Directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.
- 5.12.7** The voting process shall be managed by the Company Secretary under the supervision and scrutiny of the auditors of the Issuer and the Security Trustee.
- 5.12.8** The proposal placed before a meeting of Bondholders shall only be considered approved if at least 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.
- 5.12.9** Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

5.13 Authorisations and approvals

The Board of Directors of the Issuer authorised the Bond Offer pursuant to a Directors' resolution passed on 24 June 2014.

5.14 Notices

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

6 TAXATION

6.1 General

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

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

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

6.2 Malta tax on interest

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

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder need not declare the interest so received in his income tax return. No person shall be charged to further tax in respect of such income. However where the Bondholder is a Maltese resident individual, he is still entitled to declare the gross interest in the tax return and the tax so deducted will be available as a credit against the individual's tax liability or for a refund as the case may be.

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

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

6.3 European Union Savings Directive

Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the 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 EU Savings Directive 2003/48/EC.

6.4 Maltese taxation on capital gains on transfer of the Bonds

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

6.5 Duty on documents and transfers

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

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

7 TERMS AND CONDITIONS OF THE BOND OFFER

7.1 Expected timetable of the Bond Offer

1. Application Forms available	13 October 2014
2. Private Placement date	24 October 2014
3. Offer Period (opening and closing of subscription lists, respectively)	27 October 2014 to 31 October 2014, both days included
4. Commencement of interest on the Bonds	7 November 2014
5. Announcement of basis of acceptance	7 November 2014
6. Expected date of constitution of Security Interests	7 November 2014
7. Refunds of unallocated monies	14 November 2014
8. Expected dispatch of allotment advices	14 November 2014
9. Expected date of admission of the securities to listing	17 November 2014
10. Expected date of commencement of trading in the securities	18 November 2014

The Issuer reserves the right to close the Offer of Bonds before 31 October 2014 in the event of over-subscription, in which case the events set out in steps 5 to 10 above shall be brought forward, although the number of workings days between the respective events shall not also be altered.

7.2 Terms and Conditions of Application

- 7.2.1** The issue and allotment of the Bonds is conditional upon: (i) the Bonds being admitted to the Official List; and (ii) the Security Interests being constituted in favour of the Security Trustee. In the event that either of the aforesaid 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.
- 7.2.2** The subscription lists during the Issue Period will open at 08:30 hours on 27 October 2014 and will close as soon thereafter as may be determined by the Issuer, but in any event no later than 16:00 hours on 31 October 2014.
- 7.2.3** 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 Securities Note and the Memorandum and Articles of Association of the Issuer. It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence or domicile.
- 7.2.4** If an Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have duly bound his principal, or the relative corporation, corporate entity, or association of persons, and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and 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 if so required by the Issuer and the Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to appear on the Application Form.
- 7.2.5** In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each of the joint Applicants, and liability therefor is joint and several. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first-named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional Applicants" in the Application Form or joint holders in the register, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.
- 7.2.6** In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner).
- 7.2.7** 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 Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of 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.
- 7.2.8** The Bonds have not been and will not be registered under the Securities Act of 1933, as amended, of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 7.2.9** No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 7.2.10** It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 7.2.11** Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject in whole or in part, or to scale down, any Application, including multiple or suspected multiple Applications, and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with

the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.

- 7.2.12** The Bonds will be issued in multiples of €100. The minimum subscription amount of Bonds that can be subscribed for by Applicants is €2,000.
- 7.2.13** The Bond Offer shall close on the earlier of: (i) the date on which the aggregate of the amount subscribed for in terms of the Placement Agreement and total Applications received reaches €30 million; or (ii) on 31 October 2014. Within 5 business days from closing of the subscription lists, the Issuer shall announce the result of the Issue and shall determine, and issue a company announcement setting out, the basis of acceptance of applications and allocation policy to be adopted.
- 7.2.14** In the event that an Applicant has not been allocated any Bonds or has been allocated a number of Bonds which is less than the number applied for, the Applicant shall receive a full refund or, as the case may be, the balance of the price of the Bonds applied for but not allocated, without interest, by credit transfer to such account indicated in the Application Form, at the Applicant's sole risk within five Business Days from the date of final allocation.
- 7.2.15** The completed Application Forms are to be lodged with the Sponsor or any of the Authorised Financial Intermediaries.
- 7.2.16** All Application Forms must be accompanied by the full price of the Bonds applied for in EUR. Payment may be made either in cash or by cheque payable to "**The Registrar – Hal Mann Vella Bond Offer**". In the event that cheques accompanying Application Forms are not honoured on their first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application.
- 7.2.17** For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2008 as amended from time to time, all appointed Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the "Code of Conduct for Members of the Malta Stock Exchange" appended as Appendix IV to Chapter 3 of the Malta Stock Exchange Bye-Laws, irrespective of whether the said appointed Authorised Financial 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. 440 of the Laws of Malta) for the purposes and within the terms of the Malta Stock Exchange Data Protection Policy as published from time to time.
- 7.2.18** By completing and delivering an Application Form the Applicant:
- a. agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the issue of the Bonds contained therein;
 - b. warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects and in the case where an MSE account number is indicated in the Application Form, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant;
 - c. authorises the Issuer and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Offer applied for, in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta). The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates;
 - d. confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
 - e. agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
 - f. agrees to provide the Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application;
 - g. warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond or his/her Application;

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

7.3 Plan of distribution and allotment

The Bonds are open for subscription to all categories of investors. In each case, subscription amounts shall be in multiples of €100, subject to a minimum subscription amount of €2,000.

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

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

7.4 Placement Agreement

On 3 October 2014, the Issuer entered into a conditional placement agreement with the Sponsor, Charts Investment Management Service Limited (C 7944) of Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913, Malta, for the subscription of €20 million of the Bonds by the Sponsor on 24 October 2014.

In terms of the Placement Agreement entered into with the Sponsor, the Issuer bound itself to issue, and the Sponsor bound itself to subscribe for, €20 million of the Bonds, subject to:

- a. the Prospectus being approved by the Listing Authority;
- b. the Security Interests being duly constituted in favour of the Security Trustee; and
- c. the Bonds being admitted to trading on the Official List.

In terms of the Placement Agreement, the Sponsor subscribing for Bonds may do so for its own account or for the account of underlying customers, including retail customers, and shall in addition be entitled to either:

- a. distribute to the underlying customers any portion of the Bonds subscribed for upon commencement of trading; or
- b. instruct the Issuer and the Registrar to issue a portion of the Bonds subscribed by them directly to their underlying customers.

7.5 Pricing

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

7.6 Allocation policy

Following the allocation of €20 million in Bonds to Charts Investment Management Service Limited pursuant to the conditional placement agreement referred to in section 7.4 above, the Issuer shall allocate the remaining Bonds to Applications submitted by members of the general public without priority or preference amongst themselves and in accordance with the allocation policy as determined by the Issuer and the Registrar by submitting the Application Form.

7.7 Admission to trading

- 7.7.1** The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 6 October 2014.
- 7.7.2** Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List of the Malta Stock Exchange.
- 7.7.3** The Bonds are expected to be admitted to the Malta Stock Exchange with effect from 17 November 2014 and trading is expected to commence on 18 November 2014.

ANNEX I – AUTHORISED FINANCIAL INTERMEDIARIES

Name	Address	Telephone
APS Bank Ltd	17, Republic Street, Valletta VLT 1111	25671719
Calamatta Cuschieri & Co Ltd	Fifth Floor, Valletta Buildings, South Street, Valletta VLT 1103	25688688
Charts Investment Management Service Ltd	Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913	21224106
Crystal Finance Investments Ltd	10, First Floor, City Gate, Valletta VLT 1010	21226190
Curmi & Partners Ltd	Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102	23426000
Financial Planning Services Ltd	4, Marina Court No. 1, G. Cali Street, Ta' Xbiex XBX 1421	21344244
FINCO Treasury Management Ltd	Level 5, The Mall Complex, The Mall, Floriana FRN 1470	21220002
GlobalCapital Financial Management Ltd	Testaferrata Street, Ta'Xbiex XBX 1403	21342342
Growth Investments Ltd	Customer Service Centre, Piazza Papa Giovanni XXIII, Floriana FRN 1420	25909000
Hogg Capital Investments Ltd	Ferris Building, Level 4, 1, St Luke's Road, Gwardamangia, Pieta PTA 1020	21322872
HSBC Bank Malta p.l.c.	116, Archbishop Street, Valletta VLT 1444	23802381
Jesmond Mizzi Financial Advisors Ltd	67/3, South Street, Valletta VLT 1105	23265690
Lombard Bank Malta p.l.c.	67. Republic Street, Valletta VLT 1117	25581114
Mediterranean Bank plc	10, St Barbara Bastion, Valletta VLT 1961	25574400
Michael Grech Financial Investment Services Ltd	1, Mican Court, JF Kennedy Square, Victoria, Gozo VCT 2580	21554492
MZ Investment Services Ltd	55, MZ House, St Rita Street, Rabat RBT 1523	21453739
Rizzo, Farrugia & Co (Stockbrokers) Ltd	Airways House, Third Floor, High Street, Sliema SLM 1549	22583000

ANNEX II - SPECIMEN APPLICATION FORM



HAL MANN VELLA GROUP P.L.C.
€30,000,000
5% Secured Bonds 2024

APPLICATION FORM

Please read the notes overleaf before completing this Application Form. Mark 'X' if applicable. Unless otherwise indicated, each of the panels below is to be completed.

APPLICANT/S (See notes 2 to 7)

<input type="checkbox"/> Non-Resident	<input type="checkbox"/> CIS-Prescribed Fund	<input type="checkbox"/> Minor (under18)	<input type="checkbox"/> Body Corporate/Body of Persons
TITLE (Mr/Mrs/Ms/...)		FULL NAME & SURNAME / REGISTERED NAME	
ADDRESS/REGISTERED OFFICE			
			POSTCODE
MSE A/C NO. (if applicable)	I.D. CARD / PASSPORT / COMPANY REG. NO.	TEL. NO.	MOBILE NO.

C ADDITIONAL (JOINT) APPLICANTS (See note 3) (please use additional Application Forms if space is not sufficient)

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

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

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

E I/WE APPLY TO PURCHASE AND ACQUIRE (See notes 8 and 9):

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

Hal Mann Vella Group p.l.c. 5% Secured Bonds 2024 (minimum €2,000 and in multiples of €100 thereafter) at the Bond Offer Price (at par), as defined in the Prospectus dated 6 October 2014 (the "Prospectus"), payable in full upon application under the Terms and Conditions as defined in said Prospectus.

F RESIDENT - WITHHOLDING TAX DECLARATION (See note 10) (to be completed ONLY if the Applicant is a Resident in Malta)

I/We elect to have Final Withholding Tax deducted from my/our interest.
 I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).

G NON-RESIDENT - DECLARATION FOR TAX PURPOSES (See note 12) (to be completed ONLY if the Applicant is a Non-Resident)

TAX COUNTRY	CITY OF BIRTH	TIN (TAX IDENTIFICATION NO.)	
NATIONAL ID CARD / PASSPORT NO.	COUNTRY OF BIRTH	COUNTRY OF ISSUE	ISSUE DATE

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

H INTEREST, REFUND & REDEMPTION MANDATE (See note 11) (completion of this panel is mandatory)

BANK	IBAN
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I I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its terms and conditions as contained therein which I/we fully accept.

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

Authorized Financial Intermediary's Stamp	Authorized Financial Intermediary's Code <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	Application Number
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NOTES ON HOW TO COMPLETE THIS APPLICATION FORM AND OTHER INFORMATION

The following notes are to be read in conjunction with the Prospectus dated 6 October 2014

1. This Application is governed by the Terms and Conditions of Application contained in the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the same meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS.
3. Applicants are to insert full personal details in Panel B. In the case of an application by more than one person (including husband and wife) full details of all individuals – 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).
4. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. The relative box in Panel A must also be marked appropriately. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
5. Applicants who are Non-Resident 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.
6. In the case of a body corporate, the name of the entity exactly as registered, and the registration number are to be inserted in Panel B. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
7. **APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MSE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THE APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE EFFECTED.**
8. Application must be for a minimum of €2,000 and thereafter in multiples of €100.
9. Payment in Euro may be made in cash or by cheque payable to 'The Registrar – Hal Mann Vella 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.
10. Only Applicants who hold an 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 he/she will be obliged to declare interest so received on his/her tax return. Authorised entities applying in the name of a Prescribed Fund (having indicated their status in the appropriate box in Panel A) will have Final Withholding Tax, currently 10%, deducted from interest payments.

In terms of section 6.2 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of Article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of final withholding tax, currently at the rate of 15% of the gross amount of interest, pursuant to Article 33 of the Income Tax Act.
11. 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.
12. European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments requires all payors established in the EU which pay interest to an individual resident in another EU Member State, to report the interest payment to the tax authorities of the Member State in which the payor is established. If the Applicant's permanent residential address is in an EU Member State or in another country to which the said Directive applies (called a "specified territory") then the interest paid will be reported.
13. Subscription lists will open at 08:30 hours on 27 October 2014 and will close as soon thereafter as may be determined by the Issuer, but not later than 16.00 on 31 October 2014. The Issuer reserves the right to close the Bond Issue before 31 October 2014, in the event of over-subscription. The Issuer reserves the right to refuse any Application which appears to be in breach of the terms and conditions of the Bonds as contained in the Prospectus. Any Applications received by the Registrar after the subscription lists close will be rejected. Completed Application Forms are to be delivered to any of the Authorised Financial Intermediaries listed in Annex I of the Securities Note, 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.
14. By completing and delivering an Application Form you (as the Applicant(s)):
 - a. acknowledge that the Issuer may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);
 - b. acknowledge that the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and
 - c. acknowledge that 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 III – THE GUARANTEE

To All Bondholders:

Reference is made to the issue of €30 million 5% Secured Bonds 2024 by Hal Mann Vella Group p.l.c. (the “**Issuer**”) pursuant to and subject to the terms and conditions contained in the Securities Note dated 6 October 2014 (the “**Bonds**”).

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

All terms used in this guarantee shall, unless the context otherwise requires, have the same meaning assigned to them in the Prospectus.

This guarantee shall be governed by the laws of Malta.

Signed and executed on this the 6th day of October 2014, after approval of the Board of Directors in its meeting of 25 June 2014.



Vincent Vella

Director

NATURE, SCOPE AND TERMS OF THE GUARANTEE

1. Nature of the Guarantee

The offering of Bonds that will be made by the Issuer pursuant to a Securities Note to be published by the Issuer will be made with the benefit of the joint and several corporate Guarantee of the Guarantor, the full terms of which are set out in clause 4 of this Part B below.

2. Scope of the Guarantee

The Guarantee is unconditional and shall cover all payments that may be due to Bondholders of any series of Bonds issued by the Issuer pursuant to the Securities Note. The Guarantee binds the Guarantor to pay to Bondholders any amount of interest or capital under the Bonds that may have become due under the terms of issue of a Bond.

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

3. Information about the Guarantor

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

4. Terms of the Guarantee

4.1 Guarantee

For the purposes of the Guarantee, the Guarantor irrevocably and unconditionally guarantees to each holder of the Bonds described in the Prospectus ("Bondholder") that if for any reason the Issuer fails to pay any sum payable by it to such Bondholder pursuant to the terms of the Bonds detailed in the Securities Note as and when the same shall become due under any of the foregoing, the Guarantor will pay to such bondholder on demand the amount payable by the Issuer to such bondholder.

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

This Guarantee shall apply to all Bonds issued on or after 6 October 2014 in accordance with the terms of the Securities Note.

4.2 Guarantor as Joint and Several Surety

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

4.3 Guarantor's Obligations Continuing

The Guarantor's obligations under this Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable to any Bondholder pursuant to the issue of the Bonds.

4.4 Repayment to the Issuer

If any payment received by a Bondholder is, on subsequent liquidation or insolvency of the Issuer, avoided under any laws relating to liquidation or insolvency, such payment will not be considered as having discharged or diminished the liability of the Guarantor, and this Guarantee will continue to apply as if such payment had at all times remained owing by the Issuer.

4.5 Indemnity

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

4.6 Status of Guarantee

The obligation of the Guarantor under this Guarantee constitutes a general, direct and secured obligation of the Guarantor and ranks with first priority and preference over all other present and future obligations, except for any debts for the time being preferred by law.

4.7 Power to execute

The Guarantor hereby warrants and represents with each Bondholder that it has all corporate power, and has taken all necessary corporate or other steps, to enable it to execute, deliver and perform this Guarantee, and that this Guarantee constitutes a legal, valid and binding obligation of the Guarantor in accordance with the terms laid out in this section 4.

4.8 Deposit and Production of the Guarantee

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

4.9 Subrogation

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

4.10 Governing Law and Jurisdiction

This Guarantee is governed by and shall be construed in accordance with Maltese Law, and any disputes which may arise out of in connection with this Guarantee are to be settled by the Courts of Malta, whose decision on the dispute shall be conclusive and binding.

Hal Mann Vella Group p.l.c.

Financial Analysis Summary

6 October 2014

CHARTS INVESTMENT MANAGEMENT SERVICE LTD
VALLETTA WATERFRONT • VAULT 17
PINTO WHARF • FLORIANA FRN 1913 • MALTA

tel +356 2122 4106 • 2124 1121 • fax +356 2124 1101
www.charts.com.mt • info@charts.com.mt

The Directors
Hal Mann Vella Group p.l.c.
The Factory
Mosta Road
Lija LJA 9016

6 October 2014

Dear Sirs

Hal Mann Vella Group p.l.c. Financial Analysis Summary

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

The purpose of the financial analysis is that of summarising key financial data appertaining to Hal Mann Vella Group p.l.c. (the "**Group**" or the "**Company**"). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the three years ended 31 December 2011 to 31 December 2013 has been extracted from the audited consolidated financial statements of the Company.
- (b) The forecast data of the Group for the years ending 31 December 2014 and 31 December 2015 has been provided by management of the Company.
- (c) Our commentary on the results of the Group and on its financial position is based on the explanations provided by the Company.
- (d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.

- (e) Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

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

Yours faithfully,

A handwritten signature in black ink, appearing to read "Wilfred Mallia".

Wilfred Mallia

Director

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PART 1

1. KEY ACTIVITIES OF THE GROUP

Hal Mann Vella Group p.l.c. (the “**Company**”, “**Issuer**” or the “**Group**”) is the parent company of the Hal Mann Vella Group. The Group is principally engaged in the running of a diverse portfolio of business entities involved in: the supply of natural stone, manufacture of terrazzo tiles and pre-cast elements, general contracting services, hotel operations, property development and letting, and fashion retailing.

The Hal Mann Vella Group was established *circa* 60 years ago and at the time was solely involved in the manufacture of terrazzo tiles for the local market. During the six decades the business progressed with the launch of new products to the market, which included the manufacture of other forms of tile, such as resin tiles, and also the supply of marble, granite and natural stone.

Under the management of brothers Martin Vella, Joseph Vella and Mark Vella, with the assistance of the other brothers and sisters, the Group has over the years supplied its products and provided general contracting services to a number of major projects in Malta (including Mater Dei Hospital, Sky Parks at the Malta International Airports, Valletta Waterfront, Hilton Malta and Radisson SAS Golden Sands, amongst others) and abroad (including London City Hall, Manchester Piccadilly Railway Station, Victoria Shopping Centre UK and Corinthia Tripoli, amongst others).

The Group is committed to maintain a strong presence in its target markets, especially in Malta, and is therefore constantly improving its manufacturing processes through investment in the latest machinery and techniques. Moreover, the management team continues to enhance the product range on offer, including the availability of tailor-made solutions, to ensure that the Group meets its customers’ demands. The principal contracts currently being concluded by the Hal Mann Vella Group include Smart City, Life Sciences Park and the monumental project by Renzo Piano at City Gate Valletta.

The Hal Mann Vella Group is also involved in hospitality, through the ownership and operation of two hotels, the 66-room Mavina Hotel and the 26-room Huli Hotel, both located in Bugibba, Malta. Due to the close proximity of the two hotels, the facilities of both hotels are available to all residents, and include two restaurants, a pizzeria and two swimming pools.

In 2006, the Group was awarded the franchise for the apparel brand ‘Guess’ and currently operates three outlets in Malta which are located at: Bay Street Complex, St George’s Bay, St Julians; The Point Shopping Mall, Tigne, Sliema; and Bisazza Street, Sliema. The Guess brand was founded in 1981 in the United States and today is represented in *circa* 1,200 outlets worldwide. It offers lifestyle collections of contemporary apparel and accessories for men, women and children.

In the third quarter of 2014, the Group commenced operations of a fourth outlet located in Valletta, Malta under the franchise ‘Brooks Brothers’. The brand was founded in 1818 and principally addresses the higher end segment of men’s fashion. Through this outlet, the Group plans to additionally offer be-spoke tailoring of men’s suits.

The Group is actively engaged in the acquisition and development of properties in Malta. As at the date of this report, the Group has 4 apartments and a number of garages available for sale situated at Northport Apartments, Xemxija Hill, Xemxija, Malta. One of the aforesaid apartments is subject to a promise of sale agreement. Also included in the property portfolio are 12 apartments situated at Spinola Residence, Spinola Road, St Julians, Malta, which are leased to third parties. Furthermore, the Group has a 50% shareholding in a new development of 20 villas known as Madliena Ridge situated in Madliena Malta, which is nearing completion. Madliena Ridge Limited has, to date, sold 14 villas and a further 2 villas are subject to promise of sale agreements.

2. DIRECTORS OF THE ISSUER

The Company is managed by a Board consisting of six directors entrusted with its overall direction and management. The Board currently consists of a Non-Executive Director as Chairman, three Executive Directors and two independent Non-Executive Directors.

Board of Directors

Vincent Vella	Chairman
Joseph Vella	Executive Director
Mark Vella	Executive Director
Martin Vella	Executive Director
Arthur Galea Salomone	Independent Non-Executive Director
William Van Buren	Independent Non-Executive Director

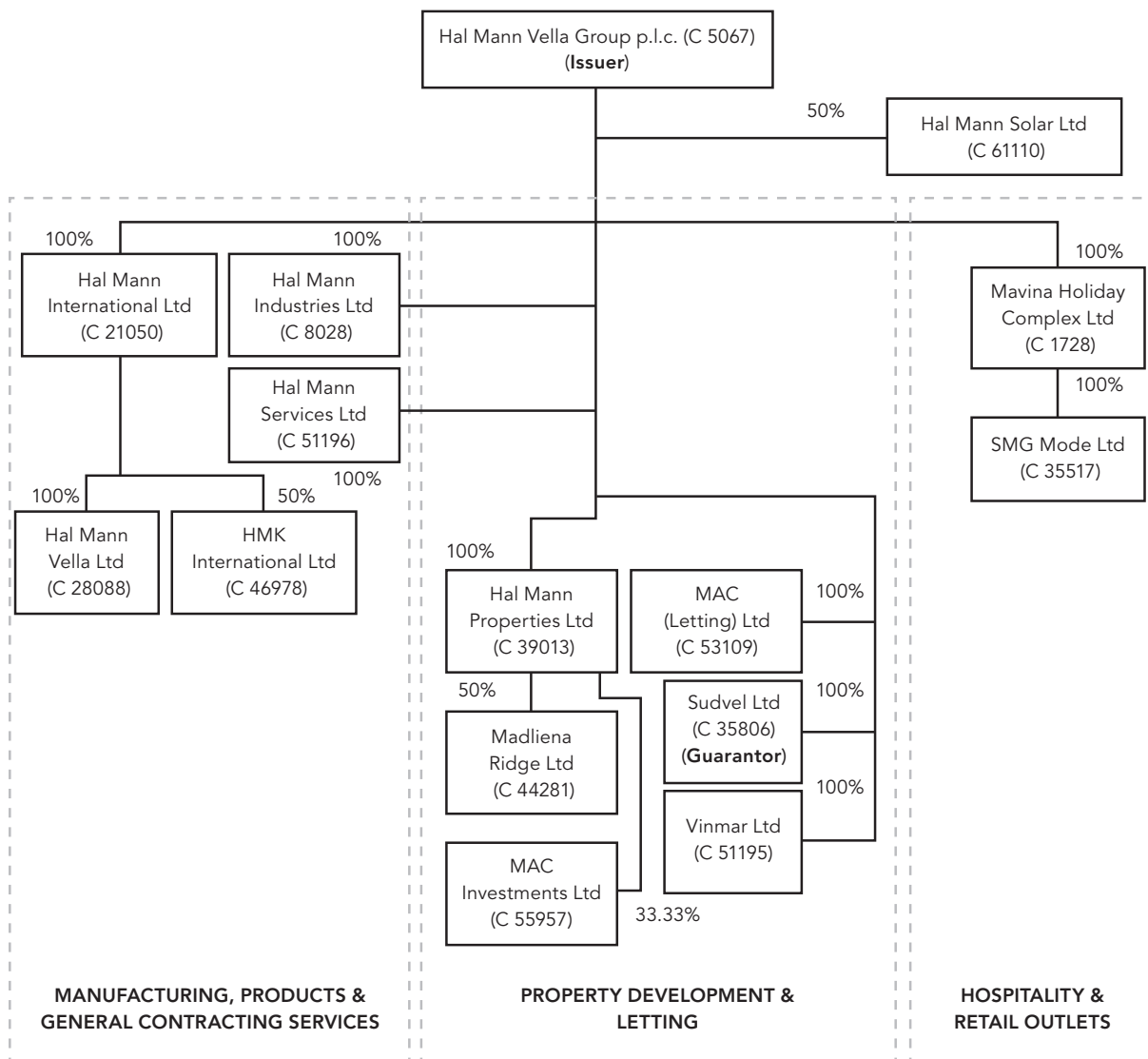
The Executive Directors of the Issuer are entrusted with the company's day-to-day management and are also directors or officers of other companies within the Hal Mann Vella Group. They are also responsible for the identification and execution of new investment opportunities and the funding of the Group's investments. The Executive Directors are supported in this role by several consultants and benefit from the know-how gained by members and officers of the Group.

The main functions of the Non-Executive Directors are to monitor the operations of the Executive Directors and their performance, as well as to review any proposals tabled by the Executive Directors. In addition, the Non-Executive Directors have the role of acting as an important check on the possible conflicts of interest for the Executive Directors in view of their dual role as Executive Directors of the Company and their role as officers of the Hal Mann Vella Group.

3. HAL MANN VELLA GROUP

3.1 ORGANISATIONAL STRUCTURE

As the holding company of the Group, the Company is ultimately dependent upon the operations and performance of the Group's operating companies. The organisational structure of the Group is illustrated in the diagram below:



Hal Mann Vella Group p.l.c. (formerly Hal Mann Velsud Group Ltd) is the parent company of the Hal Mann Vella Group and is primarily focused on establishing and monitoring strategic direction, and development of the Group.

In addition to the companies highlighted in the above organisational structure, the Issuer has a 50% equity shareholding in Hal Mann Holdings Ltd and a 20% shareholding in Hal Mann Projects Limited. The said companies have ceased operations and will be liquidated in due course. As a result, Hal Mann Holdings Ltd and Hal Mann Projects Limited have not been included in the organisational structure.

3.2 OVERVIEW OF THE PRINCIPAL BUSINESS SEGMENTS

The Hal Mann Vella Group is organised into four distinct business units as detailed below:

3.2.1 Manufacturing, products & general contracting services

The Group companies forming part of this segment are primarily responsible for: (i) the manufacture of tiles and pre-cast elements; (ii) importation of marble, granite and natural stone; and (iii) tendering for contracts in Malta and internationally.

Raw materials are the basic material from which products are manufactured or made. The Hal Mann Vella factory stocks more than 100 natural stones sourced from around the world and include: marble, granite, travertine & onyx, hard stone, composite stone and terrazzo & terrazzo pre-cast elements.

Marble – Just like limestone and sandstone, marble has many uses. It is particularly suitable for kitchens and bathrooms, but is also used for flooring, cladding and vanity tops.

Granite – Its hardness makes it virtually maintenance free and unlike other solid surfaces granite does not scratch or stain. It is applicable for cladding, flooring, paving and work surfaces.

Travertine & Onyx – Travertine is a stone which has an uneven surface, since in its natural state it is typically full of gas bubbles. As a result, when it is manufactured as tiles or slabs, travertine is generally filled with cement and polished or honed. Onyx, like travertine, is a type of stone. It is a very soft stone and is characterised by its translucence.

Hard stone – The Hal Mann Vella Group are quarry operators for Maltese hard stone, which can be applied for cladding, masonry, flooring, paving and work surfaces. This type of stone has recently been used by Architect Renzo Piano for the City Gate Project in Valletta, Malta.

Composite stone – Quartz composite is a man made stone which is produced by mixing natural quartz crystals and resin, thereby forming very hard, low porosity slabs. This stone is very durable and is typically used for any indoor surfacing application such as in kitchens and bathrooms, and for flooring purposes.

Terrazzo – This is the name given to the process of producing tiles, or pre-cast elements (staircases, risers, pool copings, vanity tops, covings, amongst others), from a cement based marble/granite aggregate mix. The Group uses high performance cements with special additives, combined with graded marble and granite aggregates. The main applications for terrazzo include public areas (such as airports, hospitals, schools, supermarkets and hotels) and private residences. The Group has recently managed to develop a new product with reduced permeability. Terraslik, as the product is known, is expected to generate additional demand especially for application in commercial and public areas.

Complimenting the manufacturing operations detailed above, the Group provides general contracting services to both corporate and private clients, and include carpentry, building services, tiling and metalwork.

The principal contracts undertaken by the Group in 2013 included: Smart City Kalkara, Valletta City Gate, House of Four Winds Valletta, Casa Ellul Valletta, the Life Sciences Park and ICT – University of Malta.

3.2.2 Property development & letting

Hal Mann Properties Ltd is a company set up to acquire property and engage in property development. Between 2008 and 2011, the company developed the Northport Apartments situated in Xemxija, Malta and which included 2 penthouses, 8 apartments and 13 garages. Units left for sale include: 1 apartment measuring 187m², 2 apartments each measuring 245m² (inclusive of a 75m² front garden) and 6 garages. A fourth apartment is currently subject to a promise of sale agreement. The company's portfolio of immovable property also includes a number of garages, a maisonette and a villa sized plot in various areas in Malta.

Hal Mann (Letting) Limited owns a block of 12 apartments and 12 car park spaces, known as Spinola Residence. The property is situated in Spinola Road, St Julians Malta. All apartments are currently leased to third parties.

Sudvel Limited is a holding company and owns a site measuring *circa* 5,200m² located within the premises of Hal Mann Vella in Lija. The site is earmarked for the development of a mixed-used commercial property. The company also owns 50% of a warehouse complex (known as 'Il-Binja il-Gdida') having a footprint of *circa* 1,200m² and situated in Pantar Road, Lija. The said property is leased to third parties except for the basement which is utilised by the Group. Furthermore, Sudvel Limited owns 50% of a quarry located in the Limits of Naxxar measuring *circa* 12,000m² and 50% of a parcel of land measuring *circa* 17,000m² situated in Lija. The value of said sites as at 31 December 2013 amounted to €3.05 million and €0.38 million respectively.

Vinmar Limited was incorporated as a property company and its assets include an apartment and a lock-up garage at Tas-Sellum, Mellieha Malta.

Madliena Ridge Ltd was incorporated to develop 20 villas on the site known as Madliena Ridge in Madliena Malta. Construction of the villas commenced in 2011 and will be completed in the current financial year. As at the date of this report the company has sold 14 villas and 2 other villas are subject to promise of sale agreements. The company is actively marketing the remaining stock of 4 villas. The Group holds a 50% shareholding in the company through Hal Mann Properties Ltd.

3.2.3 Hospitality

Mavina Holiday Complex Ltd is the owner and operator of two hotels, the Mavina Hotel and the Huli Hotel, both situated in Bugibba, Malta. The former hotel consists of 66 rooms ranging from studio to two-bedroom units. The Mavina Hotel has a swimming pool and a sun terrace. Other facilities include a bar, restaurant and a pizzeria. The Huli Hotel comprises of 26 self-catering one-bedroom and studio apartments, and facilities include a rooftop pool and a restaurant at ground level. The two hotels are located a few minutes away from the Bugibba seafront promenade.

The hotels were acquired by the Group in 1999 as separate blocks of apartments and offer basic accommodation to its residents, mainly targeting tour operator business. The Group intends to renovate the Mavina Hotel as further described in section 3.3.3 of this report.

3.2.4 Apparel

The Guess franchise for Malta was awarded to SMG Mode Ltd in 2006, pursuant to the terms of an operating license agreement entered into with Guess Europe SAGL. To date the Group operates 3 outlets in Malta on the basis of this franchise. In the third quarter of 2014, the Group opened a fourth outlet operating under the Brooks Brothers franchise.

The aforesaid outlets have all been leased from third parties as set out below:

Franchise	Address	Size of outlet	Expiry date of lease
Guess	Bay Street Complex, St George's Bay, St Julians	96m ²	2020
Guess	The Point Shopping Mall, Sliema	189m ²	2024
Guess	Bisazza Street, Sliema	70m ²	2025
Brooks Brothers	Republic Street, Valletta	230m ²	2058

3.3 BUSINESS DEVELOPMENT STRATEGY

In order to maintain its competitive edge in the market, the Group's management reviews operation methodologies and performance on an on-going basis, monitors developments in the industry and ensures that it maintains excellent relations with its clients.

The Hal Mann Vella Group's strategy for the foreseeable future is to continue to develop its assets with a view to realising and maximising its financial potential. The key elements of the Group's strategy are detailed below.

3.3.1 Factory modernisation

The present factory and plant has been built over a number of years with the core plant and production line dating back to the 1970s. The current set-up has a number of limitations including the suboptimal logistical movement of materials within the factory premises, excessive time consumption between processes and lack of storage facilities.

In view of the above, the Group has in the past three years, engaged a number of consultants to prepare a detailed analysis of the current factory layout and work practices, with the objective of implementing necessary changes to improve operational efficiencies and increase capacity, mitigate rising costs and reduce lead time.

As a result, the Group will be utilising *circa* €5 million from Bond proceeds to execute a complete modernisation of the factory which will also include the acquisition of modern machinery and equipment for the production of stone, marble and other similar products. Works will commence shortly after the Bond Offer and will be structured in phases to allow for minimal disruption of production. It is expected that the said project will be completed by the third quarter of 2015.

The new factory has been designed to enable a re-organisation of processes, to introduce the latest technology in flexible mechanical and electrical systems and to meet international standards. Furthermore, the purpose built open plan factory floor should result in a more efficient utilisation of space which will release, for alternative use, part of the area occupied by the current factory. The Directors believe that with the modernisation of the factory, the Group will be better positioned to increase production throughout, improve the quality of products, enhance its line-up of available products and reduce overall cost of production.

3.3.2 Land development

In view of the revised factory layout and logistical flow as detailed in section 3.3.1 above, an area measuring *circa* 5,200m² within the Group's property will be released from its current use as a storage area. It is the intention of the Group to develop the aforesaid parcel of land and construct a mixed-use commercial property measuring *circa* 3,600m² (net floor area). The proposed property will include two upper floors earmarked for office space, warehouse facilities at ground level and parking spaces, primarily for rental to third party tenants.

Designs for the proposed development are complete and the Group has submitted an application to the Malta Environment & Planning Authority. Subject to the issuance of development permits, the Group will be utilising *circa* €7 million of Bond proceeds for the construction and finishing of the property, which will provide when complete *circa* 14,000m² of rentable space. Construction works are expected to be finalised within 21 months from receipt of the necessary permits.

3.3.3 Hospitality

In an effort to maintain diversification of Group activities and optimise each of the business segments in which the Group operates, the Directors have resolved to enhance earnings generated from hospitality. As a result, the Group plans to close the Mavina Hotel for renovation in the fourth quarter of 2014. The property is currently made up of three separate blocks of 66 apartments. The initial phase of the project will entail bringing the hotel to shell form, connecting each floor of the three blocks, and constructing two additional floors. The next phase will include mechanical, electrical and plumbing works, interior and exterior finishes, floor tiles, bathrooms, external apertures and internal doors, soft furnishings and any other works necessary to complete the hotel. It is envisaged that the renovated hotel will comprise a total of *circa* 105 rooms.

The cost of the aforesaid works is estimated at *circa* €2.5 million and will be funded through bank financing. The project is also dependent on the attainment of planning and other permits. Subject to obtaining necessary permits and bank funding, works on the hotel should take *circa* 14 months to complete. As of the planned re-opening date, which is set for the initial months of 2016, the Group expects to materially improve occupancy and achieved room rates at the hotel that would be more comparable to results achieved by other three-star hotels in the area. In accordance with the Directors' objective to increase income from hospitality, the Group inaugurated a new restaurant in Bugibba by the name 'Lovage Bistro'. The restaurant has indoor and outdoor seating, and is focused on Mediterranean cuisine.

3.3.4 Retail

The Group is currently implementing an expansion programme in its retail segment. As at the date of this report the Group's complement of stores has increased to four outlets, three of which are operating under the Guess franchise and the fourth under the Brooks Brothers franchise. The Directors' strategy is to further grow this segment both in terms of number of store openings as well as availability of diverse brands, but will keep under review the performance of present outlets to determine the pace at which the Group's strategy for this area of business can be executed.

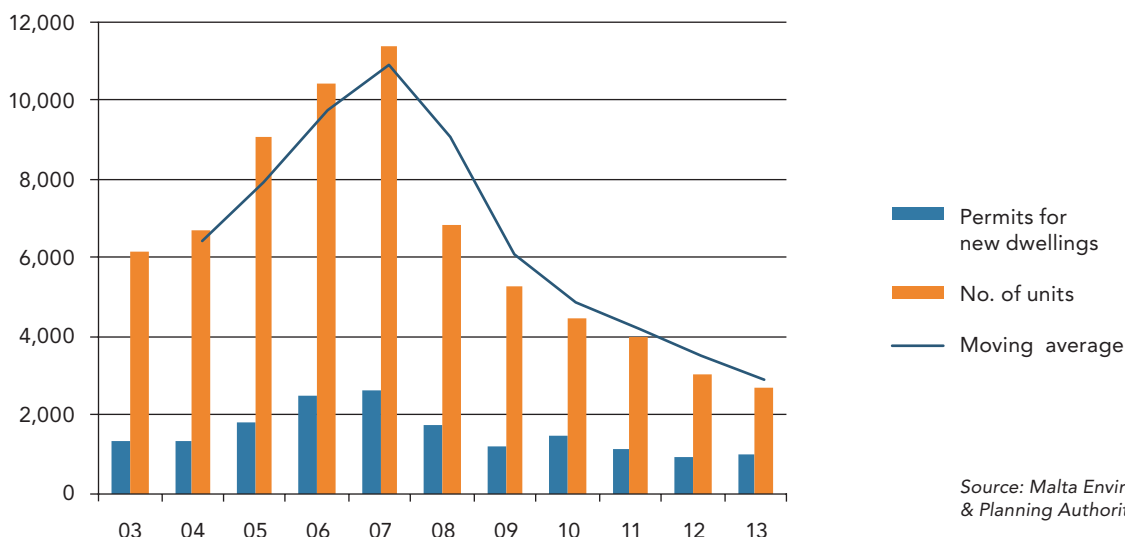
3.4 MARKET OVERVIEW

3.4.1 Manufacturing, products & general contracting services

The manufacturing, products and general contracting services segment is directly correlated to the construction industry in Malta which, in general, has been going through a slow period in the past few years.

New dwelling permits peaked in 2007, as depicted in Chart I overleaf, with 2,636 permits issued during the said year, but declined thereafter at a constant rate to a ten-year low of 958 permits in 2012. Thereafter permits increased only marginally by 46 permits in 2013 to 1,004 permits. With respect to the number of units covered by development permits, 2007 was again the peak year whereby MEPA had in that year issued permits for the construction of 11,343 units. In contrast, the number of units sanctioned in 2013 amounted to 2,705 units, a decline of more than 76% from 2007 figures. The above-mentioned statistics on new dwelling permits is an indicator of the health of the construction sector, which depicts a significant decrease in the last six years. Looking forward, this weak trend is likely to be maintained at least in the near term.

Chart I: Development permits for dwellings



National statistics relating to commercial property in Malta is currently not captured and therefore is more difficult to gauge the health of this sector. Notwithstanding the lack of such data, it can be deduced that since Malta has progressed towards a services oriented economy, the requirement for commercial property, in particular office space, has gained in demand. Moreover, in addition to the needs of local businesses, Malta has experienced in recent years an influx of foreign entities setting up operations in the country, such as remote gaming companies and financial services companies, which have further increased the demand for commercial premises and maintained a buoyant rental market. The positive view of this sector is further substantiated when assessing the supply side as a number of development projects earmarked for office and retail space are planned to commence in the coming years in response to such requirements.

In public infrastructure, the construction industry in Malta has benefited from EU funding programmes (European Regional Development Fund and Cohesion Fund) that commenced in 2007 and for which a maximum of 85% of approved projects were financed by the EU. Unlike other property sectors, public infrastructure is relatively resistant to economic shocks and cycles, as Governments recognise infrastructure investment as a prerequisite for sustainable economic growth. At EU level, this sector is set to maintain its importance as a tool to enhance economic growth and it is expected that such programmes will continue to form an integral part of the yearly budget. Furthermore, investment in public infrastructure is also driven by the need to replace ageing infrastructure, amplified by concerns over sustainability and environmental impact.

The Hal Mann Vella Group is exposed to all areas within the property sector and is not reliant on any particular niche market. The target demand for manufacturing, products & general contracting services includes both retail clients (residential and small to medium size commercial entities) and projects (local and international large-scale developments, public tenders and joint venture contracts). In the last three financial years ended 31 December 2013, revenue generated from retail and projects was broadly equal. This split provides a certain level of protection to the Group against any weakness experienced in any one particular niche market.

3.4.2 Property development & letting

During the three financial years under review, the Hal Mann Vella Group was primarily involved in the development of the Northport Apartments in Xemxija and the villas at Madliena Ridge. Most of the units have been sold or are subject to promise of sale agreements. In view of the softening of property market in recent years, as detailed in the above section, the Group has been fairly successful in its property offerings.

Rental income of the Group represents proceeds derived from the leasing of a warehouse complex known as 'Il-Binja il-Gdida' in Lija and a block of 12 apartments (Spinola Residence) located in St Julians. Both properties are leased to third party tenants, except for the basement level of the warehouse complex which is utilised by the Group. Pursuant to the Bond Offer, the Group will initiate construction of a mixed-use commercial property in Lija which will provide 14,000m² of rentable space. The Directors believe that there is a healthy demand for leasing good quality commercial property in Malta and are therefore confident that the new premises will be leased over a short timeframe once development is complete.

In view of the low to moderate outlook of the property sector in Malta, the Group will continue to source good quality property for development, trading and/or leasing commensurate with the level of demand in the market.

3.4.3 Hospitality

Tourism in Malta has been performing at a strong level and this trend continued in the initial months of 2014

as well. Tourist arrivals in 2013 (being the last reported full year) reached 1.6 million guests (2012: 1.44 million), which is a new all-time high for the country. National Statistics Office (NSO) data shows that the total number of arrivals during 2013 was estimated at 1.58 million persons, an increase of 9.6% over the comparable period in 2012. In absolute terms, the main origin of inbound tourists remained the British market.

The majority of incoming tourists were leisure guests, predominantly from the European Union. However, an increase of 24% was registered in tourists originating from non-EU countries. Non-package travel was higher than package travel, with a 52% share of the total. Nonetheless, package travel still advanced by 8% when compared to 2012. Total nights spent by tourists in 2013 were estimated at 12.9 million, up by 8.7% over the previous year, while average length of stay remained flat at 8.1 nights. Expenditure by inbound tourists was also up during the year under review and reached €1.4 billion (+8.6%).

Inbound tourism from January to July 2014 amounted to 931,378, an increase of 8.9% over the corresponding period in 2013. Total nights spent by inbound tourists went up by 5.1%, reaching nearly 7.0 million nights. During the period under review, total tourism expenditure was estimated at €793.1 million. This estimate is 7.1% higher than that recorded in 2013.

In view of the positive performance and outlook of the tourism industry in Malta, the Directors will be giving more attention to this area of the Group's business. In accordance with this strategy, the Group will be implementing, in the latter part of 2014, a renovation programme of the Mavina Hotel which will take approximately 14 months to complete.

3.4.4 Apparel

Data in relation to the size of the apparel market in Malta is not published. Notwithstanding, an estimate of the market has been derived from data obtained from the National Statistics Office of Malta. The latest available information relates to calendar year 2012. The table below sets out statistics in relation to sales of apparel (excluding textiles, footwear and leather goods) by retail outlets in Malta. The information has been analysed by size of outlet on the basis of the number of staff employed by a retail store.

Turnover of Apparel Retail Stores in Malta

	2008	2009	2010	2011	2012	CAGR 2008-12
0 – 9 employees						
Total turnover (€' million)	73	64	53	54	60	-4.8%
No. of outlets (units)	700	701	663	670	687	
Average turnover (€' million)	0.10	0.09	0.08	0.08	0.09	
Year-on-year growth		-12%	-13%	0%	9%	
10 – 49 employees						
Total turnover (€' million)	36	34	50	50	46	6.4%
No. of outlets (units)	18	17	29	29	28	
Average turnover (€' million)	1.98	2.02	1.71	1.74	1.64	
Year-on-year growth		2%	-15%	2%	-6%	
50 – 249 employees						
Total turnover (€' million)	46	52	68	64	77	13.8%
No. of outlets (units)	7	8	12	13	14	
Average turnover (€' million)	6.59	6.51	5.64	4.92	5.53	
Year-on-year growth		-1%	-13%	-13%	12%	
Total turnover (€' million)						
	155	151	170	168	183	4.29%
Year-on-year growth		-2%	13%	-1%	9%	

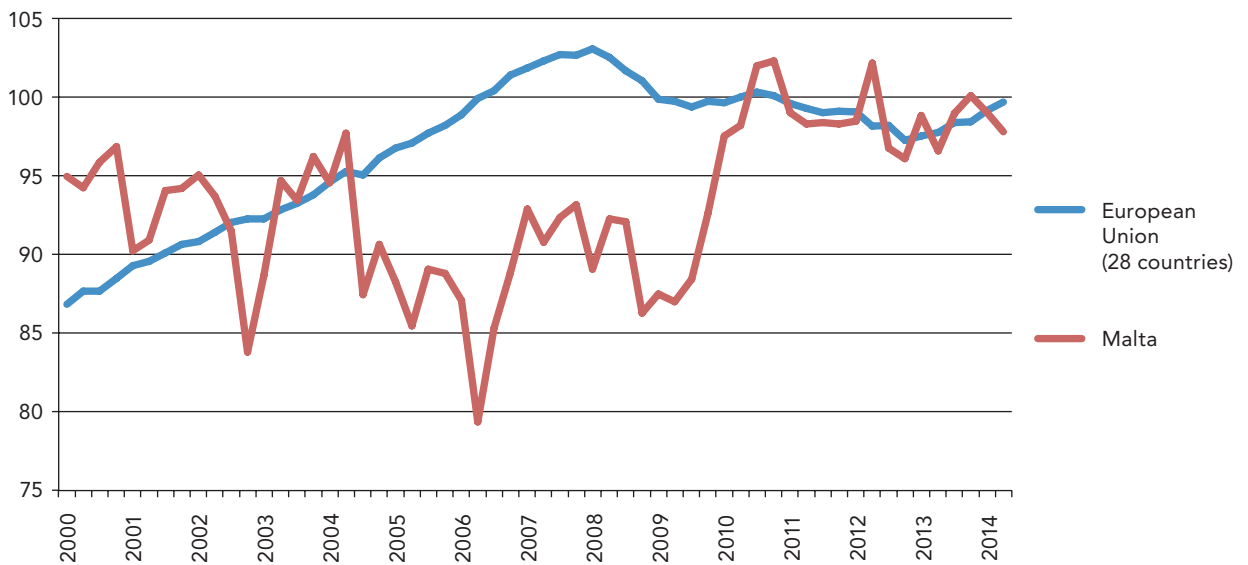
Source: National Statistics Office Malta (NACE 47.71 data)

Chart II: Retail Apparel Market in Malta



Over the five year period to 2012, the total number of outlets remained relatively unchanged (2008: 725 units; 2012: 729 units). However there has been a shift from smaller stores (a decrease of 13 units in 5 years) to larger ones (+17 from 25 stores in 2008 to 42 stores in 2012). Furthermore, consumer spending has also changed and shows a preference towards the larger stores. In fact, in the period 2008 to 2012, smaller outlets registered a compounded annual decrease in turnover of 4.8%, while the larger outlets recorded a compounded annual growth rate in turnover of 13.8%.

Chart III: Retail Trade (2010 = 100)



Source: EUROSTAT (retail trade except motor vehicles and motor cycles quarterly data)

Chart III above provides an indication of the trend in performance of the overall retail sector generally in Malta as compared to same activity in the EU (2010 being the base year = 100). It is observed that in the years 2004 to 2009, retail activity in Malta lagged behind the EU average. Post 2009 to Q2 2014, revenue generated from retail sales in Malta and the EU (average) has been broadly stable but marginally in decline. It would appear that the narrowing of the difference between Malta and the EU average after 2009 reflects the lower activity levels registered within the EU as opposed to a recovery in retail sales generated in Malta.

In general, the retail market in Malta is subject to stiff competition, both from local retailers as well as from online sales (through the internet). Notwithstanding this generic view, particular brands are performing better than others and continue to be sought after. The Directors are confident that with the availability of two top international brands in Malta – Guess and Brooks Brothers – the Group’s outlets can compete well for a share of the retail market in Malta and should perform according to established projections.

3.5 MAJOR ASSETS

The Hal Mann Vella Group is the owner of a number of properties which are included in the consolidated balance sheet under the headings: 'property, plant & equipment', 'investment property', and 'property for resale'. The following is a list of major assets owned by the Group.

Major assets	FY2013	FY2012	FY2011
	€'000	€'000	€'000
Hal Mann factory, plant & machinery and adjacent buildings	19,854	14,020	13,989
50% of Warehouse Complex (known as 'il-Binja il-Gdida')	2,151	2,100	2,100
Site earmarked for the construction of a commercial building (5,200m ²)	3,630	3,630	3,630
50% shareholding in quarry in Naxxar (12,000m ²)	3,046	3,046	3,046
50% shareholding of a site in Lija (17,000m ²)	380	380	380
Mavina and Huli hotels	4,972	4,844	1,457
Spinola apartments	2,372	2,421	
Northport apartments	1,295	1,917	2,301
Apartment and garage at tas-Sellum	462	462	462
Other assets	3,018	3,154	3,849
	41,180	35,974	31,214

Source: Consolidated audited financial statements of Hal Mann Vella Group p.l.c. for the years ended 31 December 2011, 2012 and 2013.

PART 2

4. GROUP PERFORMANCE REVIEW

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

4.1 Financial Information

The following financial information is extracted from the audited consolidated financial statements of Hal Mann Vella Group p.l.c. (the "Company") for the three years ended 31 December 2011, 2012 and 2013. The financial information for the years ending 31 December 2014 and 31 December 2015 has been provided by the Company.

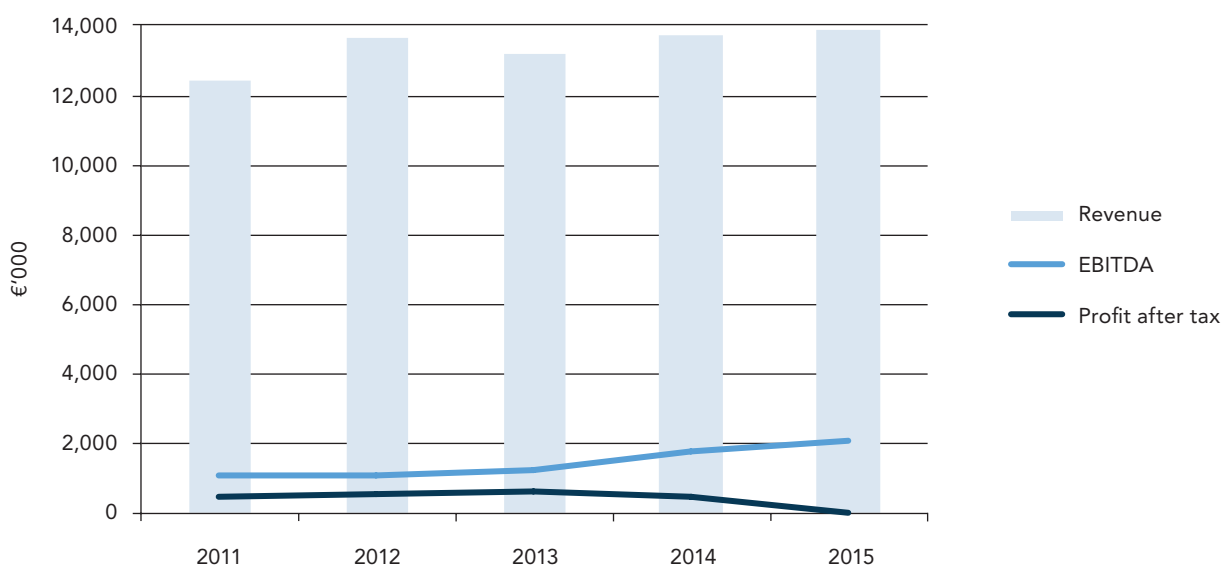
Hal Mann Vella Group p.l.c.

Consolidated Income Statement

for the years ended 31 December
(€'000)

	2015	2014	2013	2012	2011
	Projection	Forecast	Actual	Actual	Actual
Revenue	13,866	13,753	13,156	13,684	12,461
Manufacturing, products & general contracting services	10,504	9,788	10,487	11,007	10,543
Property development & letting	845	1,191	1,173	1,224	800
Hotel operations	236	559	373	393	321
Fashion retail	2,281	2,215	1,123	1,060	797
Net operating costs	(11,754)	(11,977)	(11,883)	(12,578)	(11,371)
EBITDA	2,112	1,776	1,273	1,106	1,090
Depreciation and amortisation	(827)	(582)	(558)	(402)	(431)
Change in fair value of investment property	-	-	5,946	-	-
Share of results of joint ventures	320	437	779	324	167
Income from acquisition of shares from subsidiary	-	-	15	-	-
Provision for permanent diminution of investments	-	-	-	(3)	-
Net finance costs	(1,780)	(1,097)	(835)	(604)	(616)
Profit before tax	(175)	534	6,620	421	210
Taxation	185	(71)	(780)	149	270
Profit after tax	10	463	5,840	570	480

Revenue, EBITDA & Profit after tax



For the purpose of comparing normalised earnings in the above chart, an uplift in fair value of the factory, showroom and adjacent buildings of €5.2 million (after accounting for deferred taxation on the said revaluation) has been excluded from profit after tax for FY2013.

The key accounting ratios are set out below:

	FY2015	FY2014	FY2013	FY2012	FY2011
Operating profit margin (EBITDA/revenue)	15%	13%	10%	8%	9%
Interest cover (times) (EBITDA/net finance cost)	1.19	1.62	1.52	1.83	1.77
Net profit margin (Profit after tax/revenue)	-	3%	5% ²	4%	4%
Earnings per share (€) ¹ (Profit after tax/number of shares)	-	0.09	0.13 ²	0.11	0.10
Return on equity (Profit after tax/shareholders' equity)	-	2%	2% ²	3%	2%
Return on capital employed (Operating profit/total assets less current liabilities)	3%	3%	3%	3%	3%
Return on assets (Profit after tax/total assets)	-	1%	1% ²	1%	1%

¹ Earnings per share calculation set out above has been based on the current number of shares in issue of the Company of 4,999,820 shares of €1 each.

² An uplift in fair value of factory, showroom and adjacent land of €5.2 million has been excluded from the computation.

Source: Charts Investment Management Service Limited

The Hal Mann Vella Group's revenue for FY2013 amounted to €13.2 million, reflecting an increase of €0.7 million on the turnover level registered in FY2011. The 6% increase in revenue was mainly due to better performance in the fashion retail segment of the Group and increased sales of property.

The Group generates approximately 80% of revenue from manufacturing, sale of products and general contracting services. In the three historical financial years ended 31 December 2013, achieved income from this segment was stable at between €10.5 million to €11.0 million. Such income is derived from projects as well as retail customers in broadly equal proportions. During the years FY2011 to FY2013, the Group was principally involved in the following projects:

FY2013	FY2012	FY2011
Smart City, Kalkara	Tigne Point, Sliema	Smart City, Kalkara
Valletta City Gate	Valletta City Gate	Fort Cambridge, Sliema
House of Four Winds, Valletta	Fort Cambridge, Sliema	Spinola Residence, Sliema
Casa Ellul, Valleta	Spinola Residence, Sliema	Ta' Monita, Marsascala
Life Sciences Park & ICT, University of Malta	PriceWaterhouseCoopers, Qormi	Skyparks, Malta International Airport, Luqa

Other Group revenue principally included sale of property, hotel operations and fashion retail, which in aggregate amounted to €2.67 million in 2013 (2012: €2.65 million). Property sales mainly comprised the disposal of units at Northport in Xemxija, Malta and income from hospitality was earned through the operation of the Mavina and Huli Hotels in Bugibba, Malta. Income from retail was achieved from the operation of two outlets (in Bay Street, St Julians and The Point, Sliema) since the third outlet commenced operations in the last quarter of 2013 and therefore did not have any material impact on revenue for the respective year.

As to EBITDA, the Hal Mann Vella Group registered an increase of 17% (+€0.2 million) over the three year period from €1.1 million in FY2011 to €1.3 million in FY2013. Similar to revenue, the majority of EBITDA is derived from the manufacturing, sale of products and general contracting services segment. Positive factors that contributed to the increase in EBITDA in FY2013 included income from disposals of property and rental income from Spinola Residence.

During the year ended 31 December 2013, immovable property at Lija, which includes the factory, showroom and adjacent buildings, was revalued by €5.2 million (net of deferred taxation). As a result, the profit for the year ended 31 December 2013 amounted to €5.8 million (2012: €0.6 million).

Share of results of joint ventures in FY2013 amounted to €0.8 million and principally related to the income generated by Madliena Ridge Limited, of which, the Group has a 50% shareholding in the company. During the year under review, Madliena Ridge Limited was active in selling its portfolio of 20 fully detached villas in Madliena, Malta. The development is nearing completion stage and 6 villas (of which 2 are subject to promise of sale agreements) remain available for sale. The Group is projecting that the remaining properties will be sold in FY2014 and FY2015.

Income generated from manufacturing, products & general contracting services and property development & letting is projected to remain stable in FY2014 and FY2015. With respect to hotel operations, there will be a decline in revenue in FY2015 due to the closure for renovation of the Mavina Hotel. As to fashion retail, the Directors have maintained a prudent outlook and have therefore projected stable revenues for FY2014 and FY2015 at €2.2 million and €2.3 million respectively.

Hal Mann Vella Group p.l.c.
Consolidated Cash Flow Statement
for the years ended 31 December
(€'000)

	2015 Projection	2014 Forecast	2013 Actual	2012 Actual	2011 Actual
Net cash from operating activities	4,981	3,456	747	(340)	1,970
Net cash from investing activities	(12,071)	(5,155)	(299)	212	(2,322)
Net cash from financing activities	(138)	25,146	(2,392)	(1,252)	678
Net movement in cash and cash equivalents	(7,228)	23,447	(1,944)	(1,380)	326
Cash and cash equivalents at beginning of year	14,750	(8,697)	(6,753)	(5,373)	(5,699)
Cash and cash equivalents at end of year	7,522	14,750	(8,697)	(6,753)	(5,373)

Net cash flows from operating activities between FY2011 and FY2015 principally relate to cash inflows generated in operational activities of the Group and movements in changes in working capital (in particular movements in inventory of property, receivables and property held for resale).

Net cash used in investing activities between FY2011 and FY2013 amounted to €2.3 million and mainly represented: acquisition of property, plant & equipment; refurbishment and upgrade of the Group's showroom and buildings; ongoing maintenance expenditure; and financial assets (€3.7 million). The remaining balance relates to movement in related party balances. Net cash used in investing activities in FY2014 and FY2015 will primarily include: (i) the modernisation of the factory and acquisition of new machinery and equipment; (ii) construction of the mixed use commercial property; and (iii) renovation of the Mavina Hotel.

The principal movement in financing activities related to net advances to shareholders of €2.3 million over the three financial years (FY2011 – FY2013). Net repayment of bank borrowings amounted to €0.9 million and interest paid during the period under review totalled €2.1 million. Net cash from financing activities in FY2014 will include net proceeds from the €30 million Bond Offer, and net movements in bank borrowings and other loans.

Hal Mann Vella Group p.l.c.
Consolidated Balance Sheet
as at 31 December
(€'000)

	2015 Projection	2014 Forecast	2013 Actual	2012 Actual	2011 Actual
ASSETS					
Non-current assets					
Property, plant & equipment	39,474	28,693	26,086	20,005	25,790
Interest in joint-venture	3,451	3,131	2,622	2,112	1,788
Investment property	13,112	13,516	11,581	9,158	2
Other non-current assets	1,336	1,180	1,336	1,204	934
Non-current assets	57,373	46,520	41,625	32,479	28,514
Current assets					
Inventories	5,638	5,638	5,638	3,291	3,330
Property for resale	3,301	3,104	3,512	6,811	5,422
Trade and other receivables	10,341	12,199	9,281	11,853	13,104
Cash and cash equivalents	7,523	14,750	494	379	1,079
Current assets	26,803	35,691	18,925	22,334	22,935
Total assets	84,176	82,211	60,550	54,813	51,449
EQUITY AND LIABILITIES					
Total equity	28,706	28,696	28,078	22,024	19,583
Non-current liabilities					
Long-term borrowings	7,864	6,113	6,698	13,473	13,115
Bonds	29,497	29,439	-	-	-
Deferred taxation	3,268	3,589	3,776	3,476	2,365
Non-current liabilities	40,629	39,141	10,474	16,949	15,480
Current liabilities					
Short-term borrowings	1,063	1,038	15,194	8,090	7,722
Trade and other payables	13,686	12,845	6,612	7,714	8,551
Current taxation due	92	491	192	36	113
Current liabilities	14,841	14,374	21,998	15,840	16,386
Total liabilities	55,470	53,515	32,472	32,789	31,866
Total equity and liabilities	84,176	82,211	60,550	54,813	51,449

Total assets as at 31 December 2013 amounted to €60.6 million (FY2012: €54.8 million) and principally include: (i) the factory, plant & machinery and other properties valued at €41.2 million (FY2012: €36.0 million) as detailed in section 3.5 above; (ii) investment in joint venture companies amounting to €2.6 million (FY2012: €2.1 million), mainly representing a 50% shareholding in Madliena Ridge Ltd; non-current financial assets of €1.3 million (FY2012: €1.2 million); (iii) inventories relating to factory raw materials, products, fashion retail and hotel consumables of €5.6 million (FY2012: €3.3 million); and (iv) trade and other receivables amounting to €9.3 million (FY2012: €11.9 million).

By FY2015, total assets are expected to increase by €23.6 million, mainly as a result of the investment in modernising the factory floor and in new machinery & equipment, development of the mixed-use commercial property, and the renovation of the Mavina Hotel. Cash and cash equivalents as at 31 December 2015 is projected to amount to €7.5 million and will principally be utilised to complete the capital expenditure programmes initiated in FY2014.

Total liabilities represent trade and other payables which amounted to €6.6 million in FY2013 (FY2012: €7.7 million), deferred tax liabilities of €3.8 million (FY2012: €3.5 million) and borrowings as detailed below:

Hal Mann Vella Group p.l.c.

Borrowings & Bonds

as at 31 December
(€'000)

	2015 Projection	2014 Forecast	2013 Actual	2012 Actual	2011 Actual
Bank borrowings					
Hal Mann International Ltd	-	-	1,221	1,798	2,436
Hal Mann Vella Ltd	-	-	1,632	540	876
Sudvel Ltd	-	-	-	-	-
Vinmar Ltd	-	-	-	-	-
Hal Mann Services Ltd	-	-	629	443	574
Hal Mann Properties Ltd	500	500	400	1,013	1,767
Hal Mann Industries Ltd	-	-	332	-	-
SMG Mode Ltd	-	-	290	191	179
Hal Mann (Letting) Ltd	960	1,484	1,601	1,620	-
Hal Mann Vella Group p.l.c.	900	1,800	1,163	1,192	1,306
Mavina Holiday Complex Ltd	2,500	-	140	-	-
Bank overdrafts	19	19	9,191	7,133	6,452
	4,879	3,803	16,599	13,930	13,590
Bonds					
5% Secured Bonds 2024	29,497	29,439			
	29,497	29,439	-	-	-
Other borrowings					
Shareholders' loans	4,048	3,348	3,338	5,438	5,623
Amounts due to related parties (unsecured, interest free and no fixed date of repayment)	-	-	1,955	2,196	1,625
	4,048	3,348	5,293	7,634	7,248
Total borrowings and bonds	38,424	36,590	21,892	21,564	20,838

The key accounting ratios are set out below:

	FY2015	FY2014	FY2013	FY2012	FY2011
Net assets per share (€) ¹ (Net asset value/number of shares)	5.74	5.74	5.62	4.40	3.92
Gearing ratio (%) (Net debt/net debt + shareholders' equity)	52	43	43	49	50
Liquidity ratio (times) (Current assets/current liabilities)	1.81	2.48	0.86	1.41	1.40

¹Earnings per share calculation set out above has been based on the current number of shares in issue of the Company of 4,999,820 shares of €1 each.

Source: Charts Investment Management Service Limited

The gearing ratio (net debt/net debt + equity) demonstrates the degree to which the capital employed in a business is funded by external borrowings as compared to shareholders' funds. A company with high leverage tends to be more vulnerable when its business goes through a slowdown. At a leverage of 43% in FY2013, the Group's capital is funded to a higher degree from shareholders' funds as opposed to external debt. In FY2015 net borrowings are projected to increase to €30.9 million (from €21.4 million in FY2013) as the Group utilises the remaining net Bond proceeds, not previously utilised to repay outstanding bank borrowings, to modernise the factory and to construct the mixed-used commercial property. Furthermore, additional bank financing is expected to be raised to fund the renovation project of the Mavina Hotel. As a result, the gearing ratio of the Group is set to reach 52% by the end of FY2015. The Directors expect this higher leverage to be temporary as cash balances gradually increase through improved revenues and earnings generated from a more efficient factory, the new commercial premises and the re-opening of the Mavina Hotel.

PART 3

5. COMPARABLES

The table below compares the Company and its proposed bond issues to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. The list includes all issuers (excluding financial institutions) that have listed bonds maturing in the medium term (within six to ten years), similar to the duration of the Company's bonds. Although there are significant variances between the activities of the Company and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with the Company's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Company.

Comparative Analysis	Nominal Value (€'000)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'million)	Net Asset Value (€'million)	Gearing Ratio (%)
7.0% GH Marina plc 2017/20	11,659	5.65	n/a	47.03	24.90	37
6.8% Premier Cap. plc 2017/20	24,656	5.60	3.38	69.58	16.17	67
6.0% S. Farsons Cisk plc 2017/20	15,000	4.89	8.59	151.53	91.93	24
6.6% Eden Finance plc 2017/20	14,133	5.85	3.01	100.23	43.69	46
6.2% Tumas Investments plc 2017/20	25,000	4.89	3.74	286.00	93.60	55
4.9% Gasan Finance plc 2019/21	25,000	4.53	3.27	185.34	81.68	38
6.0% Corinthia Fin. plc 2019/22	7,500	5.41	2.09	1,299.87	677.82	39
6.0% Medserv plc 2020/23	20,000	5.28	3.38	22.46	8.16	49
5.5% Pendergardens Dev plc 2020	15,000	4.68	n/a	18.74	3.27	53
6.0% MIH plc 2021	12,000	6.27	3.40	350.91	166.14	39
6.0% Pendergardens Dev plc 2022	27,000	5.05	n/a	18.74	3.27	53
5.8% IHI plc 2023	10,000	5.51	2.54	1,092.67	626.49	33
6.0% AXI plc 2024	40,000	5.18	2.89	157.01	88.03	54
6.0% IHG plc 2024	35,000	5.06	2.29	141.14	36.20	65
5.3% Mariner Finance plc 2024	35,000	4.96	61.50	55.14	15.70	68
5.0% Tumas Investments plc 2024	25,000	4.22	3.74	286.00	93.60	55
5.0% Hal Mann Vella plc 2024	30,000	5.00	1.52	60.55	28.08	43

19 September 2014

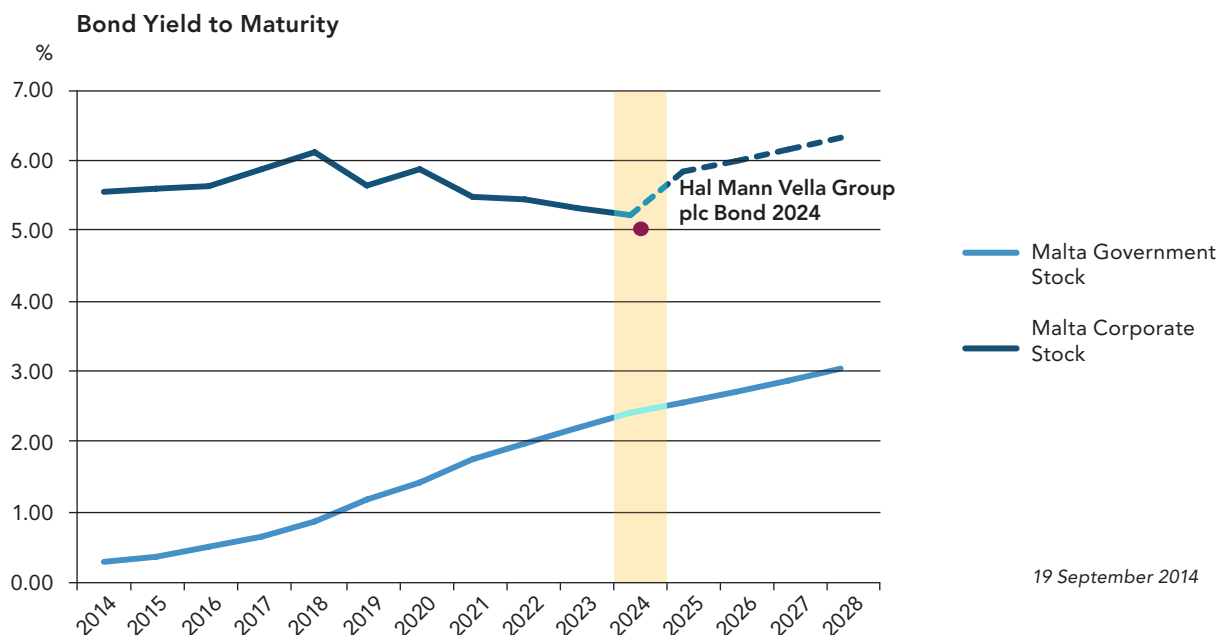
Source: Malta Stock Exchange, Charts Investment Management Service Limited

Annual Accounts: For the year ended 31 December 2013, except for Island Hotels Group Holdings plc (YE 31/10/2013), Simonds Farsons Cisk plc (YE 31/01/2013), Tumas Investments plc (YE 31/12/2012) and AX Investments plc (YE 31/10/2013).

The interest cover ratio determines the ability of a company to pay interest on its outstanding borrowings. For the financial year ended 31 December 2013, the Group's earnings before depreciation, interest and taxes was 1.52 times higher than interest expenses for the year. This indicates that the Group is generating sufficient higher earnings to service its outstanding debt.

The debt to equity ratio or gearing ratio demonstrates the degree to which the capital employed in a business is funded by external borrowings as compared to shareholders' funds. A company with high leverage tends to be more vulnerable when its business goes through a slowdown. At a gearing ratio of 43%, the Group's external net debt is almost equal to its shareholders' funds.

The chart below shows the yield to maturity of the proposed bond as compared to other corporate bonds listed on the Malta Stock Exchange. The Malta Government Stock yield curve has also been included as the benchmark risk-free rate for Malta.



To date, there are no corporate bonds which have a redemption date beyond 2024 and therefore a trend line has been plotted (denoted in the above chart by the dashed line). The premium over Malta Government Stock has been assumed at 334 basis points, which is the average premium for medium term corporate bonds listed on the Malta Stock Exchange. The Hal Mann Vella Group 5% Secured Bonds 2024 has been priced at 268 basis points above Malta Government Stock and broadly equal to listed corporate bonds.

PART 4

6. EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including manufacturing, products & general contracting services, property development & letting, hospitality and apparel.
Net operating expenses	Net operating expenses include the cost of raw materials, labour expenses, inventory, food, beverages, consumables and all other direct expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Share of results of joint ventures	The Hal Mann Vella Group owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the Group, but the Group's share of profit is shown in the profit and loss account under the heading 'share of results of joint ventures'.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Profitability Ratios	
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Company.
Cash flow from investing activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Company.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Company.
Balance Sheet	
Non-current assets	Non-current assets are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include investment properties, and property, plant & equipment and investments accounted for using the equity method.
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include inventory, accounts receivable, cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt.

Net debt	Borrowings before unamortised issue costs less cash and cash equivalents.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include bank borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.
Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's EBITDA of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.

