

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

## COMPANY ADMISSION DOCUMENT

Dated 25<sup>th</sup> January 2019

In respect of an issue of €5,000,000 5% Secured Callable Bonds 2026-2029

of a nominal value of €100 per Bond issued at par by



Borgo Lifestyle Finance plc

Borgo Lifestyle Finance plc - A public limited liability company registered in Malta  
with company registration number C 88245

**ISIN: MT0002151208**

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

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

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

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

APPROVED BY THE DIRECTORS

A handwritten signature in black ink, appearing to read "Claus Thottrup".  
Claus ThottrupA handwritten signature in black ink, appearing to read "Niels Bentzen".  
Niels BentzenA handwritten signature in black ink, appearing to read "Stuart Blackburn".  
Stuart Blackburn

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## IMPORTANT INFORMATION

THIS DOCUMENT CONTAINS INFORMATION ON BORGO LIFESTYLE FINANCE PLC IN ITS CAPACITY AS ISSUER IN COMPLIANCE WITH THE PROSPECTS MTF RULES ISSUED BY THE MALTA STOCK EXCHANGE. APPLICATION HAS BEEN MADE TO THE EXCHANGE FOR THE BONDS TO BE ADMITTED TO TRADING ON PROSPECTS MTF. PROSPECTS MTF IS A MARKET DESIGNED PRIMARILY FOR EMERGING AND SMALLER COMPANIES TO WHICH A HIGHER INVESTMENT RISK TENDS TO BE ATTACHED. PROSPECTS MTF SECURITIES ARE NOT ADMITTED TO THE OFFICIAL LIST OF THE MALTA STOCK EXCHANGE.

THE BONDS SHALL BE ISSUED AT PAR AND BEAR INTEREST AT THE RATE OF 5% PER ANNUM PAYABLE ANNUALLY IN ARREARS ON 7<sup>th</sup> FEBRUARY OF EACH YEAR UNTIL THE REDEMPTION DATE, WITH THE FIRST INTEREST PAYMENT DATE FALLING DUE ON 7<sup>th</sup> FEBRUARY 2020. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON 7 FEBRUARY 2029, SUBJECT TO THE ISSUER'S OPTION TO REDEEM ALL OR ANY PART OF THE BONDS IN TERMS OF THE EARLY REDEMPTION SCHEDULE PRIOR TO THE REDEMPTION DATE BETWEEN AND INCLUDING 7<sup>th</sup> FEBRUARY 2026 AND 6<sup>th</sup> FEBRUARY 2029 (THE "EARLY REDEMPTION DATES") AS THE ISSUER MAY DETERMINE ON GIVING NOT LESS THAN THIRTY (30) DAYS NOTICE IN WRITING TO BONDHOLDERS.

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

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

THIS ADMISSION DOCUMENT DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES ISSUED BY THE ISSUER BY ANY PERSON IN ANY JURISDICTION: (I) IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED; OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR (III) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THE ADMISSION DOCUMENT IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND, ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS. THIS ADMISSION DOCUMENT AND THE OFFERING, SALE OR DELIVERY OF ANY BONDS MAY NOT BE TAKEN AS AN IMPLICATION: (I) THAT THE INFORMATION CONTAINED IN THE ADMISSION DOCUMENT IS ACCURATE AND COMPLETE SUBSEQUENT TO ITS DATE OF ISSUE; OR (II) THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN THE FINANCIAL POSITION OF THE ISSUER SINCE SUCH DATE; OR (III) THAT ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE ADMISSION DOCUMENT IS ACCURATE AT ANY TIME SUBSEQUENT TO THE DATE ON WHICH IT IS SUPPLIED OR, IF DIFFERENT, THE DATE INDICATED IN THE DOCUMENT CONTAINING THE SAME. A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT LEGAL ADVISORS, ACCOUNTANTS AND/OR OTHER FINANCIAL ADVISORS AS TO LEGAL, TAX, INVESTMENT OR ANY OTHER RELATED MATTERS CONCERNING THE BONDS AND THE ADMISSION DOCUMENT. SAVE FOR THE OFFERING OF SECURITIES IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT AN OFFERING OF THE BONDS OR THE DISTRIBUTION OF THE ADMISSION DOCUMENT (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

A COPY OF THE ADMISSION DOCUMENT HAS BEEN SUBMITTED TO THE EXCHANGE IN SATISFACTION OF THE PROSPECTS MTF RULES. **STATEMENTS MADE IN THIS ADMISSION DOCUMENT ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.**

ALL THE ADVISORS TO THE ISSUER NAMED IN THIS ADMISSION DOCUMENT UNDER THE HEADING "ADVISORS AND STATUTORY AUDITORS" HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS OFFER AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL, ACCORDINGLY, NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE ADMISSION DOCUMENT.

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

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

## 1. DEFINITIONS

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

<b>Act or Companies Act</b>	the Companies Act, 1995 (Cap. 386 of the Laws of Malta);
<b>Admission Document or Document</b>	this document in its entirety dated 25 <sup>th</sup> January 2019;
<b>Applicant/s</b>	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
<b>Application/s</b>	the application to subscribe for Bonds made by an Applicant/s by completing an Application Form and delivering same to the Placement Agent and Manager (defined below) in accordance with the terms of this Admission Document;
<b>Application Form</b>	the form of application for subscription to Bonds, a specimen of which is contained in Appendix C of this Admission Document;
<b>Appropriateness Test</b>	shall have the meaning set out in section 20.15 of this Document;
<b>Big Blue Cruising Limited</b>	Big Blue Cruising Limited, a limited liability company registered and existing under the laws of Malta with company registration number C 66386 and having its registered office at Vaults 13-15, Valletta Waterfront, Floriana FRN1914, Malta;
<b>Borgo Hotel</b>	The Borgo Santo Pietro Hotel, situated at Via Borgo Santo Pietro 110, Chiusdino, Siena, Italy;
<b>Borgo Lifestyle Group srl</b>	a limited liability company registered and existing under the laws of Italy with company registration number MI-2082215 and having its registered office at Via Torino 2, Milano (MI) CAP 20123, Italy;
<b>Borgo Security Trust Bond(s)</b>	the trust established in virtue of the Security Trust Deed; €5,000,000 secured bonds due in 2026 - 2029 of a nominal value of €100 per bond bearing an interest rate of 5% per annum, issued at par and redeemable on the Redemption Date at their nominal value;
<b>Bondholder</b>	a holder of Bonds;
<b>Bond Issue</b>	the issue of the Bonds;
<b>Bond Issue Price</b>	the price of €100 per Bond;
<b>Business Day</b>	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
<b>Calamatta Investment Limited</b>	<b>Cuschieri Services</b> Calamatta Cuschieri Investment Services Limited, a limited liability company registered under the laws of Malta with company registration number C13729, having its registered office at Ewropa Business Centre, Triq Dun Karm, B'Kara, BKR 9034, Malta;
<b>Change of Control</b>	upon the occurrence of certain "change of control events", the Issuer will be required to offer to repurchase the Bonds at a purchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of such repurchase. "Change of control events" are defined in section 19.23 of this Admission Document;
<b>Collateral Rights</b>	the following security rights granted by the Issuer, EMD Trust Services Limited and Big Blue Cruising Limited, as applicable, in favour of the Security Trustee for the benefit of Bondholders:



- a first priority mortgage on the Vessel (as defined below), in favour of the Security Trustee in its capacity as trustee of the Borgo Security Trust pursuant to the terms of the Security Trust Deed;
- a pledge by the Issuer and EMD Trust Services Limited of all of their respective shares held in Big Blue Cruising Limited, from time to time, in favour of the Security Trustee in its capacity as trustee of the Borgo Security Trust pursuant to the terms of the Pledge Agreement and the Security Trust Deed. Big Blue Cruising Limited is the registered owner and operator of the Vessel; and
- a pledge over the proceeds from the Insurance Policy (as defined below), in favour of the Security Trustee in its capacity as trustee of the Borgo Security Trust pursuant to the terms of the Security Trust Deed;

<b>Corporate Advisor</b>	Calamatta Cuschieri Investment Services Limited;
<b>Company or Issuer</b>	Borgo Lifestyle Finance plc, a public limited liability company registered and existing under the laws of Malta with company registration number C 88245 and having its registered office at Vaults 14, Level 2, Valletta Waterfront, Floriana FRN 1914, Malta;
<b>CSD</b>	the Central Securities Depository of the Malta Stock Exchange authorised in terms of Part IV of the Financial Markets Act (Chapter 345 of the laws of Malta), having its address at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
<b>Directors or Board of Directors</b>	the Directors of the Issuer as set out in Section 7.1 of this Admission Document;
<b>Early Redemption Date/s</b>	any day falling between (and including) the 7th February 2026 and 6th February 2029 on which the Issuer shall be entitled, at its option and in its sole discretion, to redeem all or part of the Bonds then outstanding and all interest accrued up to the date of prepayment, by giving at least thirty (30) days' prior written notice of such prepayment to the Bondholders; and "Early Redemption" shall be construed accordingly;
<b>Early Redemption Schedule</b>	in the event that the Early Redemption Date lies between and including 7th February 2026 and 6th February 2027, the Issuer will be obliged to pay to Bondholders a 3% premium on the nominal value of the Bonds selected for early redemption (together with interest accrued to the date fixed for redemption). In the event that the Early Redemption Date lies between and including 7th February 2027 and 6th February 2028, the Issuer will be obliged to pay to Bondholders a 2% premium on the nominal value of the Bonds selected for early redemption (together with interest accrued to the date fixed for redemption). Early Redemption occurring on or after 7th February 2028 will be redeemed at par;
<b>EMD Trust Services Limited</b>	EMD Trust Services Limited, a limited liability company registered and existing under the laws of Malta with company registration number C 32231 and having its registered office at Vaults 13-15, Valletta Waterfront, Floriana FRN1914, Malta.
<b>Euro or €</b>	the lawful currency of the Republic of Malta;
<b>Exchange, Malta Stock Exchange or MSE</b>	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Chapter 345 of the laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
<b>Extended Group</b>	means the Group as defined, Borgo Lifestyle Group srl and Relais Borgo Santo Pietro srl;
<b>Financial Markets Act</b>	the Financial Markets Act, Cap. 345 of the Laws of Malta;
<b>FY</b>	Financial Year;
<b>Group</b>	Borgo Lifestyle Finance plc and its subsidiary company Big Blue Cruising Limited;
<b>Insurance Policy</b>	the insurance policy covering the replacement value of the Vessel;

<b>Interest</b>	the Bonds shall bear interest from and including 7 <sup>th</sup> February 2019 at the rate of 5% per annum payable annually in arrears on the Interest Payment Dates;
<b>Interest Payment Dates</b>	annually, on the 7 <sup>th</sup> February of each year commencing on the 7 <sup>th</sup> February 2020 and ending with and including the Redemption Date, unless part or all of the Bonds are redeemed at the Issuer's sole discretion on any of the Early Redemption Dates, in respect of the Bonds so redeemed; 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;
<b>Issue Period</b>	the period between the 30 <sup>th</sup> January 2019 until the 6 <sup>th</sup> February 2019 (or such earlier date as may be determined by the Issuer) during which the Bonds are available for subscription;
<b>Listing Authority</b>	the Malta Financial Services Authority, appointed as Listing Authority for the purposes of the Financial Markets Act (Chapter 345 of the laws of Malta) by virtue of Legal Notice 1 of 2003;
<b>Listing Rules</b>	the listing rules issued by the Listing Authority, as may be amended from time to time;
<b>Malta Stock Exchange Bye-Laws</b>	the Malta Stock Exchange p.l.c. bye-laws issued by the authority of the board of Directors of Malta Stock Exchange p.l.c., as may be amended from time to time;
<b>MFSA</b>	the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act, Cap. 330 of the Laws of Malta;
<b>Official List</b>	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
<b>Placement Agent and Manager</b>	Calamatta Cuschieri Investment Services Limited;
<b>Pledge Agreement</b>	the pledge of shares agreement entered into by and between the Issuer, EMD Trust Services Limited, Big Blue Cruising Limited and the Security Trustee pursuant to which the Issuer and EMD Trust Services Limited granted a pledge over all of their respective shares held in Big Blue Cruising Limited, from time to time, in favour of the Security Trustee in its capacity as trustee of the Borgo Security Trust pursuant to the terms of the Security Trust Deed <sup>1</sup> ;
<b>Prospects MTF Market or Prospects MTF</b>	the market regulated as a Multilateral Trading Facility operated by the MSE providing a venue for start-up and growth of small to medium-sized enterprises to float their capital (including equity or debt) on the market;
<b>Prospects MTF Rules or Rules</b>	the rules issued by the Board of Directors of the Malta Stock Exchange, in exercise of the powers conferred on it by the Financial Markets Act (Chap. 345 of the Laws of Malta) regulating the Prospects MTF market;
<b>Prospectus Directive</b>	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as may be amended from time to time;
<b>Prospects MTF List</b>	the list prepared and published by the Malta Stock Exchange as the list indicating the companies admitted to Prospects MTF in accordance with the Prospects MTF Rules;
<b>Redemption Date</b>	7 <sup>th</sup> February 2029, unless otherwise redeemed at the Issuer's sole discretion on any of the Early Redemption Dates;

<sup>1</sup> As at the date of this Admission Document Big Blue Cruising Limited has an authorised and issued share capital of €10,001 divided into 10,000 Ordinary A shares of €1 each, fully paid up, held by the Issuer, and 1 Ordinary B share of €1, fully paid up, held by EMD Trust Services Limited.

<b>Redemption Value</b>	redemption at par;
<b>Relais Borgo Santo Pietro srl</b>	a limited liability company registered and existing under the laws of Italy with company registration number SI 147954 and having its registered office at Via Borgo Santo Pietro 110, Chiusdino, Siena, Italy;
<b>Security Trust Deed</b>	the security trust deed dated 18 <sup>th</sup> December 2018 entered into by and between the Security Trustee, the Issuer and Big Blue Cruising Limited, in virtue of which the Security Trustee is appointed to hold and administer the Collateral Rights for the benefit of Bondholders;
<b>Security Trustee</b>	GVZH Trustees Limited, a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 23095 and having its registered office at 192, Old Bakery Street, Valletta VLT 1455, Malta, which is duly authorised and qualified to act as a trustee or co-trustee in terms of Article 43(3) of the Trusts and Trustees Act (Chapter 331 of the laws of Malta), in its capacity as trustee of the Borgo Security Trust pursuant to the terms of the Security Trust Deed;
<b>Small and medium-sized enterprises or SMES</b>	enterprises as defined in section 2 (1) of the Companies Act, Chapter 386 of the laws of Malta, that is, companies which, according to their last annual or consolidated accounts, meet at least two of the following three criteria: <ul style="list-style-type: none"> <li>- an average number of employees, during the financial year, of less than 250;</li> <li>- a total balance sheet not exceeding forty-three million euro (€43,000,000);</li> <li>- an annual net turnover not exceeding fifty million euro (€50,000,000);</li> </ul>
<b>Suitability Test</b>	shall have the meaning as set out in Section 20.15 of this Admission Document;
<b>Summary</b>	a summary of the salient features of this Document, as contained in the section entitled "Summary";
<b>Terms and Conditions</b>	the terms and conditions of the Bonds contained in this Document under the heading "Terms and Conditions of the Bonds";
<b>The Transfer</b>	On 1 <sup>st</sup> October 2018 the Issuer acquired the entire shareholding held by Borgo Lifestyle Group srl in Big Blue Cruising Limited, which owns and operates the Vessel;
<b>Vessel</b>	the luxury Satori vessel, owned in its entirety by Big Blue Cruising Limited, as described in section 8 of this Admission Document and the specifications and details of which vessel are set out in the marine surveyor's valuation report annexed to this Admission Document and marked as Annex A;

All references in this Document to "Malta" are to the "Republic of Malta".

Unless it appears otherwise from the context:

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

## 2. SUMMARY

The following summary should be read as an introduction to the Admission Document. Essentially, this Summary is being provided to convey the essential characteristics and risks associated with the Issuer and the securities being offered in terms of this Admission Document. Any decision to invest in the Company should be based on a consideration of the Admission Document as a whole. It is not and does not purport to be exhaustive and investors are warned that they should not rely on the information contained in this Summary alone in making a decision as to whether to invest in the securities described in this document. Any decision to invest in the securities should be based on consideration of the Admission Document as a whole by the investor.

Civil liability attaches to those persons who have tabled the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Admission Document.

### Section A – Information regarding the Issuer

A.1 **Legal and commercial name of the Issuer** - The legal and commercial name of the Issuer is Borgo Lifestyle Finance plc (registration number C 88245).

A.2 **Domicile and legal form of the Issuer** – The Issuer was registered in Malta on the 11<sup>th</sup> September 2018, as a private limited liability company and converted to a public limited liability company on the 12<sup>th</sup> December 2018. The Issuer is domiciled in Malta.

A.3 **Nature of the operations and its principal activities -**

#### **The Issuer**

The principal object of the Issuer is to carry on the activities of a holding and finance company and to subscribe for, take, purchase or otherwise acquire and hold shares, stocks, debentures or other securities of any other company; to grant inter-company financing and to collect funds through bond issues. The Bond Issue falls within the objects of the Issuer. The Issuer is a special purpose vehicle that was set up specifically to act as a holding company for the Group.

#### **The Group**

As the Issuer does not carry out any trading activities itself, it is economically dependent on the business prospects of the Group, the core operations of which are the ownership, management and operation of the Vessel named Satori.

The Vessel is a 136-foot wooden sailing yacht, completed in 2017 in a Turkish boatyard. The Vessel was designed in the spirit of the schooners with all the interiors and comfort luxuriously designed and taking inspiration from the bygone days of the 20's and 30's to give a classic look. The Vessel is positioned amongst the most luxurious and high-end sailing yachts in the world thanks to the use of the finest materials and the latest technology used in its handcrafted components, its tailor-made offers, and its exclusive service and impeccable quality. The Vessel, which is owned by Big Blue Cruising Limited, is registered and operated out of Malta.

The Vessel accommodates up to 10 guests and a crew of 8-9 people with many areas to relax both collectively and individually. The Vessel has five bedrooms, five external private areas and a very large internal saloon. The bedrooms are built with all the highest comforts and large windows to bring light and the sea at full view with all the modern comforts and high-class bathrooms. The Vessel's guests enjoy Michelin-starred dining prepared by a personal chef from the Group's restaurants Meo Modo and La Bottega del Buon Caffé, on-board spa facilities, a range of the latest innovative water toys, and an extensive program of concierge activities managed by five-star boutique hotel and estate Borgo Santo Pietro Hotel (the "Borgo Hotel"), a 5-star boutique hotel located near Siena, in Tuscany, owned and operated by the Extended Group.

This product is being marketed through the same sales channels of the Borgo Hotel allowing numerous cross-selling opportunities and to advert the vessel experience on the most prestigious magazines and newspapers around the world.

The Vessel is mainly used during the summer months, for a maximum of 17 weeks per year. During the winter months the boat is docked in a protected ship yard in Bodrum, Turkey. In March it is put back into the water and set up for the season and later moved to station in Scarlino, ready for the first cruise. The charter season starts in June and ends in September when the boat returns to Bodrum and is again put up on the dry.

Satori started its operation in late summer 2017. The Vessel is available to sail throughout the Mediterranean in Italian, French, Greek, Turkish and Croatian waters, with a weekly itinerary that can be customised by guests.

### **The Extended Group**

Claus and Jeanette Thottrup, the ultimate beneficial owners, utilized their backgrounds in property development and fashion design to transform an 800-year-old ruined villa in the heart of Tuscany into the luxurious five-star hotel it is today. They started operating Borgo Santo Pietro in 2008. The Borgo Hotel was subject to a phased investment of €16 million between 2008 and 2016 for the development of 20 luxury suites and hotel facilities, which include a holistic spa, cooking school, and two restaurants, one of which is a Michelin-starred restaurant (Meo Modo Restaurant). The Borgo Hotel property includes a 200-acre organic farm, vineyards and 13-acre gardens.

The Borgo Hotel targets leisure travellers who are looking for a high quality, authentic Tuscan experience, offering a best in class service among boutique hotels in Europe. The target market is very varied, with clientele ranging from the ages of 30 to 90 years of age.

The Borgo Hotel aims to combine the true luxury with the experience of living like the local communities, while not losing the comfort and security of professional surroundings, to satisfy the kind of clientele described above.

In order to improve the profitability of the operations, the owners of the Borgo Hotel intend to expand the hotel to include even more experiences and comforts such as a large new spa project, which is designed to be like the old Roman baths. Designs include a space with large fire places and the ambience of the old roman bath houses where people can spend the day relaxing and enjoying the authenticity from the Italian past. The owners also intend to open a new gourmet restaurant with kitchen at full view situated directly into the wine field to connect the dining experience with the nature that supports it. The development programme also includes the addition of four suites.

The boutique hotel currently operates seven months a year, however, following the above development programme, which will allow guests to enjoy the hotel services also during most of winter months, management intends to extend the opening period to 10 months.

**A.4 Shareholding structure** – The Authorised Share Capital of the Company is one hundred and seventy-five thousand Euro (€175,000) divided into one hundred and seventy-five thousand (175,000) Ordinary shares of one Euro (€ 1) each. The Issued Share Capital of the Company is one hundred and seventy-one thousand and two hundred Euro (€171,200) divided into one hundred and seventy-one thousand, two hundred (171,200) Ordinary shares of one Euro (€1) each, fully paid up, and held as to 171,199 Ordinary shares of €1 each by Borgo Lifestyle Group srl and 1 Ordinary share of €1 by Mr Claus Thottrup.

**A.5 Significant recent trends**

#### **Trend Information of the Issuer**

The Issuer is a special purpose vehicle that was set up specifically to act as a holding company for the Group. Accordingly, the Issuer is dependent on the business prospects of the Group and, therefore, the trend information of the members of the Group and the Extended Group (detailed below) has a material effect on its financial position and prospects. There has been no material adverse change in the prospects of the Issuer since the date of its incorporation.

#### **Trend Information of the Extended Group**

As at the time of publication of this Admission Document, the Group, as well as the Extended Group, consider that generally they shall be subject to the normal risks associated with the luxury segment within the hospitality and yacht industry, and, barring unforeseen circumstances, do not anticipate any trends, uncertainties, demands, commitments

or events outside the ordinary course of business that could be considered likely to have a material effect on the upcoming prospects of the Group and its business, at least with respect to the current financial year. However, investors are strongly advised to carefully read the risk factors in this Document.

#### *Luxury goods industry*

The Extended Group is generally exposed to the trends of the luxury goods industry. According to “The Wealth Report” issued by Knight Frank<sup>2</sup> the number of ultra-wealthy people (those with net assets of US\$50 million or more) rose by 10% in 2017. As at 2017 the population of persons with a net worth above US\$5 million stood at 2,535,480, up from 2,108,530 at 2012 (up 20%) and is expected to increase to 3,617,550 or by 43% by 2022. Ultra-wealthy (US\$50 million or more) is expected to increase by 40% between 2017-2022.

The overall luxury goods industry, including products and services, is worth approximately €915 billion today and is expected to reach about €1,260 billion in 2024.<sup>3</sup> A significant trend within the luxury industry is the rise of experiential luxury, including categories such as high-end food and wine, luxury hotels, and exclusive vacations. By 2022, the experiential segment is forecast to account for nearly two-thirds of the total luxury market—representing a fundamental shift in consumer behaviour, from owning to being.<sup>4</sup> According to Business Insider, travel and hospitality is the first item per value in the annual spending of high net worth individuals.

“Luxury experiences,” according to Bain & Company, accounted for more than 29% of the total global luxury market and grew 5% faster than the total personal luxury goods segment in 2016. These experiences include luxury hotels, cruises and restaurants, as well as fine wines, spirits and food.<sup>5</sup>

Affluent citizens of the United States of America, the second largest group in the luxury hotels market after Chinese people, favoured Europe, especially Italy, Britain and France. While around 10 international brands dominate the market, independent owners of luxury hotels account significant source of revenue growth, as well as innovation.

Wellness continues to be a growing theme for travellers, whether it is unique spa treatments, yoga and meditation retreats or taking advantage of the great outdoors. Today’s travellers are straying from “cookie-cutter” hotel stays and seeking more authentic experiences. The further afield the better for today’s intrepid travellers looking to escape the crowded tourist traps and head to under-the-radar destinations.<sup>6</sup>

A recent survey conducted by Travel Leaders Group reveals that luxury travellers are most interested in exclusive access and experiences, particularly VIP tours, private cars and drivers, and customized culinary experiences. The survey also found the top three international destinations among luxury travellers to be European (river) cruising, Caribbean cruising, and Italy, with European/Mediterranean cruising and Mexico rounding out the top five.<sup>7</sup>

#### *Luxury yacht charter industry*

A noticeable trend in the luxury yacht charter market is the rising demand for luxury yachts due to the increasing wealth of people, with a preference especially in European countries such as Italy and Croatia. Thus, improving disposable incomes is likely to have a positive influence on the global market. The emergence of high net worth individuals and growing demand for holidaying is also expected to open up several opportunities for the global market in the near future.<sup>8</sup> Revenue contribution of the sailing yacht segment to the global yacht charter market is expected to increase at a CAGR of 4.7% by 2027.<sup>9</sup>

#### *Hospitality industry in Italy<sup>10</sup>*

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<sup>2</sup> [The Wealth Report, 12th Edition \(2018\)](#)

<sup>3</sup> <https://www.bcg.com/d/press/20february2018-altagamma-true-luxury-global-consumer-insight-184693>

<sup>4</sup> <https://www.bcg.com/industries/consumer-products/luxury.aspx>

<sup>5</sup> <http://blog.glion.edu/from-qlion/power-hospitality-luxury-today/>

<sup>6</sup> <https://www.luxurytravelmagazine.com/news-articles/catch-the-latest-summer-travel-trends>

<sup>7</sup> <https://www.luxurytravelmagazine.com/news-articles/luxury-travelers-want-exclusive-experiences>

<sup>8</sup> <https://www.transparencymarketresearch.com/pressrelease/yacht-charter-market.htm>

<sup>9</sup> <https://www.prnewswire.com/news-releases/yacht-charter-market-global-industry-analysis-2012---2016-and-opportunity-assessment-2017---2027-300608942.html>

<sup>10</sup> Quoted figures were derived from Datatur unless otherwise indicated

Year 2017 was a positive year for the tourism industry on a worldwide level: according to the World Tourism Organisation (UNWTO) international tourists' arrivals registered an increase of 6.7% over 2016, and Europe was the area which experienced the highest increment of 8.4%. According to the UNWTO international tourists' arrivals in Europe in 2018 could register an additional increment between 3.5% and 4.5%.

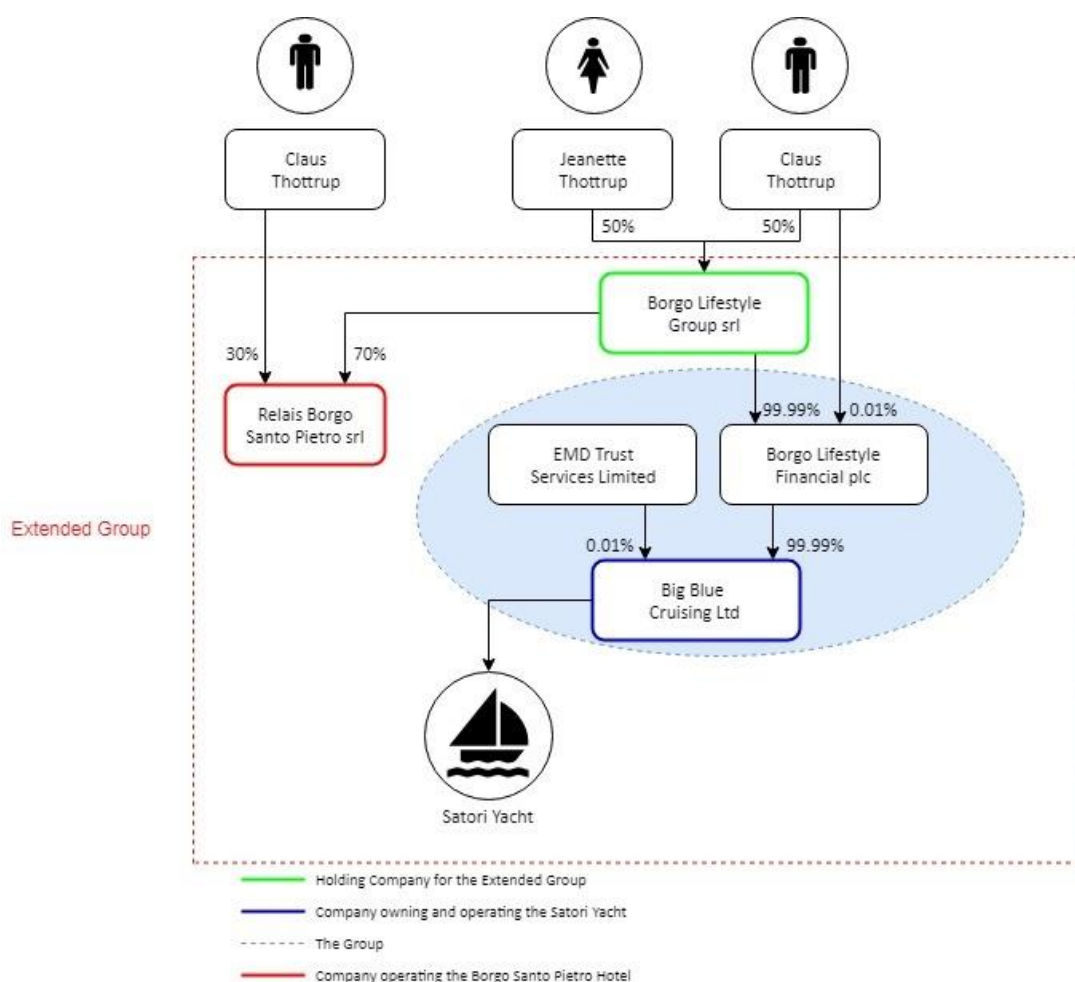
During 2016 Italy kept its first place in the preferences of non-European travellers who opted to lodge in collective accommodation establishments.

During 2017 tourists' arrivals and nights spent in Italy increased by 3.9% and 2.8% respectively, despite the earthquakes that hit central Italy during August 2016. In terms of nights spent, international tourists contributed the most to the growth, with an annual increase of 3.1%. Tourists from the United States of America experienced the highest growth, with an increment of 7.2%. Within the hotel segments, 5-star hotels experienced a growth in nights spent of 9% during 2017.

According an Italian hotels lobby group<sup>11</sup>, in the first six months of 2018, Italy registered a 2% increase in international tourists' nights spent in collective accommodation establishments.

Lazio, Lombardia, Veneto and Tuscany remained the regions that attracted the highest tourist expenditure in 2017, with over 60% of the tourist expenditure.

**A.6 Organisational Structure** - The organisational structure of the group of companies which the Issuer forms part of, as at the date of this Admission Document, is illustrated in the diagram below:



<sup>11</sup> Osservatorio Federalberghi - [www.federalberghi.it](http://www.federalberghi.it)

Claus Thottrup holds a 30% stake in Relais Borgo Santo Pietro srl, 15% is held directly whilst a further 15% is held through a holding company.

**A.7 Summary of Historical Financial Information** - The Issuer was set up on the 11<sup>th</sup> September 2018 and since its incorporation and up to the date of this Admission Document, no financial statements have been prepared. There has not been any significant change in the financial or trading position of the Issuer, which has occurred since the Company's date of incorporation. Historical Financial Statements and Projections of Relais Borgo Santo Pietro srl are contained in section 11.3 of this admission document.

Extracts from the historical financial statements of Big Blue Cruising Limited, as extracted from the audited financial statements for the financial years ended 31 December 2016 and 2017 are set out below.

#### Income statement

€	FY16	FY17
REVENUE	-	381,200
DIRECT COSTS	-	(209,472)
<b>GROSS PROFIT</b>	-	<b>171,728</b>
OPERATING AND ADMINISTRATIVE OVERHEADS	(81,001)	(291,093)
<b>RESULTS FROM OPERATING ACTIVITIES</b>	<b>(81,001)</b>	<b>(119,365)</b>
MOVEMENT IN PROVISION IN VALUE OF INVESTMENT IN SUBSIDIARY	(5,122)	5,122
<b>LOSS BEFORE TAX</b>	<b>(86,123)</b>	<b>(114,243)</b>
TAX EXPENSE	-	(1,000)
<b>LOSS AFTER TAX</b>	<b>(86,123)</b>	<b>(115,243)</b>

Source: Audited Financial Statements

During 2015 Big Blue Cruising Limited acquired the Vessel to then operate such yacht under charter. The construction of the Vessel was terminated during 2017. Accordingly, no revenues were generated until the second half of 2017, resulting in the company registering a loss for the period.

#### Statement of financial position

€	FY16	FY17
<b>ASSETS</b>		
NON-CURRENT ASSETS	2,207,317	8,878,150
CURRENT ASSETS	1,271	22,443
<b>TOTAL ASSETS</b>	<b>2,208,588</b>	<b>8,900,593</b>
<b>LIABILITIES</b>		
NON-CURRENT LIABILITIES	15,650	90,547
CURRENT LIABILITIES	12,813	2,452,264
<b>TOTAL LIABILITIES</b>	<b>28,463</b>	<b>2,542,811</b>
<b>EQUITY</b>	<b>2,180,125</b>	<b>6,357,782</b>

Source: Audited Financial Statements

Non-current assets refer primarily to the Vessel. The Vessel was purchased while being under construction in 2014 for €2.2 million via Big Blue Yachting Yatcilik SA, a Turkish company. Construction was completed in 2017 at an additional cost of €2.5 million, for a total cost of €4.7 million. The Vessel was subsequently revalued by an external independent qualified valuer at €9 million, as per Annex A. Big Blue Yachting Yatcilik SA currently still forms part of the Group, however is not trading and has immaterial amounts in its financial statements.

#### Cash Flow Statement



€	FY16	FY17
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
LOSS FOR THE YEAR BEFORE TAXATION	(86,123)	(114,243)
DEPRECIATION	-	137,500
MOVEMENT IN PROVISION IN VALUE INVESTMENT IN SUBSIDIARY	5,122	(5,122)
MOVEMENT IN WORKING CAPITAL	(28,687)	126,856
<b>CASH GENERATED / (LOST) FROM OPERATIONS</b>	<b>(109,688)</b>	<b>144,991</b>
TAX PAID	-	(1,000)
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>(109,688)</b>	<b>143,991</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(201,803)</b>	<b>(220,061)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>310,276</b>	<b>74,897</b>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	<b>(1,215)</b>	<b>(1,173)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,486	1,271
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>1,271</b>	<b>98</b>

Source: Audited Financial Statements

## Section B – The Securities

- B.1 Type and class of securities** – The Issuer shall issue an aggregate of €5,000,000 in Bonds having a face value of €100 per bond, subject to a minimum amount per subscription of €2,000 and in multiples of €100 thereafter. The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. On admission to trading on Prospects MTF, the Bonds will have the following ISIN: MT0002151208. The Bonds shall bear interest at the rate of 5% per annum and shall be repayable in full upon maturity on the 7<sup>th</sup> February 2029 (together with interest accrued to the date fixed for redemption) unless previously repurchased and cancelled, or in the event that the Issuer exercises the option to redeem all or any part of the Bonds at their nominal value prior to the Redemption Date, between 7<sup>th</sup> February 2026 and 6<sup>th</sup> February 2029 (the “Early Redemption Dates”) as the Issuer may determine in its absolute discretion on giving not less than thirty (30) days’ notice in writing to the Bondholders.
- B.2 Currency** - The Bonds are denominated in Euro (€).
- B.3 Transferability** - The Bonds are freely transferable and, once admitted to the Prospects MTF List, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time.
- B.4 Rights attached to the Bonds** - There are no special rights attached to the Bonds other than the right of the Bondholders to:
- the payment of interest;
  - the payment of capital;
  - ranking with respect to other indebtedness of the Issuer in accordance with the provisions of sub-section 19.4 of this Document;
  - the benefit of the Collateral Rights through the Security Trustee, in accordance with the provisions of section 19.5 of this Document;
  - attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and
  - enjoy all such other rights attached to the Bonds emanating from the Admission Document.
- B.5 Security** - Security for the fulfilment of the Issuer’s obligations in terms of the Bond Issue is being granted in favour of the Security Trustee for the benefit of Bondholders, by way, *inter alia*, of the granting of the Collateral Rights, as described hereunder.

Accordingly, Bondholders shall have the benefit of the Collateral Rights in accordance with the terms of the Security Trust Deed, as set out in section 19.5 of this Admission Document. 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.

Specifically, the Issuer and Big Blue Cruising Limited have entered into the Security Trust Deed (as per Annex H) with the Security Trustee which sets out the covenants of the Issuer to secure, pursuant to the granting of the security rights to be described below and up to the value of said security rights from time to time, the payment of the principal amount under the Bonds on the Redemption Date and interest thereon on each Interest Payment Date, as well as to observe all obligations under the Pledge Agreement and under the Security Trust Deed. The Collateral Rights will be vested in the Security Trustee for the benefit of the Bondholders in proportion to their respective holding of Bonds. Pursuant to the provisions of the Security Trust Deed, the Collateral Rights have been duly constituted in favour of the Security Trustee prior to the date of this Admission Document and allotment of the Bonds pursuant to and in terms of this Admission Document. Accordingly, following the issue of the Bonds the Security Trustee will have the benefit of priority in ranking over the Vessel.

The Issuer and Big Blue Cruising Limited have agreed to grant the Collateral Rights in favour of the Security Trustee for the benefit of Bondholders, as primary beneficiaries, in terms of the Security Trust Deed and the Pledge Agreement, and for such purpose have appointed the Security Trustee to hold and administer the Collateral Rights under trust. The Collateral Rights will secure the claim of the Security Trustee, for the benefit and in the interest of Bondholders, for the repayment of the full amount of the principal and interest under the Bonds by a preferred claim over the Collateral Rights.

The Security Trustee's role includes holding and administering of the Collateral Rights for the benefit of the Bondholders and the enforcement of the said Collateral Rights 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.

Without prejudice to other powers and discretions of the Security Trustee in terms of the Security Trust Deed and the Pledge Agreement, the Security Trustee shall have the discretion to enforce the Collateral Rights on its own accord or upon receiving notice from the Bondholders that any of the Events of Default set out in section 19.14 of this Document has occurred in accordance with the provisions of this Company Admission Document.

The property held under trust in favour of the Security Trustee for the benefit of Bondholders will consist of the following:

- a first priority mortgage on the Vessel, in favour of the Security Trustee in its capacity as trustee of the Borgo Security Trust pursuant to the terms of the Security Trust Deed;
- a pledge by the Issuer and EMD Trust Services Limited of all of their respective shares held in Big Blue Cruising Limited, from time to time, in favour of the Security Trustee in its capacity as trustee of the Borgo Security Trust pursuant to the terms of the Pledge Agreement and the Security Trust Deed<sup>12</sup>; and
- a pledge over the proceeds from the Insurance Policy, in favour of the Security Trustee in its capacity as trustee of the Borgo Security Trust pursuant to the terms of the Security Trust Deed.

Upon admission of the Bonds on Prospects MTF, the Issuer shall make an official announcement on the prompt completion of all formalities legally constituting the said property held under trust giving rise to the Collateral Rights.

**B.6 Interest** - The Bonds shall bear interest from and including the 7<sup>th</sup> February 2019 till the 7<sup>th</sup> February 2029 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 Date being 7<sup>th</sup> February 2020, provided that any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is five percent (5%).

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<sup>12</sup> As at the date of this Admission Document Big Blue Cruising Limited has an authorised and issued share capital of €10,001 divided into 10,000 Ordinary A shares of €1 each, fully paid up, held by the Issuer, and 1 Ordinary B share of €1, fully paid up, held by EMD Trust Services Limited.

## Section C – Risks

### C. 1 Essential information on the key risks specific to the Issuer, the Group, the Extended Group and their business

- i. **Start-up Operation** – The Company was incorporated on the 11<sup>th</sup> September 2018. As at the date of the Document, the Issuer has no history of trading operations.
- ii. **Regulations governing the Group's operations** - The Group is exposed to possible fines for breaches of applicable regulations which carry both a financial as well as a reputational risk.
- iii. **Competition** - The hospitality and yacht chartering industry are characterised by strong and increasing competition. Severe competition and changes in economic and market conditions could adversely affect the Group's business and operating results.

Furthermore, the political turmoil in competing countries, such as Tunisia, Egypt, Turkey and France have led to a displacement of travellers to other destinations such as Italy, being perceived more secure, which no doubt has contributed to the Italian success. If these destinations were to re-open for business and achieve previous levels, this may adversely affect the success achieved to date.

- iv. **Substitute products** – The Group's financial performance might be negatively affected by the growing success of alternative hospitality solutions.
- v. **Exposure to general market conditions** - The health of the market in which the Group operates may be affected by a number of factors such as national economy, political developments, government regulations.
- vi. **Reliance on key senior personnel and management** - The Group's growth since inception is, in part, attributable to the efforts and abilities of key personnel of the Group. If one or more of these individuals were unable or unwilling to continue in their present position, they may not be replaceable within the short term, which could have an adverse effect on the Group's business, financial condition and results of operations.
- vii. **Reputational risk** - Reputational risk could materially and adversely affect the Group's ability to retain or attract customers, whose loss could adversely affect the Group's operations, financial condition and prospects.
- viii. **Litigation risk** - All industries, including the industry in which the Group operates are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit.
- ix. **Exposure to economic conditions** - Negative economic factors and trends could have a material impact on the business of the Group generally, and may adversely affect its revenues.
- x. **Risks relating to currency fluctuations** - The Group's operations are in part exposed, in the case of transactions not denominated in Euro, to foreign currency risk on transactions, receivables and borrowings that are denominated in a currency other than the Euro. As a result, exchange gains and losses may arise on the realisation of amounts receivable and the settlement of amounts payable in foreign currencies. The Group can be impacted by transaction risk, being the risk that the currency of the costs and liabilities of Group companies fluctuates in relation to the Euro (being the reporting currency of all Group companies), which fluctuation may adversely affect the Group's operating performance.
- xi. **Natural disasters, terrorist activity and war** - The hotel industry as well as the yacht industry may be adversely affected by natural disasters, terrorist activity and war, which events could directly or indirectly affect travel

patterns and reduce the number of business and leisure travellers and reduce the demand for accommodation and related services.

- xii. **Environmental liabilities** - The Group as well as the Extended Group may be exposed to environmental liabilities attaching to real estate property and vessel, such as costs for the removal, investigation or remediation of any hazardous or toxic substances that may be located on or in, or which may have migrated from, the property / vessel owned by it, which costs may be substantial.
- xiii. **Risks related to capacity within the hospitality and yacht charter industry** - The compounded rise of tourist beds and luxury yachts on offer can lead to an overcapacity within the industry and can contribute to a decline in occupancies. This could potentially trigger a price war, especially in the event of a dip in the market. If this were to happen, this will hit accommodation revenues and yields, reduce profits and negatively affect the level of return on investment registered over recent years.
- xiv. **Piracy risk** – The Satori Vessel may be exposed to incidents of piracy, especially should the Vessel start operating outside the Mediterranean, which could negatively affect the vessel's operations.
- xv. **Illiquidity of Extended Group's assets** - In view of the fact that a significant part of the Group and Extended Group's assets are immobilized in property and a luxury vessel, coupled with the fact that property and luxury yachts are relatively illiquid assets, such illiquidity may affect the Group's ability to vary its portfolio or dispose of or liquidate part of its portfolio in a timely manner and at satisfactory prices in response to changes in economic, real estate, market or other conditions.
- xvi. **Change in tax status under the Merchant Shipping Regulations (S.L. 234.43)** – Big Blue Cruising Limited is currently benefiting of the tax regime under the Merchant Shipping Regulations (S.L. 234.43), under which the Big Blue Cruising Limited is exempted from the Maltese Income Tax provided that all relevant tonnage taxes are duly paid. The applicability of these regulations could be challenged in future and increases in income tax regulations, tax audits or tax reform affecting the Group's operations may be imposed.
- xvii. **Risk related to the suspension / withdraw of the license to trade as a commercial yacht** - The certificate that allows the Vessel to operate as a commercial yacht is renewed every year subject to the compliance of the Vessel with the Commercial Yacht Code. Should the Vessel fail to comply with the relevant requirements, the license to operate as a commercial yacht with a Maltese flag could be suspended/withdrawn, with a negative effect on the Group operations, in addition to the loss of the benefit of the current tax treatment as discussed above.
- xviii. **Inability to adequately incentivise the Group's marketing agencies** – The inability of the Group to incentivise its marketing agencies, may negatively affect the sales and profitability of the Group.
- xix. **Changes in operating costs** – Increases in operating costs, including fuel, food, payroll, maintenance and repairs, insurance and berthing fees, may negatively affect the Group's profitability.
- xx. **Security** – Inadequacy or faults in the security measures adopted by the Group and / or its suppliers could lead to the theft or damage of the Vessel. Such an occurrence could negatively affect the Group's operations and profitability.
- xxi. **Delays in repairs of the Vessel** – Should the Vessel require repairs and had these be provided with delays, the operations and profitability of the Group may be affected.
- xxii. **Vessel valuation** - The valuation referred to in this Admission Document was prepared by an independent marine surveyor in accordance with the valuation standards of the insurance industry (Lloyd's). In providing a market value of the Satori Vessel, the independent marine surveyor has made certain assumptions, including the implementation of a maintenance programme, which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of

historical trends as reality may not match the assumptions. There can be no assurance that such Vessel valuation will reflect actual market values.

- xxiii. Risk relating to repairs, maintenance, ageing and downtime of the Vessels - Repairs to, and maintenance of, the Vessel and any other unexpected issues which may arise in this regard may require significant capital expenditure and result in a loss of revenue while the Vessel is in downtime, particularly given that, in general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. Insurance rates may increase with the age of a vessel, making older vessels more costly to operate and, therefore, less attractive to operators and charterers. In particular investors are warned that there is no insurance cover securing against any loss that might ensue from such downtime.

Governmental regulations and safety and/or other equipment standards related to the age of vessels may also require expenditures on alterations or new equipment for the Vessel and may restrict the type of activities in which the Group may engage. Each of these factors could have a material adverse effect on the business of the Group, its financial condition and the results of its future operations.

If the Vessel is unable to generate revenues for any significant period of time, whether for early termination of charter agreements or any other cause, whether anticipated or unanticipated, the Group's business, its financial condition and the results of its operations could be materially adversely affected.

## C.2 Essential information on the key risks specific to the Bonds

- i. No Assurance of an active Secondary Market in the Bonds - Upon successful admission, the Bonds will be traded on a multilateral trading facility but will NOT be traded on any regulated market. Hence the market for the Bonds may be less liquid than a regulated market and a Bondholder may find it more difficult to identify willing buyers for their Bonds.
- ii. Prior to the Bond Issue, there has been no public market nor trading record of the Bonds within or outside Malta. Due to the absence of any prior market for the Bonds, there can be no assurance that the Bond Issue Price will correspond to the price at which the Bonds will trade in the market subsequent to the Bond Issue.
- iii. Fluctuations in exchange rate - A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of the Bonds (€) and the Bondholder's currency of reference, if different.
- iv. Additional Indebtedness and Security - The Issuer may incur further borrowings or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future undertakings, assets or revenues (including uncalled capital).
- v. Effect of Future Public Offerings/Takeover/Merger Activity - 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 any of the Bonds prevailing from time to time.
- vi. Fixed Rate Bonds - The Issuer is entitled to issue Bonds bearing a fixed rate of interest which involves the risk that subsequent changes in market interest rates may adversely affect the market value of the said Bonds. Investors should also be aware that the price of the fixed rate Bonds moves adversely to changes in interest rates.
- vii. Discontinuation of Trading on Prospects MTF - Even after the Bonds are admitted to trading on Prospects MTF, the Issuer is required to remain in compliance with certain requirements of the Prospects MTF Rules issued by the Exchange as amended from time to time. Moreover, the MSE has the authority to suspend trading of the Bonds if it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The MSE may discontinue the trading of the Bonds on Prospects MTF. Such trading suspensions could have a material adverse effect on the liquidity and value of the Bonds.

- viii. **Value of the Bonds** - The value of investments can rise or fall, and past performance is not necessarily indicative of future performance.
- ix. **Ranking** - The Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall be secured by means of the Collateral Rights granted in terms of the Security Trust Deed and the Pledge Agreement. The Bonds shall at all times rank *pari passu*, without any priority or preference among themselves but they shall rank with priority or preference over other unsecured debt, if any. Whilst the Security Trustee has been granted a right of preference and priority for repayment over the Collateral Rights, there can be no guarantee that the value of the Collateral Rights over the term of the Bonds will be sufficient to cover the full amount of interest and principal outstanding under the Bonds. This may be caused by a number of factors, not least of which general economic factors that could have an adverse impact on the value of the Vessel or the Collateral Rights generally. If such circumstances were to arise or subsist at the time that the Collateral Rights are to be enforced by the Security Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Bonds. 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 other Group companies which may rank with priority or preference to the Collateral Rights. Furthermore, subject to the negative pledge clause (section 19.6 of this Admission Document), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect.
- x. **Credit rating** - The Issuer has not sought, nor does it intend to seek, the credit rating of an independent rating agency and there has been no assessment by any independent rating agency of the Bonds.
- xi. **Terms and Conditions** - The Terms and Conditions of the Bonds are based on Maltese law in effect as at the date of this document and a change in Maltese law may have an effect on the terms of the Bonds. In the event that the Issuer wishes to amend any of the Terms and Conditions of issue of the Bonds it shall call a meeting of Bondholders. The provisions relating to meetings of Bondholders permit defined majorities to bind all Bondholders, including Bondholders who do not attend and vote at the relevant meeting and Bondholders who vote in a manner contrary to the majority.
- xii. **Early redemption** - The Issuer has the option to redeem the Bonds, in whole or in part, on any of the Early Redemption Dates, together with any accrued and unpaid interest until the time of redemption. This optional redemption feature may condition the market value of the Bonds. Should the Issuer decide to redeem the Bonds on any of the Early Redemption Dates, the Bondholder may not be able to reinvest his monies at an equivalent or higher rate.

## Section D – Offer

- D.1 **Use of Proceeds** - The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €4,820,000, shall be used for the following purposes in the following amounts and order of priority:
- an amount of €2,000,000 will be channelled to Big Blue Cruising Limited as an interest-bearing loan. This will be used to refinance existing debt (totalling €2.3 million) which was undertaken to finance the construction of the Vessel;
  - an amount of €2,820,000 will be channelled to Relais Borgo Santo Pietro srl as an interest-bearing loan. This will be used to partly finance the upcoming upgrading project of the Borgo Hotel. The total cost of the Borgo Hotel project is of €7.3 million, which will be financed by bond proceeds (€ 2,820,000), an equity injection by the shareholders (€ 1,980,000) and by bank finance (€ 2,500,000).

Both loans will be repayable within the 10 year bond period.

In the event that the Bond Issue is not fully subscribed but subject in all cases to the Minimum Amount of €3,500,000 being subscribed, the Issuer will proceed with the admission of the amount of Bonds subscribed for and the proceeds from the Bond Issue 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 above which shall not have been raised through the Bond Issue will seek to be financed from an equity injection in cash or the Group's general cash flow and/or bank financing.

- D.2 **Subscription** – The Issuer has appointed Calamatta Cuscheri as Placement Agent and Manager for the purposes of this Bond Issue and interested investors may contact the Placement Agent and Manager for the purposes of subscribing to Bonds during the Issue Period. Applications for subscriptions to the Bonds will be processed at the discretion of the Placement Agent and Manager and the offer may close earlier than that indicated in the timetable in the event of over subscription.

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

The Bond Issue is not underwritten. Should subscriptions for a total of at least €3,500,000 (the "Minimum Amount") not be received, no allotment of the Bonds shall be made, the Applications for Bonds shall be deemed not to have been accepted by the Issuer and all money received from Applicants for Bonds shall be refunded accordingly. In the event that the Minimum Amount is reached but the Bond Issue is still not fully subscribed, the Issuer will proceed with the allotment of the amount of Bonds subscribed.

The total amount of €5,000,000 of Bonds is being reserved for subscription by the Placement Agent and Manager participating in the Placement Offer as detailed in section 19.2 of this Document. The Issuer shall enter into a conditional subscription agreement with the Placement Agent and Manager for the subscription of Bonds, whereby it will bind itself to allocate Bonds thereto up to the total amount of €5,000,000 as aforesaid.

In terms of said subscription agreement entered into with the Placement Agent and Manager, the Issuer will be conditionally bound to issue, and the Placement Agent and Manager will be conditionally bound to subscribe to, up to the total amount of €5,000,000 of Bonds as indicated therein, each subject to the Minimum Amount of €3,500,000 being subscribed.

In terms of the said subscription agreement, the Placement Agent and Manager may subscribe for Bonds for its own account or for the account of underlying customers, including retail customers.

- D.4 **Fees** - Professional fees and costs related to publicity, advertising, printing, fees relating to the admission to trading on Prospects MTF, registration, corporate advisor, management, selling commission and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €180,000 and shall be borne by the Group.
- D.5 **Interest of natural and legal persons involved in the Issue** - Save for the subscription for Bonds by the Placement Agent and Manager and any fees payable to the Placement Agent and Manager in connection with the Bond Issue, to the best of the Issuer's knowledge no person involved in the Issue has an interest material to the Bond Issue.
- D.6 **Expected Timetable of Principal Events:**

1. Application Forms Available	30 <sup>th</sup> January 2019
2. Issue Period	30 <sup>th</sup> January 2019 to the 6 <sup>th</sup> February 2019
3. Commencement of interest on Bonds	7 <sup>th</sup> February 2019
4. Announcement of basis of acceptance	7 <sup>th</sup> February 2019
5. Issuance of Bonds	7 <sup>th</sup> February 2019
6. Expected date of Admission of the Bonds to <b>Prospects MTF</b>	12 <sup>th</sup> February 2019
7. Expected date of commencement of trading <b>in the Bonds</b>	13 <sup>th</sup> February 2019
8. Expected dispatch of allotment advices and refunds of unallocated monies	11 <sup>th</sup> February 2019

The Issuer reserves the right to close the subscription lists before the 6<sup>th</sup> February 2019 at 12:00 in the event of over-subscription. In this event, the events mentioned in steps three (3) to eighth (8) above, both included, shall be brought forward although the number of working days between the respective events shall not also be altered.



### 3. RISK FACTORS

THE VALUE OF INVESTMENTS, INCLUDING THE BONDS, CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY, UNLESS THE BONDS ARE PREVIOUSLY REPURCHASED OR CANCELLED, SUBJECT TO THE ISSUER'S OPTION TO REDEEM ALL OR ANY PART OF THE BONDS IN TERMS OF THE EARLY REDEMPTION SCHEDULE PRIOR TO THE REDEMPTION DATE BETWEEN AND INCLUDING 7<sup>th</sup> FEBRUARY 2026 AND 6<sup>th</sup> FEBRUARY 2029 (THE "EARLY REDEMPTION DATES") AS THE ISSUER MAY DETERMINE ON GIVING NOT LESS THAN THIRTY (30) DAYS NOTICE IN WRITING TO BONDHOLDERS. THE ISSUER SHALL REDEEM THE BONDS ON THE REDEMPTION DATE, UNLESS PREVIOUSLY REPURCHASED OR 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 THIS ADMISSION DOCUMENT, BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE ISSUER IS NOT IN A POSITION TO EXPRESS ANY VIEWS ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING. THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES. IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE ISSUER'S FINANCIAL RESULTS AND TRADING PROSPECTS AND THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES ISSUED BY THE ISSUER FROM TIME TO TIME.

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

NEITHER THIS ADMISSION DOCUMENT NOR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE BONDS: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION, NOR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER, THE CORPORATE ADVISOR, OR THE PLACEMENT AGENT & MANAGER THAT ANY RECIPIENT OF THIS DOCUMENT OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE ADMISSION DOCUMENT OR ANY BONDS, SHOULD PURCHASE ANY BONDS ISSUED BY THE ISSUER.

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

#### 3.1 Forward – Looking Statements

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

Important factors that could cause actual results to differ materially from the expectations of the Issuer's Directors include those risks identified under this heading "*Risk Factors*" and elsewhere in the Admission Document. If any of the risks described were to materialise, they could have a serious effect on the Issuer's and the Group's financial results, trading prospects and the ability of the Issuer to fulfil its obligations under the securities to be issued.

Accordingly, the Issuer cautions prospective investors that these forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied by such

statements, that such statements do not bind the Issuer with respect to future results and no assurance is given that the projected future results or expectations covered by such forward-looking statements will be achieved.

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

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

## 3.2 General

An investment in the Issuer and the Bonds may not be suitable for all recipients of this Admission Document and prospective investors are urged to consult an independent investment advisor licensed under the Investment Services Act (Chapter 370 of the laws of Malta) as to the suitability or otherwise of an investment in the Bonds before making an investment decision. In particular, such advice should be sought with a view to ascertaining that each prospective investor:

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

## 3.3 Risks associated with the Issuer - Start-Up Operation

### 3.3.1 Start-up Operation and dependency on Group’s performance

As at the date of this Admission Document, the Issuer has no history of trading operations. Hence, the Admission Document contains no historical financial information on the Issuer and prospective bondholders need to base their investment decision on the projections included in this Document. Given that the Issuer was set up with the primary objective of acting as the financing arm of the Group, its assets will primarily consist of receivables due by Group companies. The Issuer is dependent on the business of the Group and consequently, the operating results of the Group will directly influence the Issuer’s financial position. Therefore, the risks associated with the business operations of the Group will have a direct impact on the financial position of the Issuer as well as its ability to meet its obligations in connection with the payment of interest on the Bonds and repayment of principal when due.

Furthermore, given that the majority of the Issuer’s assets consist of loans issued to Group and Extended Group Companies, the Issuer is largely dependent on receipt of interest and loan repayments from the Group and Extended Group Companies. More specifically, the ability of Group and Extended Companies to effect payments to the Issuer will depend on their respective cash flows and earnings which may be affected by factors beyond the Issuer’s control. The occurrence of any such factors could in turn negatively affect the Issuer’s ability to meet its obligations under the Bonds.

### **3.3.2 Concentration of shareholding**

The Group is owned predominantly by Mr Thottrup, who is also a Director of the Issuer and other companies forming part of the Group, resulting in effective control over the Issuer being exercised by Mr Thottrup. Mr Claus Thottrup is considered to be of key importance to both the Issuer and the Group. Consequently, Mr Thottrup has the ability to significantly influence the decisions adopted at the general meetings of shareholders.

Furthermore, any unexpected dilution in or incapacity related to his control or influence over the Issuer or the Group could have an adverse effect on the Issuer if shareholder rights may not be exercised. There can be no assurance that such individual will not during the term of the Bonds dispose of any interest in the Issuer or the Group.

## **3.4 Risks relating to the Extended Group and the market in which it operates**

### **3.4.1 Competition**

The hospitality and yacht chartering business are competitive in nature and the number of players in this industry in Italy and abroad is substantial. The Group may face competition from new market entrants and/or from existing competitors. Additionally, new competitors may enter the market and control larger operations and additionally may be able to provide services at lower rates. If the Group is not able to compete successfully, the Group's earnings could be adversely affected. Competition may also prevent the Group from achieving its goal of profitability.

Furthermore, the political turmoil in competing countries, such as Tunisia, Egypt, France and Turkey have led to a displacement of travellers to other destinations such as Italy, which no doubt has contributed to the Extended Group success. If these destinations were to re-open for business and achieve previous levels, this may adversely affect the success achieved to date. We will also face tough competition because of the huge supply of beds put on the market offered at more competitive prices.

### **3.4.2 Substitute products**

Customers' preference may shift towards alternative hospitality and yacht solutions. If the Extended Group does not anticipate and respond quickly enough to capitalise on such changing trends, its operating results could be adversely affected.

### **3.4.3 Regulations governing operations**

The Extended Group is subject to taxation, environmental and health and safety laws and regulations and the costs of complying with both EU, Italian and Maltese regulations and standards relevant to the Extended Group's operations is an additional burden for the Extended Group. As with any business, the Extended Group is at risk in relation to changes in laws and regulations and the timing and effects of changes in the laws and regulations to which it is subject, including changes in the interpretation thereof which cannot be predicted. No assurance can be given as to the impact of any possible judicial decision or change in law or administrative practice after the date of the Admission Document upon the business and operations of Group companies. Additionally, the Extended Group is exposed to possible fines for breaches of applicable regulations, which carry both a financial as well as a reputational risk.

### **3.4.4 Risks related to human resources and reliance on key senior personnel and management**

The Extended Group faces the following key risks in relation to personnel:

- loss of key management personnel;
- loss of other key employees;
- delay in finding suitable replacements for lost personnel; and
- inability to find suitably qualified personnel to meet the Extended Group's business needs as it grows.

If any of these risks were to materialise, they could have a material adverse impact on the Extended Group's business, financial performance and financial condition.

Indeed, the Extended Group's growth since inception is, in part, attributable to the efforts and abilities of key personnel. If one or more of these individuals were unable or unwilling to continue in their present position, they may not be replaceable within the short term, which could have an adverse effect on the Group's business, financial condition and results of operations.

In common with many businesses, the Extended Group will be relying heavily on the contacts and expertise of its senior management teams and other key personnel. Although no single person is solely instrumental in fulfilling the Extended Group's business objectives, there is no guarantee that these objectives will be achieved to the degree expected following the possible loss of key personnel.

#### **3.4.5 Reputational risk**

Reputational risk is usually associated with conflicts of interest, regulatory compliance, remuneration systems, professional behaviour of the human resources, reputation and financial soundness of major shareholders, corporate culture, leadership and corporate strategy and its implementation. Reputational risk could materially and adversely affect the Group's ability to retain or attract customers, particularly institutional and retail customers, whose loss could adversely affect the Group's operations, financial condition and prospects. More specifically, reputational harm may result in the loss of market share and revenue, increased compliance costs and higher financing costs, reflecting the perceived increased risks.

#### **3.4.6 Exposure to general market conditions**

The health of the market in which the Extended Group operates may be affected by a number of factors over which the Issuer has no control, such as global economy, political developments, government regulations, changes in planning or tax laws, interest rate fluctuations, inflation, and the availability of financing and yields of alternative investments.

#### **3.4.7 Litigation risk**

All industries, including the industry in which the Extended Group operates are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation and dispute resolution process, there can be no assurance that the resolution of any particular legal proceeding or dispute will not have a material adverse effect on the Extended Group's future cash flow, results of operations or financial condition.

#### **3.4.8 Exposure to economic conditions**

The Extended Group is susceptible to adverse economic developments and trends. Negative economic factors and trends could have a material impact on the business of the Extended Group generally, and may adversely affect its revenues. In addition, the Extended Group may be impacted by increased competition from other similar developments and rising operating costs.

#### **3.4.9 Risk of injuries and fatalities**

The intrinsic nature of the industry in which the Extended Group operates could give rise to health and safety risks which require the Extended Group to adhere rigidly to health and safety regulations. Any failure to comply with such rules may entail hefty penalties as well as expose the Extended Group to litigation and the costs associated with claims for damages, thereby also negatively affecting the Extended Group's reputation.

#### **3.4.10 Financial strategy**

The Extended Group may not always be in a position to secure sufficient funding for its operations and investments. Failure to obtain, or delays in obtaining, the necessary capital required for the purposes of completing current or future projects on commercially reasonable terms may adversely affect the Extended Group's operations and prospects.

#### **3.4.11 Indebtedness**

The Extended Group's indebtedness could adversely affect its financial position. As at the publication of this Admission Document, the projected Extended Group's indebtedness for the financial year 2019, excluding interest free shareholder's loans treated as other equity, amounted to €4.1 million.

#### **3.4.12 Performance Risk**

The success of the Extended Group depends in large part on the ability of the management to effectively control its operations and maintain its capacity through effective marketing of its products and quality management. Should this be negatively impacted, it could have an adverse effect on the business performance of the Extended Group.

#### **3.4.13 Operational Risk**

The business of the Issuer can be negatively affected should the operations of the Extended Group run into cost overruns and adverse change in demand. This could prove detrimental to the Extended Group's ability to maintain and grow its sales and business operations. Furthermore, a portion of the Extended Group's operating expenses are fixed and therefore vulnerable to change in the Extended Group's revenue. The fixed operating costs cannot easily be reduced in order to react to changes in revenue and therefore this may have an adverse effect on the Extended Group's financial results.

#### **3.4.14 Inability to adequately incentivise the Extended Group's travel agents**

The inability of the Extended Group to incentivise its travel agents may negatively affect the sales and profitability of the Group.

#### **3.4.15 Illiquidity of Extended Group's assets**

In view of the fact that a significant part of the Extended Group's assets are immobilized in property and a luxury vessel, coupled with the fact that property and luxury yachts are relatively illiquid assets, such illiquidity may affect the Extended Group's ability to vary its portfolio or dispose of or liquidate part of its portfolio in a timely manner and at satisfactory prices in response to changes in economic, real estate, market or other conditions.

#### **3.4.16 Changes in operating costs**

Increases in operating costs, including fuel, food, payroll, maintenance and repairs, insurance and berthing fees, may negatively affect the Extended Group's profitability.

#### **3.4.17 Change in tax status under the Merchant Shipping Regulations (S.L. 234.43)**

Big Blue Cruising Limited is currently benefiting of the tax regime under the Merchant Shipping Regulations (S.L. 234.43), under which the Big Blue Cruising Limited is exempted from the Maltese Income Tax provided that all relevant tonnage taxes are duly paid. The applicability of these regulations could be challenged in future and increases in income tax regulations, tax audits or tax reform affecting the Group's operations may be imposed.

#### **3.4.18 Risk related to the suspension / withdraw of the license to trade as a commercial yacht**

The certificate that allows the Vessel to operate as a commercial yacht is renewed every year subject to the compliance of the Vessel with the Commercial Yacht Code. Should the Vessel fail to comply with the relevant requirements, the license to operate as a commercial yacht with a Maltese flag could be suspended/withdrawn, with a negative effect on the Group operations, in addition to the loss of the benefit of the current tax treatment as discussed above.

#### **3.4.19 Piracy risk**

The Vessel may be exposed to incidents of piracy, especially should the Vessel start operating outside the Mediterranean, which could negatively affect the vessel's operations.

#### **3.4.20 Security**

Inadequacy or faults in the security measures adopted by the Group and / or its suppliers could lead to the theft or damage of the Vessel. Such an occurrence could negatively affect the Group's operations and profitability.

#### **3.4.21 Delays in repairs of the Vessel**

Should the Vessel require repairs and had these be provided with delays, the operations and profitability of the Group may be affected.

#### **3.4.22 Risks relating to currency fluctuations**

The Extended Group's operations could be exposed, in the case of transactions not denominated in Euro, to foreign currency risk on transactions, receivables and borrowings that could be denominated in a currency other than the Euro. As a result, exchange gains and losses may arise on the realisation of amounts receivable and the settlement of amounts payable in foreign currencies. The Extended Group could be impacted by transaction risk, being the risk that the currency of the costs and liabilities of Extended Group companies fluctuates in relation to the Euro (being the reporting currency of all Extended Group companies), which fluctuation may adversely affect the Extended Group's operating performance.

#### **3.4.23 Vessel valuation**

The valuation referred to in this Admission Document was prepared by an independent marine surveyor in accordance with the valuation standards of the insurance industry (Lloyd's). In providing a market value of the Satori Vessel, the independent marine surveyor has made certain assumptions, including the implementation of a maintenance programme, which

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

#### **3.4.24 Risk relating to repairs, maintenance, ageing and downtime of the Vessels**

Repairs to, and maintenance of, the Vessel and any other unexpected issues which may arise in this regard may require significant capital expenditure and result in a loss of revenue while the Vessel is in downtime, particularly given that, in general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Insurance rates may increase with the age of a vessel, making older vessels more costly to operate and, therefore, less attractive to operators and charterers. In particular investors are warned that there is no insurance cover securing against any loss that might ensue from such downtime.

Governmental regulations and safety and/or other equipment standards related to the age of vessels may also require expenditures on alterations or new equipment for the Vessel and may restrict the type of activities in which the Group may engage. Each of these factors could have a material adverse effect on the business of the Group, its financial condition and the results of its future operations.

If the Vessel is unable to generate revenues for any significant period of time, whether for early termination of charter agreements or any other cause, whether anticipated or unanticipated, the Group's business, its financial condition and the results of its operations could be materially adversely affected.

### **3.5 Risks Relating to the Bonds**

#### **3.5.1 No Assurance of an active Secondary Market in the Bonds**

Upon successful admission, the Bonds will be traded on a multilateral trading facility but will NOT be traded on any regulated market. Hence, the market for the Bonds may be less liquid than a regulated market and a Bondholder may find it more difficult to identify willing buyers for their Bonds. The existence of an orderly and liquid market for the Bonds depends on a number of factors, including the presence of willing buyers and sellers of the Issuer's Bonds at any given time. Such presence is dependent upon the individual decisions of investors 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 Bondholders will be able to sell the Bonds at or above the price at which the Issuer issued the Bonds or at all.

#### **3.5.2 Fluctuations in exchange rate**

A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of the Bonds (€) and the Bondholder's currency of reference, if different.

#### **3.5.3 Absence of a prior market**

Prior to the Bond Issue, there has been no public market nor trading record of the Bonds within or outside Malta. Due to the absence of any prior market for the Bonds, there can be no assurance that the Bond Issue Price will correspond to the price at which the Bonds will trade in the market subsequent to the Bond Issue.

#### **3.5.4 Additional indebtedness and security**

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

#### **3.5.5 Effect of Future Public Offerings/Takeover/Merger Activity**

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 any of the Bonds prevailing from time to time. If such changes take place they could have an adverse effect on the market price for the Bonds.

### 3.5.6 Fixed Rate Bonds

The Issuer is entitled to issue Bonds bearing a fixed rate of interest. Investment in such fixed rate Bonds involves the risk that subsequent changes in market interest rates may adversely affect the market value of the said Bonds. Investors should also be aware that the price of the fixed rate Bonds moves adversely to changes in interest rates. When prevailing market interest rates are rising, the price of fixed rate Bonds decline. Conversely, if market interest rates are declining, the price of fixed rate Bonds rises. This is called market risk since it arises only if a Bondholder decides to sell the Bonds before maturity on the secondary market.

### 3.5.7 Discontinuation of Trading on Prospects MTF

Even after the Bonds are admitted to trading on Prospects MTF, the Issuer is required to remain in compliance with certain requirements emanating from the Prospects MTF Rules as issued by the Exchange and as amended from time to time. Moreover, the MSE has the authority to suspend trading of the Bonds if, inter alia, it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The MSE may discontinue the trading of the Bonds on Prospects MTF. Any such trading suspensions described above could have a material adverse effect on the liquidity and value of the Bonds.

### 3.5.8 Value of the Bonds

The value of investments can rise or fall, and past performance is not necessarily indicative of future performance. Furthermore, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

### 3.5.9 Ranking

The Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall be secured by means of the Collateral Rights granted in terms of the Security Trust Deed and the Pledge Agreement. The Bonds shall at all times rank *pari passu*, without any priority or preference among themselves but they shall rank with priority or preference over other unsecured debt, if any. Whilst the Security Trustee has been granted a right of preference and priority for repayment over the Collateral Rights, there can be no guarantee that the value of the Collateral Rights over the term of the Bonds will be sufficient to cover the full amount of interest and principal outstanding under the Bonds. This may be caused by a number of factors, not least of which general economic factors that could have an adverse impact on the value of the Vessel or the Collateral Rights generally. If such circumstances were to arise or subsist at the time that the Collateral Rights are to be enforced by the Security Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Bonds. 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 other Group companies which may rank with priority or preference to the Collateral Rights. Furthermore, subject to the negative pledge clause (section 19.6 of this Admission Document), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect.

### 3.5.10 Credit rating

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

### 3.5.11 Terms and Conditions

The Bonds and the Terms and Conditions of the Bond Issue are based on Maltese law in effect as at the date of this Document. A change in Maltese law or administrative practice or a judicial decision may have an effect on the Terms and Conditions of the Bonds. No assurance can be given as to the impact thereof after the date of this Document. In the event that the Issuer wishes to amend any of the Terms and Conditions of the Bonds it shall call a meeting of Bondholders in accordance with the provisions of section 19.17 of this Admission Document. These provisions permit defined majorities to bind all Bondholders, including Bondholders who do not attend and vote at the relevant meeting and Bondholders who vote in a manner contrary to the majority. In the event that the Issuer redeems all or part of the Bonds on any of the Early Redemption Dates, Bondholders may not be able to reinvest the redemption proceeds at similar conditions.

### 3.5.12 Early redemption

The Issuer has the option to redeem the Bonds, in whole or in part, on any of the Early Redemption Dates, together with any accrued and unpaid interest until the time of redemption. This optional redemption feature may condition the market value of the Bonds. Should the Issuer decide to redeem the Bonds on any of the Early Redemption Dates, the Bondholder may not be able to reinvest his monies at an equivalent or higher rate.

#### 4. PERSONS RESPONSIBLE

Each and all of the Directors of the Issuer whose names appear in Section 7.1 hereunder, are the persons responsible for the information contained in this Admission Document. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Document is in accordance with the facts and contains no omission likely to affect its import. The Directors accept responsibility accordingly.

As at the date of this Document there are no other facts or matters omitted from the Admission Document which were or are necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Bonds.

#### 5. ADVISERS, STATUTORY AUDITORS AND SECURITY TRUSTEE

##### **Corporate Advisor, Placement Agent and Manager**

Calamatta Cuschieri Investment Services Limited  
Ewropa Business Centre, Triq Dun Karm, Birkirkara, BKR 9034, Malta  
Calamatta Cuschieri Investment Services Limited holds a Category 3 license issued by the Malta Financial Services Authority and is a member of the Malta Stock Exchange.

##### **Reporting Accountants**

Deloitte Services Limited  
Deloitte Place, Mriehel Bypass, Mriehel, Birkirkara, BKR 3000, Malta  
Deloitte Services Limited is a firm of certified public accountants, holding a warrant to practice the profession of accountancy and a practicing certificate to act as auditors in terms of the Accountancy Profession Act, Cap. 281 of the laws of Malta.

##### **Statutory Auditors to the Issuer**

Baker Tilly  
Level 5, Rosa Marina Building,  
216, Marina Seafront,  
Pietà PTA 9041  
Malta

Baker Tilly is a firm of Certified Public Accountants holding a practicing certificate to act as auditors in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta).

##### **Security Trustee**

GVZH Trustees Limited  
192, Old Bakery Street, Valletta VLT 1455, Malta  
GVZH Trustees Limited is duly authorised and qualified to act as a trustee or co-trustee in terms of article 43(3) of the Trusts and Trustees Act (Chapter 331 of the laws of Malta).



As at the date of this Admission Document the advisors named under this sub-heading have no beneficial interest in the share capital of the Issuer.

## 6. INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

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

## 7. IDENTITY OF DIRECTORS AND SENIOR MANAGEMENT

### 7.1 Directors of the Issuer

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

<b>Mr Claus Thottrup</b>	Chairman and Executive Director
<b>Mr Niels Bentzen</b>	Independent, Non-Executive Director
<b>Mr Stuart Peter Blackburn</b>	Independent, Non-Executive Director

Mr Blackburn and Mr Bentzen are considered as independent Directors since they are free of any business, family or other relationship with the Issuer, its controlling shareholders or the management of either, that could create a conflict of interest such as to impair their judgement.

The business address of the Directors is the same as of the Issuer.

The company secretary of the Issuer is Mr Jeremy Debono.

The Issuer's compliance officer in terms of the Rules is Mr Marco Griffi.

The following are the respective curriculum vitae of the Directors:

#### **Mr Claus Thottrup; Chairman and Executive Director**

Mr Thottrup graduated with honours as a Mechanical Engineering Consultant at the University of Southern Denmark, Slagelse. After approximately 10 years as Plumbing Engineer and Engineering Consultant in Denmark, he joined P&N Construction as Project Manager of large commercial office building projects in the UK.

In 1993 he started his business as entrepreneur in England becoming partner of P&N Construction and setting up P&N Home UK, a company involved in the refurbishment of luxury real estate in central London, and provision of design and renovation services; and P&N Building Services, a company specialised in building maintenance.

In 2001 he purchased an old agricultural ruin in the province of Siena in Tuscany, called Borgo Santo Pietro, which he renovated to convert it into a boutique hotel with the involvement of his English company P&N Home UK. His goal is to expand the hotel to include more rooms, experience and comfort in order to extend the operating season and improve the Hotel profitability.

Mr Thottrup is also founder and owner of P&N Home Italy, Big Blue Yachting, which designed and launched the Vessel, and La Bottega del Buon Caffé, a Michelin-starred restaurant in Florence.

### **Mr Niels Bentzen; Independent, Non-executive director**

Niels Bentzen is a Partner in Heidrick & Struggles' Copenhagen office and a core member of the Global Technology & Services Practice. His focus is on advising clients in the technology and media sectors, and also within digital transformation across a broad range of sectors. Niels partners with clients at a global level, assisting them in building their future leadership teams through agile digital transformation. He has worked with organisations across all industries, including both large corporations and private equity-backed companies. Prior to joining Heidrick, Niels was Partner at Amrop Denmark for almost 20 years, including ten years as the head of Amrop's Global Technology & Media Practice. His area of advisory and search expertise also includes telecommunications, outsourcing services, Saas, artificial intelligence, FinTech and omni-channel retail. Niels has also played an active part in board assessment, leadership assessment and talent management within both corporate and private equity-backed companies. Niels holds a bachelor in business management and a diploma in strategy and human resource management from Copenhagen Business School. He also holds an Executive Education Certificate from INSEAD and IMO and has attended the Executive Board Program at INSEAD.

### **Mr Stuart Peter Blackburn; Independent, Non-executive Director**

Mr Blackburn is a Certified Public Accountant and Auditor with a career in accountancy and audit spanning over forty years. He is a Fellow of the Institute of Chartered Accountants in England and Wales; a Fellow of the Malta Institute of Accountants; and a Member of the Society of Trust and Estate Practitioners (STEP).

He has experience in top management across various organisations. Mr Blackburn's career started at Joseph Tabone & Co., which subsequently became part of the international accounting practice KPMG. Positions held include Financial Controller and manager of the Management Accounting and Consultancy Departments of the firm servicing numerous local and foreign clients. He currently also owns and manages a number of companies providing corporate services.

## **7.2 Management Structure**

The Issuer is the finance and parent company of the Group and as such does not require an elaborate management structure and has no employees of its own.

The Directors believe that the current organizational structures are adequate for the current activities of the Company and the Group. The Directors will maintain these structures under continuous review to ensure that they meet the changing demands of the business and to strengthen the checks and balances necessary for better corporate governance.

The key members of the Extended Group's management team, apart from the Executive Director, Mr Thottrup, are the following:

### **Borgo Lifestyle Group srl**

**Mrs Jeanette Thottrup, Co-Chief Executive Officer:** Mrs Thottrup graduated with honours in Fashion and Apparel Design from the TEKØ Centre in Herning, Denmark. She gained over 10 years' experience as fashion and product designer before becoming Sourcer and Production Manager for a number of Danish retailers. Mrs Thottrup joined P&N Homes UK's Interior designer from 2001 to 2007. In 2001 she joined Mr Thottrup in the business of Borgo Santo Pietro, Satori and La Bottega del Buon Caffé.

**Mr Marco Griffi, Chief Financial Officer and Managing Director:** Mr Griffi has a Master Degree in Economics and Commerce, and started his career as a journalist and editor in a number of radio stations in Florence, while carrying out economic and social research as project coordinator for Irpet Toscana; Eurispes Rome; Eurema Florence. As an official at Promolavoro Firenze BIC he was involved in the design and activation of a number of European funding projects. From 2004 to 2006 Mr Griffi gained experience within the professional training sector and labour market.

From 2004 to 2010 he vested the position of General Manager in Ambienta Impresa srl and RI.CO srl, operating in the environmental services sector and real estate development sector respectively. In the following years until 2014 he was involved, as Director of the Innovation and Development department of Consorzio Co So Firenze srl, in the start-up of five medical polyclinics, merger of two companies operating in the tourism industry and in the development and management of a new elderly care business. From 2014 to 2015 Mr Griffi further consolidated his financial management skills as Finance,

Administration and Human Resources Director at Castagnoli srl, until in 2016 Mr Griffi joined Borgo Lifestyle Group srl where he is today the CFO and Managing Director.

### 7.3 Employees

As at the date of this Admissions Document, the Issuer has no employee of its own and relies on the support of the Extended Group for day to day functions.

## 8. INFORMATION ABOUT THE ISSUER AND THE EXTENDED GROUP

### 8.1 Introduction

#### The Issuer

<b>FULL LEGAL AND COMMERCIAL NAME OF THE ISSUER:</b>	Borgo Lifestyle Finance plc
<b>REGISTERED ADDRESS:</b>	Vault 14, Level 2, Valletta Waterfront, Floriana, FRN 1914, Malta
<b>PLACE OF REGISTRATION AND DOMICILE:</b>	Malta
<b>COMPANY REGISTRATION NUMBER:</b>	C 88245
<b>DATE OF REGISTRATION:</b>	11 <sup>th</sup> September 2018
<b>LEGAL FORM</b>	The Issuer is lawfully existing and registered as a public limited liability company in terms of the Act
<b>TELEPHONE NUMBER:</b>	+356 77052398
<b>E-MAIL ADDRESS:</b>	info@borgolifestylefinance.mt
<b>WEBSITE:</b>	www.borgolifestylefinance.mt

The Issuer was incorporated on the 11<sup>th</sup> September 2018 to act as the holding and finance company of the Group and is effectively wholly owned by Borgo Lifestyle Finance srl. The principal object of the Issuer is to carry on the activities of a holding and finance company and to subscribe for, take, purchase or otherwise acquire and hold shares, stocks, debentures or other securities of any other company; to grant inter-company financing and to collect funds through bond issues. The Bond Issue falls within the objects of the Issuer.

The Issuer has set up a website with URL: [borgolifestylefinance.mt](http://borgolifestylefinance.mt) which includes an “Investor Information” section from which investors can obtain current information on the Company. This section shall include all electronic communication for all information required to be disclosed under the Rules and / or applicable law to all holders of admitted securities.

#### The Group

The Vessel is a 136-foot wooden sailing yacht, completed in 2017 in a Turkish boatyard. The Vessel was designed in the spirit of the schooners with all the interiors and comfort luxuriously designed and taking inspiration from the bygone days of the 20's and 30's to give a classic look. The Vessel is positioned amongst the most luxurious and high-end sailing yachts in the world thanks to the use of the finest materials and the latest technology used in its handcrafted components, its tailor-made offers, and its exclusive service and impeccable quality.

The Vessel accommodates up to 10 guests and a crew of 8-9 people with many areas to relax both collectively and individually. Satori has five bedrooms, five external private areas and a very large internal Saloon. The bedrooms are built with all the highest comforts and large windows to bring light and the sea at full view with all the modern comforts and high-class bathrooms. The Vessel's guests enjoy Michelin-starred dining prepared by a personal chef from the Group's restaurants Meo Modo and La Bottega del Buon Caffé, onboard spa facilities, a range of the latest innovative water toys, and an extensive program of concierge activities managed by five-star boutique hotel and estate Borgo Santo Pietro Hotel (the "Borgo Hotel"), a 5-star boutique hotel located near Siena, in Tuscany, owned and operated by the Extended Group.

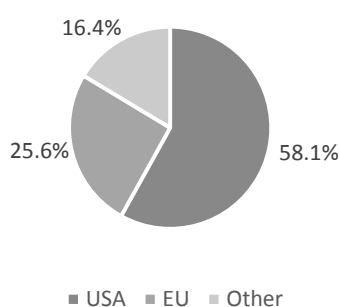
This new product is being marketed through the same sales channels of the Borgo Hotel allowing numerous cross-selling opportunities and to advert the vessel experience on the most prestigious magazines and newspapers around the world.

The Vessel is mainly used during the summer months, for a maximum of 17 weeks per year. During the winter months the Vessel is docked in a protected ship yard in Bodrum, Turkey. In March it is put back into the water and set up for the season and later moved to station in Corfu, ready for the first cruise. The charter season starts in June and ends in September when the boat returns to Bodrum and is again put up on the dry.

The Vessel started its operation in late summer 2017. The Vessel is available to sail throughout the Mediterranean in Italian, French, Greek, Turkish and Croatian waters, with a weekly itinerary that can be customised by guests.

The charts below shows a high level revenue breakdown by geographical areas, on the basis of the nationality of the guests.

Satori - Revenue by Country 2018



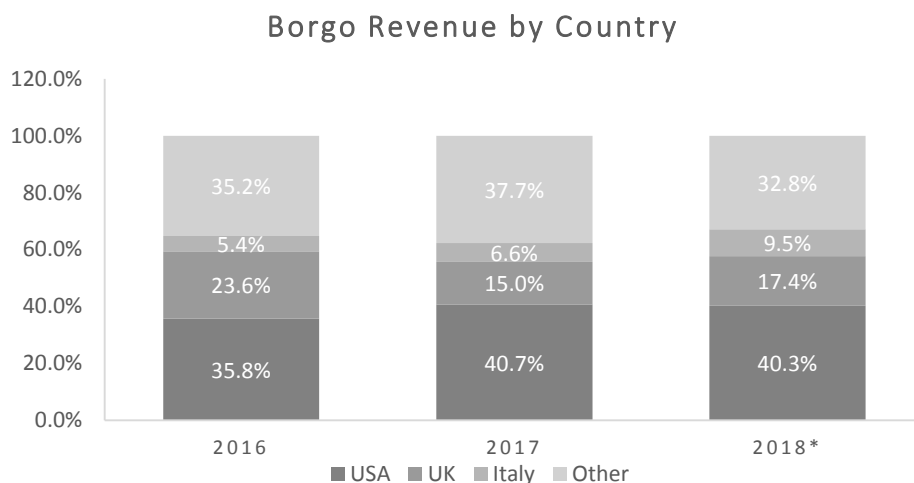
Source: Management information

### The Extended Group

The Thottrups utilized their backgrounds in property development and fashion design to transform an 800-year-old ruined villa in the heart of Tuscany into the luxurious five-star hotel it is today. They started operating Borgo Santo Pietro in 2008. The Borgo Hotel was subject to a phased investment €16 million for the development of 20 luxury suites and hotel facilities, which include a holistic spa, cooking school, and two restaurants, one of which is a Michelin-starred restaurant (Meo Modo Restaurant). The Borgo Hotel property includes a 200-acre organic farm, vineyards and 13-acre gardens. The development was financed 50% through own funds and the remaining 50% through bank financing by BPM Bank.

The Borgo Hotel targets leisure travellers who are looking for strong authenticity, which is not often offered in the boutique hotels today, especially from the boutique hotels in Europe. The age group is very varied based on the world economy of today – so the clientele ranges from the ages of 30 to 90 year of age.

The Borgo Hotel, aims to combine the true luxury with the experience of living in the local communities, while not losing the comfort and security of professional surroundings, to satisfy the kind of clientele described above. The chart below shows the analysis of the Borgo Santo Pietro revenue by country of origin of the relevant guests.



Source: Management information

\* Based on budget information

In order to improve the profitability of the operations, the owners of the Borgo Hotel intend to expand the hotel to include even more experiences and comforts such as a large new spa project, which is designed to be like the old Roman baths and thereby a destination which, is also a space with large fire places and the ambience of the old roman bath houses where people can spend the day relaxing and enjoying the authenticity from the Italian past. The owners also intend to open a new gourmet restaurant with kitchen at full view situated directly into the wine field to connect the dining experience with the nature that supports it. The development programme also includes the addition of four suites.

The boutique hotel currently operates seven months a year, however, following the above development programme, which will allow guests to enjoy the hotel services also during most of winter months, management intends to extend the opening period to 10 months.

## 8.2 Capital resources

The following table sets out the projected capitalisation and indebtedness of the Group as at 31<sup>st</sup> December 2019 after reflecting the issue of the Secured Bonds.

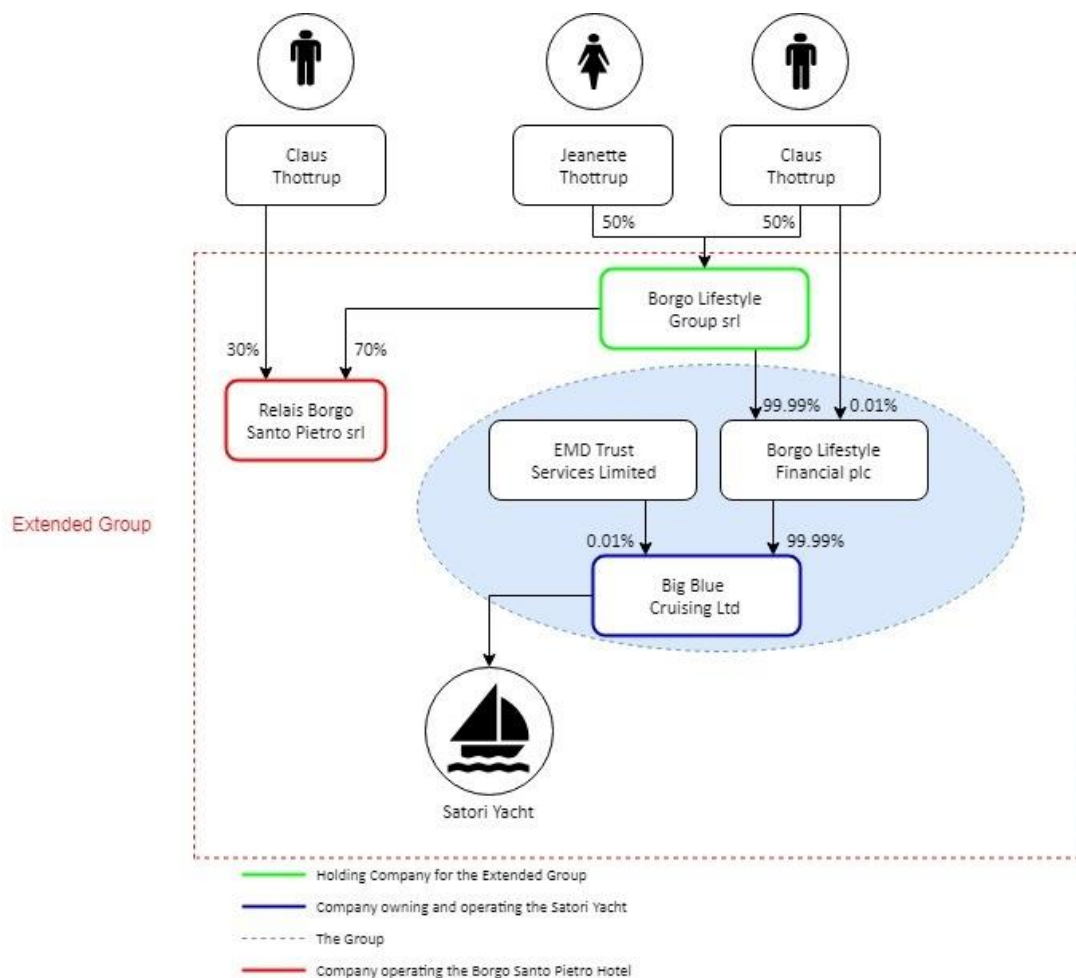
	€000'S
BANK AND OTHER BORROWINGS	5,568
LESS: CASH AND CASH EQUIVALENTS	1,511
<b>NET THIRD PARTY DEBT AS AT 31<sup>ST</sup> DECEMBER 2019</b>	<b>4,057</b>
EQUITY <sup>13</sup>	7,218
GEARING RATIO (1) (NET DEBT / EQUITY)	56.2%
GEARING RATIO (2) (TOTAL LIABILITIES / TOTAL ASSETS)	43.5%

Source: Management information

<sup>13</sup> Equity value includes the revaluation of the Vessel, which amounted to €4.3 million

## 9. GROUP ORGANISATIONAL STRUCTURE

The Issuer forms part of a group of companies and is effectively wholly owned by Borgo Lifestyle Group srl. The following chart describes the position of the Issuer within the said group of companies:



Claus Thottrup holds a 30% stake in Relais Borgo Santo Pietro srl, 15% is held directly whilst a further 15% is held through a holding company.

## 10. TREND INFORMATION

### **Trend Information of the Issuer**

The Issuer was registered and incorporated on the 11<sup>th</sup> September 2018 as the parent company and finance arm of the Group. As indicated in Section 11 below, the Issuer has no financial information to report. The Issuer is dependent on the business prospects of the Group and, therefore, the trend information of the Group has a material effect on its financial position and prospects. As at the time of publication of this Admission document, the Group considers that generally it shall be subject to the normal business risks associated with the business in which the Group operates, and, barring unforeseen circumstances, does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be considered likely to have a material effect on the upcoming prospects of the Group and its business, at least with respect to the current financial year. However, investors are strongly advised to carefully read the risk factors in this Admission Document.

### **Trend Information of the Extended Group**

As at the time of publication of this Admission Document, the Group as well as the Extended Group consider that generally it shall be subject to the normal risks associated with the luxury segment within the hospitality and yacht industry and the hospitality industry in Italy in which they operate, and, barring unforeseen circumstances, does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be considered likely to have a material effect on the upcoming prospects of the Group and its business, at least with respect to the current financial year. However, investors are strongly advised to carefully read the risk factors in this Document.

#### *Luxury goods industry*

The Extended Group is generally exposed to the trends of the luxury goods industry. According to “The Wealth Report” issued by Knight Frank<sup>14</sup> the number of ultra-wealthy people (those with net assets of US\$50 million or more) rose by 10% in 2017. As at 2017 the population of persons with a net worth above US\$5 million stood at 2,535,480, up from 2,108,530 at 2012 (up 20%) and is expected to increase to 3,617,550 or by 43% by 2022. Ultra-wealthy (US\$50 million or more) is expected to increase by 40% between 2017-2022.

The overall luxury goods industry, including products and services, is worth approximately €915 billion today and is expected to reach about €1,260 billion in 2024.<sup>15</sup> A significant trend within the luxury industry is the rise of experiential luxury, including categories such as high-end food and wine, luxury hotels, and exclusive vacations. By 2022, the experiential segment is forecast to account for nearly two-thirds of the total luxury market—representing a fundamental shift in consumer behaviour, from owning to being.<sup>16</sup> According to Business Insider travel and hospitality is the first item per value in the annual spending of high net worth individuals.

“Luxury experiences,” according to Bain & Company, accounted for more than 29% of the total global luxury market and grew 5% faster than the total personal luxury goods segment in 2016. These experiences include luxury hotels, cruises and restaurants, as well as fine wines, spirits and food.<sup>17</sup>

China is the largest market for luxury hotels. Affluent citizens of the United States of America, the next largest group, favoured Europe, especially Italy, Britain and France. While around 10 international brands dominate the market, independent owners of luxury hotels account significant source of revenue growth, as well as innovation.

Wellness continues to be a growing theme for travellers, whether it is unique spa treatments, yoga and meditation retreats or taking advantage of the great outdoors. Today’s travellers are straying from “cookie-cutter” hotel stays and seeking more

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<sup>14</sup> [The Wealth Report, 12th Edition \(2018\)](#)

<sup>15</sup> <https://www.bcg.com/d/press/20february2018-altagamma-true-luxury-global-consumer-insight-184693>

<sup>16</sup> <https://www.bcg.com/industries/consumer-products/luxury.aspx>

<sup>17</sup> <http://blog.glion.edu/from-ghion/power-hospitality-luxury-today/>

authentic experiences. The further afield the better for today's intrepid travellers looking to escape the crowded tourist traps and head to under-the-radar destinations.<sup>18</sup>

A recent survey conducted by Travel Leaders Group reveals that luxury travellers are most interested in exclusive access and experiences, particularly VIP tours, private cars and drivers, and customized culinary experiences. The survey also found the top three international destinations among luxury travellers to be European (river) cruising, Caribbean cruising, and Italy, with European/Mediterranean cruising and Mexico rounding out the top five.<sup>19</sup>

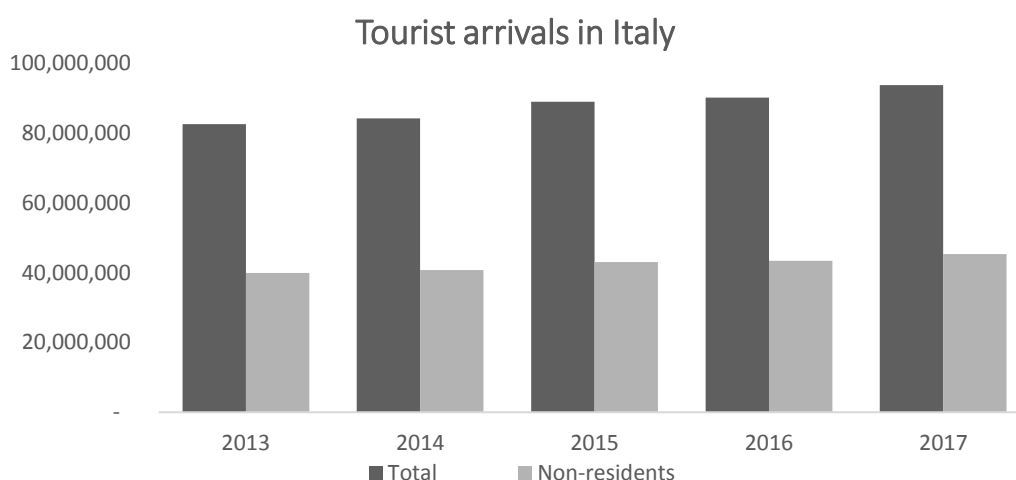
#### *Luxury yacht charter industry*

A noticeable trend in the luxury yacht charter market is the rising demand for luxury yachts due to the increasing wealth of people, with a preference especially in European countries such as Italy and Croatia. Thus, improving disposable incomes is likely to have a positive influence on the global market. The emergence of high net worth individuals and growing demand for holidaying is also expected to open up several opportunities for the global market in the near future.<sup>20</sup> Revenue contribution of the sailing yacht segment to the global yacht charter market is expected to increase at a CAGR of 4.7% by 2027.<sup>21</sup>

#### *Hospitality industry in Italy<sup>22</sup>*

Year 2017 was a positive year for the tourism industry on a worldwide level: according to the World Tourism Organisation (UNWTO) international tourists' arrivals registered an increase of 6.7% over 2016, and Europe was the area which experienced the highest increment of 8.4%. According to the UNWTO international tourists' arrivals in Europe in 2018 could register an additional increment between 3.5% and 4.5%.

During 2016 Italy kept its first place in the preferences of non-European travellers who opted to lodge in collective accommodation establishments.



Source: Istat

During 2017 tourists' arrivals and nights spent in Italy increased by 3.9% and 2.8% respectively, despite the earthquakes that hit central Italy during August 2016. In terms of nights spent, international tourists contributed most to the growth, with an annual increase of 3.1%. Tourists from the United States of America experienced the highest growth, with an increment of 7.2%. Within the hotel segments, 5-star hotels experienced a growth in nights spent of 9% during 2017.

<sup>18</sup> <https://www.luxurytravelmagazine.com/news-articles/catch-the-latest-summer-travel-trends>

<sup>19</sup> <https://www.luxurytravelmagazine.com/news-articles/luxury-travelers-want-exclusive-experiences>

<sup>20</sup> <https://www.transparencymarketresearch.com/pressrelease/yacht-charter-market.htm>

<sup>21</sup> <https://www.prnewswire.com/news-releases/yacht-charter-market-global-industry-analysis-2012---2016-and-opportunity-assessment-2017---2027-300608942.html>

<sup>22</sup> Quoted figures were derived from Datatur unless otherwise indicated



According to an Italian hotels lobby group<sup>23</sup> in the first six months of 2018, Italy registered a 2% increase in international tourists' nights spent in collective accommodation establishments.

Lazio, Lombardia, Veneto and Tuscany remained the regions that attracted the highest tourist expenditure in 2017, with over 60% of the tourist expenditure.

## 11. FINANCIAL INFORMATION

### 11.1 Financial information of the Issuer

The Issuer was registered and incorporated on the 11<sup>th</sup> September 2018. As at the date of this Admission Document, the only business that the Issuer has conducted was the execution of the Transfer and essentially has no trading record. Since incorporation to the date of this Document, no financial statements have been prepared in respect of the Issuer. There has not been any significant change in the financial or trading position of the Issuer, which has occurred since the company's date of incorporation up until the date of this Admission Document.

Extracts from the historical financial statements of Big Blue Cruising Limited as extracted from the audited financial statements for the financial years ended 31 December 2016 and 2017 are set out below.

#### Income statement

€	FY16	FY17
REVENUE	-	381,200
DIRECT COSTS	-	(209,472)
<b>GROSS PROFIT</b>	-	<b>171,728</b>
OPERATING AND ADMINISTRATIVE OVERHEADS	(81,001)	(291,093)
<b>RESULTS FROM OPERATING ACTIVITIES</b>	<b>(81,001)</b>	<b>(119,365)</b>
MOVEMENT IN PROVISION IN VALUE OF INVESTMENT IN RELATED PARTY	(5,122)	5,122
<b>LOSS BEFORE TAX</b>	<b>(86,123)</b>	<b>(114,243)</b>
TAX EXPENSE	-	(1,000)
<b>LOSS AFTER TAX</b>	<b>(86,123)</b>	<b>(115,243)</b>

Source: Audited Financial Statements

During 2015 Big Blue Cruising Limited acquired the Vessel which was still under construction via the Turkish company Big Blue Yachting Yatcilik SA, to then operate such yacht under charter. The construction of the Vessel was terminated during 2017. Accordingly, no revenues were generated until the second half of 2017, resulting in the company registering a loss for the year ended 31 December 2017. Big Blue Yachting Yatcilik SA currently remains a subsidiary of Big Blue Cruising Ltd, however it is not trading and has immaterial amounts in its financial statements.

#### Statement of financial position

€	FY16	FY17
<b>ASSETS</b>		
NON-CURRENT ASSETS	2,207,317	8,878,150
CURRENT ASSETS	1,271	22,443
<b>TOTAL ASSETS</b>	<b>2,208,588</b>	<b>8,900,593</b>
<b>LIABILITIES</b>		
NON-CURRENT LIABILITIES	15,650	90,547
CURRENT LIABILITIES	12,813	2,452,264
<b>TOTAL LIABILITIES</b>	<b>28,463</b>	<b>2,542,811</b>
<b>EQUITY</b>	<b>2,180,125</b>	<b>6,357,782</b>

<sup>23</sup> Osservatorio Federalberghi - [www.federalberghi.it](http://www.federalberghi.it)

Source: Audited Financial Statements

Non-current assets refer primarily to the Vessel. The Vessel was purchased while being under construction in 2014 for €2.2 million. Construction was completed in 2017 at an additional cost of €2.5 million, for a total cost of €4.7 million. The Vessel was subsequently revalued by an external independent qualified valuer at €9 million.

#### Cash Flow Statement

€	FY16	FY17
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
LOSS FOR THE YEAR BEFORE TAXATION	(86,123)	(114,243)
DEPRECIATION	-	137,500
MOVEMENT IN PROVISION IN VALUE INVESTMENT IN RELATED PARTY	5,122	(5,122)
MOVEMENT IN WORKING CAPITAL	(28,687)	126,856
<b>CASH GENERATED / (LOSS) FROM OPERATIONS</b>	<b>(109,688)</b>	<b>144,991</b>
TAX PAID	-	(1,000)
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>(109,688)</b>	<b>143,991</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(201,803)</b>	<b>(220,061)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>310,276</b>	<b>74,897</b>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	<b>(1,215)</b>	<b>(1,173)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,486	1,271
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>1,271</b>	<b>98</b>

Source: Audited Financial Statements

## 11.2 Profit Forecasts and Estimates

Since the Issuer was incorporated in September 2018, it has no trading record for the current financial year. FY18 included in the table below includes the projected performance of Big Blue Cruising Ltd, which was the company acquired by the Issuer on incorporation and has been inserted solely for comparative purposes.

### 11.2.1 Forecast Consolidated Income Statement of the Issuer

€'000	FY18	FY19	FY20	FY21
REVENUE	1,109	1,379	1,407	1,435
DIRECT COSTS	(228)	(262)	(267)	(273)
<b>GROSS PROFIT</b>	<b>881</b>	<b>1,117</b>	<b>1,139</b>	<b>1,162</b>
OVERHEADS	(190)	(290)	(288)	(291)
<b>EBITDA</b>	<b>691</b>	<b>827</b>	<b>851</b>	<b>870</b>
DEPRECIATION	(275)	(275)	(275)	(275)
<b>EBIT</b>	<b>416</b>	<b>552</b>	<b>576</b>	<b>595</b>
INTEREST RECEIVABLE	-	141	141	141
INTEREST PAYABLE	-	(250)	(250)	(250)
<b>NET PROFIT</b>	<b>416</b>	<b>443</b>	<b>467</b>	<b>486</b>

Source: Management information

Projected revenue is generated from the chartering of the Vessel. Management projects to charter the Vessel for 14 cruises per year from FY19, generating approximately €100k from each cruise. Direct costs include primarily payroll costs and charter commissions. Revenue as well as direct costs are expected to increase by 2% per annum.

Operating overheads refer to costs that are required for the operation of the yacht but are not directly attributable to the generation of revenue. These mainly comprise of repairs and maintenance, yacht insurance, and berthing and harbour expenses. The Management is forecasting an EBITDA margin of 60% throughout the projected period.

The depreciation charge relates to the depreciation of the Vessel. The Vessel is assumed to have a useful life of 24 years. Interest receivable relates to the interest received from Relais Borgo Santo Pietro srl in relation to the €2,820k loan.

Effective from October 2017 Big Blue Cruising Limited changed its registration status to fall under the Merchant Shipping Regulations, 2004, and therefore the company's profits are not subject to corporate tax. The Vessel is considered to be a tonnage taxed vessel, and therefore Big Blue Cruising Ltd is subject to a fixed tax based on its tonnage. The tonnage tax is included in the overheads.

### 11.2.2 Forecast Consolidated Balance Sheet of the Issuer

€'000	FY18	FY19	FY20	FY21
<b>FIXED ASSETS</b>				
SEA VESSEL	8,588	8,313	8,038	7,763
INVESTMENT IN RELATED PARTY	16	16	-	-
LOAN TO RELATED PARTY	-	2,820	2,820	2,820
<b>TOTAL FIXED ASSETS</b>	<b>8,603</b>	<b>11,148</b>	<b>10,858</b>	<b>10,583</b>
<b>CURRENT ASSETS</b>				
INVENTORIES	13	14	14	14
PREPAID BOND ISSUE COSTS	-	113	100	88
CASH AND CASH EQUIVALENTS	700	1,511	1,985	2,487
<b>TOTAL CURRENT ASSETS</b>	<b>713</b>	<b>1,638</b>	<b>2,099</b>	<b>2,589</b>
<b>TOTAL ASSETS</b>	<b>9,317</b>	<b>12,786</b>	<b>12,957</b>	<b>13,171</b>
<b>EQUITY</b>				
SHARE CAPITAL	10	171	171	171
OTHER EQUITY	6,521	6,188	6,188	6,188
RETAINED EARNINGS	243	859	1,326	1,812
<b>TOTAL EQUITY</b>	<b>6,774</b>	<b>7,218</b>	<b>7,685</b>	<b>8,171</b>
<b>LONG-TERM LIABILITIES</b>				
PARENT COMPANY LOAN	91	91	45	-
AMOUNTS DUE TO RELATED PARTY	2,290	290	145	-
BOND	-	5,000	5,000	5,000
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>2,381</b>	<b>5,381</b>	<b>5,190</b>	<b>5,000</b>
<b>CURRENT LIABILITIES</b>				
OTHER LIABILITIES	162	187	81	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,452</b>	<b>187</b>	<b>81</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>2,543</b>	<b>5,568</b>	<b>5,271</b>	<b>5,000</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>9,347</b>	<b>12,786</b>	<b>12,956</b>	<b>13,171</b>

Source: Management information

Total assets comprise primarily the Vessel, which was valued at €9 million in 2018, and the loan to Relais Borgo Santo Pietro srl. The Vessel is being depreciated over a period of 24 years. Inventories include spirits and fuel. Bond issue costs are projected to be amortised over the period of the bond.

Equity primarily consists of share capital and revaluation reserve related to the valuation of the Vessel.

### 11.2.3 Forecast Consolidated Cash flow statement of the Issuer

€'000	FY18	FY19	FY20	FY21
<b>CASH GENERATED FROM OPERATIONS</b>	691	840	864	883
<b>MOVEMENT IN RECEIVABLES/PAYABLES</b>	9	25	(106)	(81)
<b>NET CASH GENERATED FROM OPERATIONS</b>	700	864	758	801
<b>PROCEEDS FROM SALE OF INVESTMENT</b>	-	-	16	-
<b>LOAN TO RELAIS BORGO SANTO PIETRO</b>	-	(2,820)	-	-
<b>INTEREST RECEIVED</b>	-	141	141	141
<b>NET CASH (USED IN) / GENERATED FROM INVESTING ACTIVITIES</b>	-	<b>(2,679)</b>	<b>157</b>	<b>141</b>
<b>BOND ISSUE</b>	-	5,000	-	-
<b>MOVEMENT IN AMOUNTS DUE TO THIRD PARTIES</b>	-	(2,000)	(145)	(145)
<b>MOVEMENT IN NON-INTEREST BEARING LIABILITIES</b>	-	-	(45)	(45)
<b>BOND ISSUE COSTS</b>	-	(125)	-	-
<b>BOND INTEREST PAID</b>	-	(250)	(250)	(250)
<b>NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES</b>	-	<b>2,625</b>	<b>(440)</b>	<b>(440)</b>
<b>NET CASH MOVEMENT</b>	<b>700</b>	<b>810</b>	<b>474</b>	<b>502</b>
<b>OPENING CASH BALANCE</b>	-	700	1,510	1,984
<b>CLOSING CASH BALANCE</b>	<b>700</b>	<b>1,510</b>	<b>1,984</b>	<b>2,486</b>

Source: Management information

## 11.3 Historical Financial Statements and Projections of Relais Borgo Santo Pietro srl

Relais Borgo Santo Pietro srl is the owner and operator of the Borgo Hotel, which company will borrow € 2.8 million from the Issuer as set out in section 18.1 of this admission document. Audited financial statements are available for inspection via the Issuer's company website. Furthermore, audited financial statements of Relais Borgo Santo Pietro srl will be published on the company website of the Issuer during the term of the bond, unless the aforementioned loan is repaid in full. Reported below is an overview of the financial statements which were provided by management and prepared under Italian accounting standards as well as audited accounts for FY 2017.

### 11.3.1 Historical and projected statement of comprehensive income

€'000	FY16	FY17	FY18	FY19	FY20	FY21
	<b>Actual</b>	<b>Actual</b>	<b>Projected</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
<b>REVENUE</b>	7,857	7,370	8,342	8,641	12,278	12,215
<b>COST OF SALES</b>	(5,248)	(7,073)	(2,249)	(2,358)	(3,140)	(3,138)
<b>GROSS PROFIT</b>	<b>2,609</b>	<b>297</b>	<b>6,093</b>	<b>6,283</b>	<b>9,138</b>	<b>9,077</b>
<b>OVERHEADS</b>	(1,094)	(918)	(5,585)	(5,395)	(6,575)	(6,689)
<b>EBIT</b>	1,515	(620)	508	888	2,563	2,388
<b>INTEREST PAYABLE</b>	(132)	(250)	(181)	(390)	(351)	(330)
<b>PROFIT BEFORE TAXATION</b>	1,383	(870)	327	498	2,212	2,058
<b>TAXATION</b>	(25)	150	(114)	(174)	(775)	(720)

<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>1,358</b>	<b>(720)</b>	<b>213</b>	<b>324</b>	<b>1,437</b>	<b>1,338</b>
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Source: Management information and audited accounts

The hotel is currently open between March and October, and offers 20 rooms. Management expect the redevelopment project to be completed by 2020, when they will begin operating for ten months a year at full capacity. Revenue is generated from the room revenue, two restaurants namely Meo Modo and La Bottega del Buon Caffè, the Borgo Spa, and other services offered to clients such as cooking lessons, garden tours, and wine tasting sessions. Interest payable represent interest payable to the bank and interest payable to Borgo Lifestyle Financial plc.

### 11.3.2 Statement of financial position

€'000	FY16	FY17	FY18	FY19	FY20	FY21
	Actual	Actual	Projected	Forecast	Forecast	Forecast
<b>NON-CURRENT ASSETS</b>	4,980	15,412	15,147	18,490	20,948	20,212
<b>CURRENT ASSETS</b>	853	4,379	5,193	6,384	6,523	5,755
<b>TOTAL ASSETS</b>	<b>5,833</b>	<b>19,791</b>	<b>20,340</b>	<b>24,874</b>	<b>27,471</b>	<b>25,967</b>
<b>EQUITY</b>	<b>3,070</b>	<b>8,031</b>	<b>8,243</b>	<b>9,566</b>	<b>12,005</b>	<b>13,342</b>
<b>BANK DEBT</b>	539	6,609	8,306	7,442	6,628	5,786
<b>NON-CURRENT LIABILITIES</b>	1,033	232	342	3,378	3,656	3,936
<b>CURRENT LIABILITIES</b>	1,191	4,918	3,449	4,488	5,182	2,903
<b>TOTAL LIABILITIES</b>	<b>2,763</b>	<b>11,760</b>	<b>12,097</b>	<b>15,308</b>	<b>15,466</b>	<b>12,625</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,833</b>	<b>19,791</b>	<b>20,340</b>	<b>24,874</b>	<b>27,471</b>	<b>25,967</b>

Source: Management information and audited accounts

### 11.3.3 Statement of cashflows

€'000	FY16	FY17	FY18	FY19	FY20	FY21
	Actual	Actual	Projected	Forecast	Forecast	Forecast
<b>NET CASH FROM OPERATING ACTIVITIES</b>	255	(284)	16	2,051	2,615	765
<b>NET CASH FROM INVESTING ACTIVITIES</b>	638	(11,232)	(317)	(4,016)	(3,194)	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>	(1,058)	11,502	1,738	2,782	114	(894)
<b>NET MOVEMENT IN CASH</b>	<b>(166)</b>	<b>(15)</b>	<b>1,437</b>	<b>817</b>	<b>(465)</b>	<b>(129)</b>
<b>OPENING CASH BALANCE</b>	188	22	7	1,444	2,261	1,796
<b>CLOSING CASH BALANCE</b>	<b>22</b>	<b>7</b>	<b>1,444</b>	<b>2,261</b>	<b>1,796</b>	<b>1,667</b>

Source: Management information and audited accounts

## 12. MANAGEMENT AND ADMINISTRATION

### 12.1 The Issuer

#### 12.1.1 The Board of Directors of the Issuer

The Memorandum of Association of the Issuer provides that the business and affairs of the Issuer shall be managed and administered by the Board of Directors, to be composed of not less than two (2) and not more than four (4) Directors which subject to the provisions of the Memorandum and Articles shall be appointed by ordinary resolution of the Company in the general meeting.

The Issuer is currently managed by a Board of three (3) Directors, who are responsible for the overall direction and management of the Company. The Board currently consists of one (1) executive Director, who is entrusted with the company's day-to-day management, and two (2) non-executive Directors, who are also independent of the Issuer, and whose main functions are to monitor the operations of the executive Director and his performance, as well as to review any proposals tabled by the executive Director.

As at the date of this Document, the Board of the Issuer is composed of the individuals listed in sub-section 7.1 of this Document.

None of the Directors have been:

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

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

#### 12.1.2 Directors' service contracts

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

#### 12.1.3 Conflicts of Interest

In addition to being a director of the Issuer, Mr Thottrup is also a director of all other companies within the Group and, effectively, the ultimate beneficial owner of the Group.

In light of the foregoing, Mr Thottrup is susceptible to conflicts between the potentially diverging interests of the Issuer and the other companies forming part of the Group, as the case may be, and any of such other companies in transactions entered into, or proposed to be entered into, between them.

Indeed, in view of the lender-borrower relationship which may arise between the Issuer and companies forming part of the Group, there may be situations that could give rise to conflicts between the potentially diverging interests of the members of the Group. In these situations, Mr Thottrup shall act in accordance with the majority decision of those Directors who would not have a conflict in the situation and in line with the advice of outside legal counsel.

The Audit Committee, established at the level of the Issuer, has the task of ensuring that any potential conflicts of interest that may arise at any moment pursuant to these different roles are handled in the best interest of the Issuer and the Group, as well as according to law. The fact that the Audit Committee is constituted in its majority by independent non-executive Directors provides an effective measure to ensure that transactions vetted by the Audit Committee are determined on an arm's length basis.

Additionally, the Audit Committee has, pursuant to the relative terms of reference, been granted express powers to be given access to the financial position of the Issuer and all other entities comprising the Extended Group on a quarterly basis. To this effect, the Issuer and all other entities comprising the Extended Group are to submit to the Audit Committee bi-annual accounts, as well as at least quarterly comparisons of actuals against projections.

#### **12.1.4 Loans to Directors**

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

##### *Removal of Directors*

A director may be removed before the expiration of his period of office by a resolution taken at a general meeting of the Company and passed by a member or members having the right to attend and vote, holding in the aggregate shares entitling the holder/s thereof to more than fifty per cent (50%) of the voting rights attached to shares represented and entitled to vote at the meeting.

##### *Powers of Directors*

By virtue of the provisions of the Articles of Association of the Issuer, the Directors are empowered to transact all business which is not by the Articles expressly reserved for the shareholders in general meeting.

#### **12.1.5 Aggregate emoluments of the Issuer's Directors**

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

The remuneration of Directors shall be deemed to accrue from day to day. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Issuer or in connection with the business of the Issuer.

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

#### **12.1.6 Working Capital**

As at the date of this Admission Document, the Directors of the Issuer and of the Extended Group are of the opinion that the working capital available to the Issuer and the Extended Group as a whole is sufficient for the attainment of their objects and the carrying out of their respective business for the next twelve (12) months of operations.

## **13. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **13.1 Major shareholders of the Issuer**

The Authorised Share Capital of the Company is one hundred and seventy-five thousand Euro (€175,000) divided into one hundred and seventy-five thousand (175,000) Ordinary shares of one Euro (€ 1) each. The Issued Share Capital of the Company is one hundred and seventy-one thousand and two hundred (€171,200) divided into one hundred and seventy-one thousand and two hundred (171,200) Ordinary shares of one Euro (€1) each, fully paid up, and held as follows:

<i><b>Name of Shareholder</b></i>	<i><b>Number of shares held</b></i>
<b>Borgo Lifestyle Group srl</b>	171,199
<b>Claus Thottrup</b>	1

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

## 14. DIVIDEND POLICY

The Directors currently do not have a fixed dividend policy in place. The decision on whether the Group will declare a dividend will be determined by the Directors on an annual basis.

## 15. BOARD COMMITTEES

The Issuer has set up an audit committee as per the requirements of the Rules. The terms of reference of the Audit Committee (the "Committee") of the Issuer consist of *inter alia* its support to the board of the Issuer in its responsibilities in dealing with issues of risk, control and governance, and associated assurance. The board of the Company has set formal terms of establishment and the terms of reference of the Audit Committee that establish its composition, role and function, the parameters of its remit, as well as the basis for the processes that it is required to comply with. The Audit Committee, which meets at least four (4) times a year, is a sub-committee of the board of the Issuer and is directly responsible and accountable to the board of the Issuer. The board of the Company has reserved the right to change the Committee's terms of reference from time to time.

The Board has resolved to formally appoint the following three (3) individuals as the first members of the Audit Committee:

- Mr Stuart Blackburn – independent, non-executive director
- Mr Claus Thottrup – executive director
- Mr Niels Bentzen – independent, non-executive director.

Mr Blackburn occupies the position of Chairman of the Committee.

Briefly, the Committee is expected to deal with:

- its monitoring responsibility over the financial reporting processes, financial policies and internal control structures;
- maintaining communications on such matters between the board, management and the independent auditors at the level of the Issuer and the Group;
- facilitating the independence of the external audit process and addressing issues arising from the audit process; and
- preserving assets by understanding the risk environment in which the Issuer and the Group operate and determining how to deal with those risks.

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

The Audit Committee is entrusted with the review of the financial position of the Issuer and all other entities comprising the Extended Group on a quarterly basis. To this effect, the Issuer and all other entities comprising the Extended Group shall submit to the Audit Committee bi-annual Group accounts, as well as at least quarterly management accounts. The Audit Committee is composed of three members, two (2) of whom are independent non-executive Directors, who are appointed for a period of 3 years.

Mr Blackburn is the independent, non-executive director who is competent in accounting and/or auditing matters. The CV of the said Director may be found in sub-section 7.1.



## 16. COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

The Company supports the Rules in their entirety and the stipulations of the said Rules in relation to dealing restrictions.

The Issuer complies with the Code of Principles of Good Corporate Governance forming part of the Listing Rules of the Listing Authority (the “Code”) with the exceptions mentioned below, and is confident that the adoption of the Code shall result in positive effects accruing to it. The Issuer adopts measures in line with the Code of Principles with a view to ensuring that all transactions are carried out at arm’s length.

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

As required by the Act, the Issuer’s financial statements are subject to an annual audit by the Issuer’s external auditors. Moreover, the non-executive Directors will have direct access to the external auditors of the Issuer who attend at Board meetings at which the Company’s financial statements are approved. In ensuring compliance with other statutory requirements and with continuing admission obligations, the Board is advised directly, as appropriate, by its appointed corporate advisor, legal advisor and the external auditors. Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Issuer’s expense.

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

*Principle 8:* The Board of Directors considers that the size and operation of the Issuer does not warrant the setting up of nomination and remuneration committee. Also, the Issuer will not be incorporating a nomination committee. Appointments to the Board of Directors are determined by the shareholders of the Issuer in accordance with the company’s Memorandum and Articles of Association. The Issuer considers that the members of the Board possess the level of skill, knowledge and experience expected in terms of the Code.

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

Save for marine surveyor’s valuation report annexed to this Admission Document and marked as Annex A, this Admission Document does not contain any statement or report attributed to any person as an expert.

The marine surveyor’s valuation report dated 12<sup>th</sup> September 2018 has been included in Annex A of this Document in the form and context in which it appears with the authorisation of Studio Tecnico Debonis of Via A. Gramsci, 20 72023 Mesagne (BR), Italy which has given and has not withdrawn his consent to the inclusion of the said report. In terms of said marine surveyor’s valuation report, the Vessel is valued at nine million Euro (€9,000,000).

The foregoing expert does not have any beneficial interest in the Issuer. The Issuer confirms that the said marine surveyor’s valuation report has been accurately reproduced in this Admission Document and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

## 18. ESSENTIAL INFORMATION CONCERNING THE BONDS

### 18.1 REASONS FOR THE ISSUE AND USE OF PROCEEDS

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €4,820,000, shall be used for the following purposes in the following amounts and order of priority:

- an amount of €2,000,000 will be channelled to Big Blue Cruising Limited as an interest-bearing loan. This will be used to refinance existing debt (totalling €2.3 million) which was undertaken to finance the construction of the Vessel;
- an amount of €2,820,000 will be channelled to Relais Borgo Santo Pietro srl as an interest-bearing loan. This will be used to partly finance the upcoming upgrading project of the Borgo Hotel. The total cost of the Borgo Hotel project is of €7.3 million, which will be financed by bond proceeds (€ 2,820,000), an equity injection by the shareholders (€ 1,980,000) and by bank finance (€ 2,500,000).

Both loans will be repayable within the 10 year bond period.

In the event that the Bond Issue is not fully subscribed but subject in all cases to the Minimum Amount of €3,500,000 being subscribed, the Issuer will proceed with the admission of the amount of Bonds subscribed for and the proceeds from the Bond Issue 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 above which shall not have been raised through the Bond Issue will seek to be financed from an equity injection in cash or the Group's general cash flow and/or bank financing.

## 18.2 EXPENSES

Professional fees, and costs related to the admission to Prospects MTF, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €180,000 and shall be borne by the Group. There is no particular order of priority with respect to such expenses.

## 18.3 ISSUE STATISTICS

AMOUNT	€5,000,000;
<b>BOND ISSUE PRICE</b>	At par (€100 per Bond);
<b>FORM</b>	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at CSD;
<b>DENOMINATION</b>	Euro (€);
<b>ISIN</b>	MT0002151208
<b>MINIMUM AMOUNT PER SUBSCRIPTION:</b>	Minimum of €2,000 and multiples of €100 thereafter;
<b>REDEMPTION DATE</b>	7 <sup>TH</sup> February 2029, unless otherwise redeemed at the Issuer's sole discretion on any of the Early Redemption Dates;
<b>PLAN OF DISTRIBUTION</b>	The Bonds are available for subscription to all categories of investors. The Bonds have been conditionally placed by means of the placement agreement entered into between the Issuer and the Placement Agent and Manager, details of which can be found in section 19.2 of this Admission Document;
<b>STATUS OF THE BONDS</b>	The Bonds constitute the general, direct and unconditional obligations of the Issuer and shall be secured by means of the Collateral rights granted in terms of the Security Trust Deed and the Pledge Agreement. The Bonds shall at all times rank pari passu, without any priority or preference among themselves

	but shall rank with priority or preference in relation to other unsecured debt of the Issuer, if any;
<b>PLACEMENT ARRANGEMENT</b>	The Issuer has entered into a conditional placement agreement with the Placement Agent and Manager details of which can be found in Section 19.2 of this Admission Document.
<b>INTEREST</b>	The Bonds shall bear interest from and including 7 <sup>th</sup> February 2019 at the rate of 5% per annum payable annually in arrears on the Interest Payment Dates;
<b>INTEREST PAYMENT DATE</b>	Annually, on the 7 <sup>th</sup> February of each year commencing on the 7 <sup>th</sup> February 2020 and ending with and including the Redemption Date, unless part or all of the Bonds are redeemed at the Issuer's sole discretion on any of the Early Redemption Dates, in respect of the Bonds so redeemed; 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;
<b>EARLY REDEMPTION DATE/S</b>	Any day falling between (and including) the 7 <sup>th</sup> February 2026 and 6 <sup>th</sup> February 2029 on which the Issuer shall be entitled, at its option and in its sole discretion, to redeem all or part of the Bonds then outstanding and all interest accrued up to the date of prepayment, by giving at least thirty (30) days' prior written notice of such prepayment to the Bondholders; and "Early Redemption" shall be construed accordingly;
<b>EARLY REDEMPTION SCHEDULE</b>	In the event that the Early Redemption Date lies between and including 7 <sup>th</sup> February 2026 and 6 <sup>th</sup> February 2027, the Issuer will be obliged to pay to Bondholders a 3% premium on the nominal value of the Bonds selected for early redemption (together with interest accrued to the date fixed for redemption). In the event that the Early Redemption Date lies between and including 7 <sup>th</sup> February 2027 and 6 <sup>th</sup> February 2028, the Issuer will be obliged to pay to Bondholders a 2% premium on the nominal value of the Bonds selected for early redemption (together with interest accrued to the date fixed for redemption). Early Redemption occurring on or after 7 <sup>th</sup> February 2028 will be redeemed at par;
<b>GOVERNING LAW OF THE BONDS</b>	The Bonds are governed by and shall be construed in accordance with Maltese law;
<b>JURISDICTION</b>	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds;
<b>UNDERWRITING</b>	The Bond Issue is not underwritten. Should subscriptions for a total of at least €3,500,000 (the "Minimum Amount") not be received, no allotment of the Bonds shall be made, the Applications for Bonds shall be deemed not to have been accepted by the Issuer and all money received from Applicants for Bonds shall be refunded accordingly. In the event that the Minimum Amount is reached but the Bond Issue is still not fully subscribed, the Issuer will proceed with the allotment of the amount of Bonds subscribed.

## 19. INFORMATION CONCERNING THE BONDS

### 19.1 General

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

- 19.1.1** Each Bond forms part of a duly authorised issue of 5% secured bonds 2026 - 2029 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €5,000,000 (except as otherwise provided under sub-section 19.16 “Further Issues” below).
- 19.1.2** The currency of the Bonds is Euro (€).
- 19.1.3** Subject to admission to trading of the Bonds to the Prospects MTF List of the MSE, the Bonds are expected to be assigned the following ISIN: MT0002151208.
- 19.1.4** Unless previously purchased and cancelled, the Bonds shall be redeemed at the Redemption Value of €100 per Bond (together with interest accrued to the date fixed for redemption) on 7<sup>th</sup> February 2029 (the “Redemption Date”); or in the event that the Issuer exercises the option to redeem all or any part of the Bonds at their nominal value prior to the Redemption Date, between 7<sup>th</sup> February 2026 and 6<sup>th</sup> February 2029 (the “Early Redemption Dates”) as the Issuer may determine in its absolute discretion in accordance with the Early Redemption Schedule on giving not less than thirty (30) days’ notice in writing to the Bondholders.
- 19.1.5** The issue of the Bonds is made in accordance with the requirements of the Prospects MTF Rules.
- 19.1.6** The Issue Period of the Bonds is between 30<sup>th</sup> January 2019 and 6<sup>th</sup> February 2019, both days included.
- 19.1.7** There are no special rights attached to the Bonds other than the right of the Bondholders to payment of capital and interest (as detailed below), the benefit of the Collateral Rights through the Security Trustee (as detailed in section 19.5 below) and in accordance with the ranking specified in section 19.4 of this Admission Document.
- 19.1.8** The Bond Issue is not underwritten. Should subscriptions for a total of at least €3,500,000 (the “Minimum Amount”) not be received, no allotment of the Bonds shall be made, the Applications for Bonds shall be deemed not to have been accepted by the Issuer and all money received from Applicants for Bonds shall be refunded accordingly. In the event that the Minimum Amount is reached but the Bond Issue is still not fully subscribed, the Issuer will proceed with the allotment of the amount of Bonds subscribed.
- 19.1.9** The Bonds will not be listed on the Official List or the Alternative Companies list of the Malta Stock Exchange or on any other regulated market except for the Prospects MTF market.

### 19.2 Subscription

The Issuer has appointed Calamatta Cuschieri Investment Services Limited as Placement Agent and Manager for the purposes of this Bond Issue and interested investors may contact the Placement Agent and Manager for the purposes of subscribing to

Bonds during the Issue Period. Applications for subscriptions to the Bonds will be processed at the discretion of the Placement Agent and Manager and the offer may close earlier than that indicated in the timetable in the event of over subscription.

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

The Bond Issue is not underwritten. Should subscriptions for a total of at least €3,500,000 (the "Minimum Amount") not be received, no allotment of the Bonds shall be made, the Applications for Bonds shall be deemed not to have been accepted by the Issuer and all money received from Applicants for Bonds shall be refunded accordingly. In the event that the Minimum Amount is reached but the Bond Issue is still not fully subscribed, the Issuer will proceed with the allotment of the amount of Bonds subscribed.

The total amount of €5,000,000 of Bonds is being reserved for subscription by the Placement Agent and Manager participating in the Placement Offer. The Issuer shall enter into a conditional subscription agreement with the Placement Agent and Manager for the subscription of Bonds, whereby it will bind itself to allocate Bonds thereto up to the total amount of €5,000,000 as aforesaid.

In terms of said subscription agreement entered into with the Placement Agent and Manager, the Issuer will be conditionally bound to issue, and the Placement Agent and Manager will be conditionally bound to subscribe to, up to the total amount of €5,000,000 of Bonds as indicated therein, each subject to the Minimum Amount of €3,500,000 being subscribed.

In terms of the said subscription agreement, the Placement Agent and Manager may subscribe for Bonds for its own account or for the account of underlying customers, including retail customers.

### 19.3 Plan of distribution and allotment & Allocation Policy

The Bonds shall be allocated to the Placement Agent and Manager pursuant to the subscription agreement, details of which are included in section 19.2 immediately above, without priority or preference and in accordance with the allocation policy as determined by the Issuer.

It is expected that an allotment letter 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, verification of identity and relevant risk assessment under customer acceptance and internal control policies and procedures as required by the Prevention of Money Laundering and Funding of Terrorism Regulations, made under the Prevention of Money Laundering Act (Chapter 373 of the laws of Malta). 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.

Within five (5) Business Days from closing of the Issue Period, the Issuer shall announce the result of the Bond Issue and shall determine and announce the basis of acceptance of Applications and allocation policy as announced by the company.

### 19.4 Ranking of the Bonds

The Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall be secured by means of the Collateral Rights granted in terms of the Pledge Agreement and the Security Trust Deed. The Bonds shall at all times rank *pari passu*, without any priority or preference among themselves but shall rank with priority or

preference in relation to other unsecured debt of the Issuer if any. Furthermore, subject to the negative pledge clause (Section 19.6 of this Document), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect.

Pursuant to the Pledge Agreement and the Security Trust Deed, the Issuer and Big Blue Cruising Limited, as applicable, have agreed to constitute in favour of the Security Trustee for the benefit of Bondholders, as primary beneficiaries, security over the Collateral Rights and to appoint the Security Trustee to hold and administer the Collateral Rights under trust. The Collateral Rights will secure the claim of the Security Trustee, for the benefit and in the interest of Bondholders, for the repayment of the principal and interest under the Bonds. Accordingly, following the issue of the Bonds the Security Trustee for the benefit of Bondholders will have the benefit of security over the Collateral Rights.

## 19.5 Security Trust

Security for the fulfilment of the Issuer's obligations in terms of the Bond Issue is being granted in favour of the Security Trustee for the benefit of Bondholders, by way, *inter alia*, of the granting of the Collateral Rights, as described hereunder.

Specifically, the Issuer and Big Blue Cruising Limited have agreed to grant the Collateral Rights in favour of the Security Trustee for the benefit of Bondholders, as primary beneficiaries, in terms of the Security Trust Deed and the Pledge Agreement, and for such purpose have appointed the Security Trustee to hold and administer the Collateral Rights under trust. The Collateral Rights will secure the claim of the Security Trustee, for the benefit and in the interest of Bondholders, for the repayment of the full amount of the principal and interest under the Bonds by a preferred claim over the Collateral Rights. The initial Security Trustee is GVZH Trustees Limited.

The aforesaid 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 Big Blue Cruising Limited have entered into the Security Trust Deed with the Security Trustee which sets out the covenants of the Issuer to secure, pursuant to the granting of the security rights to be described below and up to the value of said security rights from time to time, the payment of the principal amount under the Bonds on the Redemption Date and interest thereon on each Interest Payment Date, as well as to observe all obligations under the Pledge Agreement and under the Security Trust Deed. The Collateral Rights will be vested in the Security Trustee for the benefit of the Bondholders in proportion to their respective holding of Bonds. Pursuant to the provisions of the Security Trust Deed, the Collateral Rights have been duly constituted in favour of the Security Trustee prior to the date of this Admission Document and allotment of the Bonds pursuant to and in terms of this Admission Document. Accordingly, following the issue of the Bonds the Security Trustee will have the benefit of priority in ranking over the Vessel.

The Security Trustee's role includes holding and administering of the Collateral Rights for the benefit of the Bondholders and the enforcement of the said Collateral Rights 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.

The Security Trustee shall hold the said property under trust in relation to a commercial transaction (as defined in the Trust and Trustees Act, Chapter 331 of the laws of Malta) and transactions connected or ancillary thereto. Furthermore, the Security Trustee shall hold the said property under a security trust as provided in Article 2095E of the Civil Code (Chapter 16 of the laws of Malta). The security has, therefore, been constituted in the name of the Security Trustee in the manner provided for by applicable law of Malta for the benefit of the Bondholders and this for all amounts owing to the Bondholders by the Issuer in terms of this Admission Document, as may be amended from time to time, including all amounts of interest or charges due in terms thereof, in relation to the Bonds.

In the event that the Issuer or Big Blue Cruising Limited commits any of the Events of Default set out in section 19.14 below, including default of the Issuer's obligations to repay any Bonds (together with interest and charges thereon) in terms of this Admission Document, or any default under the Security Trust Deed and/or under the Pledge Agreement, the Security Trustee shall have the authority to enforce the Collateral Rights as set out hereunder.

Until it shall have actual knowledge or express notice to the contrary, the Security Trustee shall be entitled to assume that no such Events of Default or condition, event or other circumstance has happened and that the Issuer is observing and performing

all the obligations, conditions and provisions on its part pursuant to this Admission Document, the Pledge Agreement and the Security Trust Deed.

The property held under trust in favour of the Security Trustee for the benefit of Bondholders will consist of the following:

- a first priority mortgage on the Vessel, in favour of the Security Trustee in its capacity as trustee of the Borgo Security Trust pursuant to the terms of the Security Trust Deed;
- a pledge by the Issuer and EMD Trust Services Limited of all of their respective shares held in Big Blue Cruising Limited, from time to time, in favour of the Security Trustee in its capacity as trustee of the Borgo Security Trust pursuant to the terms of the Pledge Agreement and the Security Trust Deed<sup>24</sup>; and
- a pledge over the proceeds from the Insurance Policy, in favour of the Security Trustee in its capacity as trustee of the Borgo Security Trust pursuant to the terms of the Security Trust Deed.

The appointed Placement agent and Manager shall release the funds to the Issuer upon confirmation from the Security Trustee that it has successfully gained full control of the assets held under trust giving rise to the Collateral Rights. Furthermore, upon admission of the Bonds on Prospects MTF, the Issuer shall make an official announcement on the prompt completion of all formalities legally constituting the said property held under trust giving rise to the Collateral Rights.

Specifically, the Bond Issue net proceeds to be allocated for the purposes set out in sub-section 18.1 of the Admission Document shall be released by the Placement Agent and Manager on condition that: (i) it receives appropriate assurance that the first priority mortgage on the Vessel in favour of the Security Trustee has been duly perfected and registered; (ii) the Pledge Agreement is duly and properly executed and registered with the competent authorities; (iii) the pledge on proceeds from the Insurance Policy is duly and properly executed; and (iv) confirmation that the Bonds will be admitted to the Prospects MTF List by no later than 12<sup>th</sup> February 2019 is communicated to the Placement Agent and Manager.

Following the Security Trustee's enforcement of the Collateral Rights, the Security Trustee shall apply any available funds as follows:

- first to pay any sums due to the Security Trustee as trust administration costs or liabilities of the Security Trustee; and
- secondly to pay the Bondholders any outstanding dues by the Issuer in terms of this Company Admission Document.

In terms of the Security Trust Deed, the Security Trustee shall retain the discretion to substitute the security property held as collateral in terms of this Admission Document with alternative security from time to time, subject to an independent valuation report confirming to the satisfaction of the Security Trustee that the value of the security being substituted and added to the rights constituting the Collateral Rights is at least equal to the value of the security to be removed as a security property at such date.

In the event where the Security Trustee makes declarations of trust indicating additional property settled on trust, the Issuer shall make the necessary company announcement in accordance with the Prospects MTF Rules to that effect.

Without prejudice to other powers and discretions of the Security Trustee in terms of the Security Trust Deed and the Pledge Agreement, the Security Trustee shall have the discretion to enforce the Collateral Rights on its own accord or upon receiving notice from the Bondholders that any of the Events of Default set out in section 19.14 of this Document has occurred in accordance with the provisions of this Company Admission Document.

The Security Trustee shall have the discretion to postpone any sale of the assets held on trust if the best value reasonably achievable for the said assets on the open market for the time being would not be considered a fair value in the opinion of the Security Trustee or in the opinion of any advisor appointed by the Security Trustee for the valuation of the said assets.

No provision contained in this Admission Document, the Pledge Agreement and/or the Security Trust Deed shall be construed as creating or otherwise acknowledging any obligation on the part of the Security Trustee in favour of the Bondholders for any payments that may fall due under the Bonds.

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<sup>24</sup> As at the date of this Admission Document Big Blue Cruising Limited has an authorised and issued share capital of €10,001 divided into 10,000 Ordinary A shares of €1 each, fully paid up, held by the Issuer, and 1 Ordinary B share of €1, fully paid up, held by EMD Trust Services Limited.

In terms of the Security Trust Deed, the Borgo Security Trust shall terminate in any of the following events, whichever is the earliest:

- upon the Issuer repaying all amounts outstanding to the Bondholders in terms of this Admission Document and upon the Security Trustee receiving confirmation in writing to this effect from the Issuer and/or the MSE; or
- after one hundred and twenty-five (125) years from the date of the Security Trust Deed; or
- on such earlier date as the Security Trustee shall declare in writing to be the date on which the relative trust period shall end, provided that such action is in accordance with the terms of this Admission Document and the Pledge Agreement; or
- the property held in trust ceases to exist.

Every Bondholder shall be entitled to be entered in the register of Bondholders and shall, thereupon, become a primary beneficiary under the Security Trust Deed. The beneficial interest of a primary beneficiary in terms of the Security Trust Deed shall terminate upon such time as a Bondholder is no longer registered in the register of Bondholders maintained by the CSD, or upon the redemption of the principal amount of the Bonds and payment of all interests thereunder, as the case may be.

The Security Trustee shall, so far as is reasonable and within a reasonable time of receiving a request in writing to that effect, provide full and accurate information on the Security Trust Deed to beneficiaries of the Borgo Security Trust.

## 19.6 Negative pledge

The Group undertakes, for as long as any principal or interest under the Bonds or any of the Bonds remains outstanding, not to create or permit to subsist any Security Interest (as defined below), other than a Permitted Security Interest (as defined below), upon the whole or any part of its present or future assets or revenues to secure any Financial Indebtedness (as defined below) of the Issuer, unless at the same time or prior thereto the Group's indebtedness under the Bonds shares in and is secured equally and rateably therewith, and the instrument creating such Security Interest so provides.

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

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

"Permitted Security Interest" means: (A) any Security Interest arising by operation of law; (B) any Security Interest securing temporary bank loans or overdrafts or guarantees in the ordinary course of business; (C) any Security Interest securing any indebtedness of the Issuer created for the sole purpose of financing or raising finance for the redemption of all the Bonds; (D) any other Security Interest (in addition to (A), (B) and (C) above) securing Financial Indebtedness of the Group, in an aggregate outstanding amount not exceeding 80% of the difference between the value of the unencumbered assets of the Issuer and the aggregate principal amount of Bonds outstanding at the time.

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

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

## 19.7 Rights attached to the Bonds

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



- i. the payment of interest;
- ii. the payment of capital;
- iii. ranking with respect to other indebtedness of the Issuer in accordance with the provisions of sub-section 19.4 hereof;
- iv. the benefit of the Collateral Rights through the Security Trustee, in accordance with the provisions of section 19.5 of this Document;
- v. attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and
- vi. enjoy all such other rights attached to the Bonds emanating from the Admission Document.

## 19.8 Interest

The Bonds shall bear interest from and including the 7th February 2019 at the rate of 5% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment shall be effected on the 7<sup>th</sup> February 2020 (covering the period 7<sup>th</sup> February 2019 to 7<sup>th</sup> February 2020). Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. Each Bond will cease to bear interest from and including its due date for redemption, unless payment of the principal in respect of the Bond is improperly withheld or refused or unless default is otherwise made in respect of payment, in any of which events interest shall continue to accrue at the rate specified above plus one per cent (1%), but in any event not in excess of the maximum rate of interest allowed by Maltese law. In terms of article 2156 of the Civil Code (Chapter 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.

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.

## 19.9 Yield

For Bonds issued at the Bond Issue Price, the gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is 5% per annum.

## 19.10 Form, Denomination and Title

**19.10.1** Certificates will not be delivered to Bondholders in respect of the Bonds in virtue of the fact that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at 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.

**19.10.2** 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.

**19.10.3** Upon submission of an Application Form, Bondholders who do not have an online e-portfolio account will be registered by the CSD for the online e-portfolio facility and will receive by mail at their registered address a handle

code to activate the new e-portfolio login. The Bondholder's statement of holdings evidencing entitlement to the Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Those Bondholders who opt not to avail themselves of this facility should indicate such on the Application Form. Further detail on the e-portfolio is found on <https://eportfolio.borzamalta.com.mt/Help>.

- 19.10.4** 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. The Placement Agent and Manager may subscribe for Bonds for its own account or for the account of underlying customers, including retail customers, and in subscribing to the Bonds through nominee accounts for and on behalf of clients the Placement Agent and Manager shall apply the minimum subscription amount of €2,000 to each underlying client.
- 19.10.5** 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" as per the relative stipulations of this Admission Document.

## 19.11 Pricing

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

## 19.12 Payments

- 19.12.1** Payment of the principal amount of a Bond will be made in euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder may designate from time to time, 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.
- 19.12.2** 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.
- 19.12.3** 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.

- 19.12.4** 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 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.
- 19.12.5** No commissions or expenses shall be charged by the Issuer to Bondholders in respect of payments made in terms of sub-section 19.12. The Issuer shall not be liable for charges, expenses and commissions levied by parties other than the Issuer.

## 19.13 Redemption and purchase

- 19.13.1** The Bonds shall be repayable in full upon maturity on 7<sup>th</sup> February 2029 unless previously repurchased, cancelled or redeemed, provided that the Issuer reserves the right to redeem any one or more of the Bonds on any of the Early Redemption Dates, as the Issuer may determine on giving not less than thirty (30) days' notice to Bondholders.
- 19.13.2** Unless previously purchased and cancelled, the Issuer irrevocably covenants in favour of each Bondholder that the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on the 7<sup>th</sup> February 2029. The Issuer reserves the right to redeem all or any part of the Bonds on any of the Early Redemption Dates in accordance with the Early Redemption Schedule. The Issuer shall give at least thirty (30) days' notice in writing to all Bondholders of its intention to affect such earlier redemption, stating the number of Bonds that will be redeemed on that Early Redemption Date and the manner in which it shall select the Bonds for such early redemption.
- 19.13.3** The Early Redemption Schedule

PERIOD	EARLY REDEMPTION NOMINAL VALUE
7TH FEBRUARY 2026 TO 6TH FEBRUARY 2027	103%
7TH FEBRUARY 2027 TO 6TH FEBRUARY 2028	102%
7TH FEBRUARY 2028 TO 6TH FEBRUARY 2029	100%

As indicated in the table set out in the immediately preceding paragraph, in the event that the Early Redemption Date lies between and including 7th February 2026 and 6th February 2027, the Issuer will be obliged to pay to Bondholders a 3% premium on the nominal value of the Bonds selected for early redemption (together with interest accrued to the date fixed for redemption). In the event that the Early Redemption Date lies between and including 7th February 2027 and 6th February 2028, the Issuer will be obliged to pay to Bondholders a 2% premium on the nominal value of the Bonds selected for early redemption (together with interest accrued to the date fixed for redemption). Early Redemption occurring on or after 7th February 2028 will be redeemed at par. In such a case the Issuer shall be discharged of any and all payment obligations under the Bonds upon payment made net of any withholding or other taxes due or which may be due under Maltese law and which is payable by the Bondholders.

- 19.13.4** Subject to the provisions of this section 19.13, the Issuer may at any time purchase Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike. All Bonds so redeemed or repurchased will be cancelled forthwith and may not be re-issued or re-sold.

## 19.14 Events of Default

Pursuant to the Security Trust Deed, the Security Trustee may in its absolute and unfettered discretion, and shall upon the request in writing of not less than 65% in value of the Bondholders qua primary beneficiaries and/or of the Corporate Advisor appointed under the Prospects MTF Rules and acting in its duty of care to the Exchange, the market and the Bondholders, by notice in writing to the Issuer declare the Bonds to have become immediately due and repayable at their principal amount, together with any accrued interest, upon the happening of any of the following events ("Events of Default"):

- if the Issuer shall fail to pay any interest on any Bond when due and such failure shall continue for thirty (30) days after written notice thereof shall have been given to the Issuer by any Bondholder and/or by the Security Trustee; and/or
- if the Issuer shall fail to pay the principal amount of a Bond on the date fixed for its redemption and such failure shall continue for thirty (30) days after written notice thereof shall have been given to the Issuer by any Bondholder and/or by the Security Trustee; and/or
- if the Issuer shall fail duly to perform or shall otherwise be in breach of any other material obligation contained in the Terms and Conditions of the Bonds and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by any Bondholder and/or by the Security Trustee; and/or
- if the Issuer and/or Big Blue Cruising Limited commits a breach of any of the covenants or provisions contained in the Secured Trust Deed and/or the Pledge Agreement, as applicable, to be observed and performed on their respective parts 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); and/or
- if an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer; and/or
- if the Issuer stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or ceases or threatens to cease to carry on its business or a substantial part of its business; and/or
- if the Issuer is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent; and/or
- if there shall have been entered against the Issuer a final judgment by a court of competent jurisdiction from which no appeal may be or is made for the payment of money in excess of one million Euro (€1,000,000) or its equivalent and ninety (90) days shall have passed since the date of entry of such judgment without its having been satisfied or stayed; and/or
- if any default occurs and continues for ninety (90) days under any contract or document relating to any Financial Indebtedness (as defined above) of the Issuer in excess of one million Euro (€1,000,000) or its equivalent at any time.

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

Provided that in the event of any breach by the Issuer of any of the covenants, obligations or provisions herein contained due to any fortuitous event of a calamitous nature beyond the control of the Issuer, then the Security Trustee may, but shall be under no obligation so to do, give the Issuer such period of time to remedy the breach as in its sole opinion may be justified in the circumstances and if in its sole opinion the breach is remediable within the short term and without any adverse impact on the Bondholders. Provided further that in the circumstances contemplated by this proviso, the Security Trustee shall at all times act on and in accordance with any instructions it may receive in a meeting of Bondholders satisfying the conditions set out in the Security Trust Deed. The Security Trustee shall not be bound to take any steps to ascertain whether any event of default or other condition, event or circumstance has occurred or may occur, and, until it shall have actual knowledge or express notice to the contrary, the Security Trustee shall be entitled to assume that no such event of default or condition, event or other circumstance has happened and that the Issuer is observing and performing all the obligations, conditions and provisions on its part contained under the Bonds and the Company Admission Document. Provided further that, in the event that the Security Trustee becomes aware of the fact that an Event of Default has occurred or is likely to occur, it shall notify in writing the Malta Stock Exchange, the Corporate Advisor and the Bondholders of such fact without delay.

## 19.15 Transferability of the Bonds

- 19.15.1** The Bonds are freely transferable and, once admitted to the Prospects MTF List, shall be transferable only in whole (in multiples in €100) in accordance with the rules and regulations of the MSE applicable from time to time. If Bonds are transferred in part, the transferee thereof will not be registered as a Bondholder.

- 19.15.2** 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. Provided always that if a Bond is transmitted in furtherance of this paragraph, a person will not be registered as a Bondholder unless such transmission is made in multiples of €100.
- 19.15.3** All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- 19.15.4** The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the person to whom the transfer / transmission has been made.
- 19.15.5** 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 or the due date for redemption.
- 19.15.6** The minimum subscription amount of €2,000 shall only apply during the Issue Period. No minimum holding requirement shall be applicable once the Bonds are admitted to Prospects MTF List and commence trading thereafter, subject to trading in multiples of €100.

## 19.16 Further Issues

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

## 19.17 Meetings of Bondholders

- 19.17.1** The Issuer may, through the Security Trustee, from time to time, call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of any of the following: (i) considering and approving any matter affecting their interest, including the amendment, modification, waiver, abrogation or substitution of any of the Terms and Conditions of the Bonds and the rights of the Bondholders, whether or not those rights arise under the Admission Document; (ii) considering and approving the exchange or substitution of the Bonds by, or the conversion of the Bonds into, shares, debentures or other obligations or securities of the Issuer; and (iii) obtaining the consent of Bondholders on other matters which in terms of the Admission Document require the approval of a Bondholders' meeting in accordance with the below.
- 19.17.2** A meeting of Bondholders shall be called by the Directors by giving the Security Trustee and 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 Document that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

- 19.17.3** The amendment of any of the Terms and Conditions of issue of the Bonds may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.
- 19.17.4** 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 Security Trustee and Bondholders present at that meeting. The Issuer shall within two (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting the number of Bondholders present at the commencement of the meeting, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at and decided upon during, the adjourned meeting.
- 19.17.5** 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.
- 19.17.6** 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 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.
- 19.17.7** The voting process shall be managed by the Issuer's company secretary under the supervision and scrutiny of the auditors of the Issuer and the Security Trustee.
- 19.17.8** The proposal placed before a meeting of Bondholders shall only be considered approved if at least sixty per cent (60%) in nominal value of the Bonds held by 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.
- 19.17.9** 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.

## 19.18 Authorizations and approvals

The Directors authorised the Bond Issue and the publication of the Admission Document pursuant to a board of Directors' resolution passed on the 16<sup>th</sup> November 2018.

## 19.19 Admission to trading

Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to the Admission Document to be traded on its Prospects MTF. The Bonds are expected to be admitted to the Prospects MTF with effect from 12<sup>th</sup> February 2019 and trading is expected to commence on the 13<sup>th</sup> February 2019. Dealing may commence prior to notification of the amount allotted being issued to Applicants.

## 19.20 Representations and warranties

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

- i. it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business as it is now being conducted and to hold its property and other assets under legal title;
- ii. it has the power to execute, deliver and perform its obligations under this Document and that all necessary corporate, shareholder and other actions have been duly taken to authorise the execution, delivery and performance of the same, and further that no limitation on its power to borrow or guarantee shall be exceeded as a result of the Terms and Conditions or this Document; and
- iii. no litigation, arbitration or administrative proceedings are taking place, pending or, to the knowledge of the officers of the Issuer, threatened against the Issuer which could have a material adverse effect on the business, assets or financial condition of the Issuer.

**19.20.2** This Admission Document contains all relevant material information with respect to the Issuer and all information contained in this Document is in every material respect true and accurate and not misleading, and there are no other facts in relation to the Issuer, its businesses and financial position, the omission of which would, in the context of issue of the Bonds, make any statement in this Admission Document misleading or inaccurate in any material respect.

### 19.21 Bonds held jointly

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

### 19.22 Bonds held subject to usufruct

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-a-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, subject to the right of the usufructuary).

### 19.23 Change of Control

Upon the occurrence of certain “change of control events”, the Issuer will be required to offer to repurchase the Bonds at a purchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of such repurchase.

If a Change of Control occurs, each holder of Bonds will have the right to require the Issuer to repurchase all or any part of that holder’s Bonds pursuant to an offer (a “Change of Control Offer”). In the Change of Control Offer, the Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Bonds repurchased plus accrued and unpaid interest and additional amounts, if any, on the Bonds repurchased, to the date of purchase (a “Change of Control Payment”) (subject to the rights of holders of record on the relevant record date to receive interest due on the relevant interest payment date). Within 30 days following any Change of Control, the Issuer will (i) cause the Change of Control Offer to be published, if at the time of such notice the Bonds are admitted to trading on the Prospects MTF of the Malta Stock Exchange and its rules so require, and in the manner permitted by such rules, on the official website of the Malta Stock Exchange ([www.borzamalta.com.mt](http://www.borzamalta.com.mt)); and (ii) mail the Change of Control Offer to each registered bondholder. The Change of Control Offer will describe the transaction or

transactions that constitute the Change of Control and will offer to repurchase Bonds on the date (the “Change of Control Payment Date”) specified therein, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures described in such notice. The Issuer will comply with the requirements of any securities laws and the regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Bonds as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provision, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under the Change of Control provisions by virtue of such conflict. On the Change of Control Payment Date, the Issuer will, to the extent lawful:

- (1) accept for payment all Bonds or portions of Bonds properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the Placement Agent and Manager an amount equal to the Change of Control Payment in respect of all Bonds or portions of Bonds properly tendered.

The Placement Agent and Manager will promptly mail (or otherwise cause to be paid) to each Bondholder properly tendered the Change of Control Payment for such Bonds, and the Placement Agent and Manager will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Bond equal in principal amount to any unpurchased portion of the Bonds surrendered.

Except as described with respect to a Change of Control, the Bonds do not contain provisions that permit the holders of the Bonds to require that the Issuer repurchase or redeem the Bonds.

The Issuer also will not be required to make a Change of Control Offer following a Change of Control if the Issuer has already issued a redemption notice in respect of all of the Bonds. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making the Change of Control Offer.

The definition of Change of Control, considered to be “change of control events” include:

1. the direct or indirect sale, lease, transfer, conveyance or other disposition of “all or substantially all” of the properties or assets of the Issuer and the Group taken as a whole.
2. in the event of a takeover, recapitalization or similar transaction of the Issuer, whereby the majority shareholding, measured by voting power rather than number of shares, of the Issuer and the Group taken as a whole, either in one or several transactions has been transferred to a third party.

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Bonds to require the Issuer to repurchase its’ Bonds as a result of a “change of control event” may be uncertain.

## 20. TERMS AND CONDITIONS OF THE BOND ISSUE

- 20.1 The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Prospects MTF List. In the event that the Bonds are not admitted to the Prospects MTF List any Application monies received by the Issuer will be returned without interest by direct credit into the Applicant’s bank account indicated by the Applicant on the relative Application Form. If no such bank account number is provided, or in the event that bank account details on the Application Form are incorrect or inaccurate, such returns will be made by means of a cheque mailed to the Applicant’s address (or, in the case of joint Applications, the address of the first named Applicant) indicated in the Application Form.
- 20.2 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.
- 20.3 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 Document and the Memorandum and Articles of Association of the Issuer.



- 20.4 Any person, whether natural or legal, shall be eligible to submit an Application and any one (1) person, whether directly or indirectly, should not submit more than one (1) Application Form. If an Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have duly bound his principal, or the relative corporation, corporate entity, or association of persons, and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such representative may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Issuer and/or the Corporate Advisor, but it shall not be the duty or responsibility of the Corporate Advisor or Issuer to ascertain that such representative is duly authorised to appear on the Application Form and bind the Applicant.
- 20.5 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.
- 20.6 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.
- 20.7 The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and, accordingly, may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 20.8 No person receiving a copy of the Document or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 20.9 It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself/itself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other 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.
- 20.10 Subject to all other terms and conditions set out in the Document, the Issuer reserves the right to reject, in whole or in part, or to scale down, any Application, including multiple or suspected multiple applications, and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted. In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each Applicant, and liability therefor is joint and several.
- 20.11 Save where the context requires otherwise or where otherwise defined therein, terms defined in this Document bear the same meaning when used in these Terms and Conditions, in the Application Forms, in any of the Annexes and in any other document issued pursuant to this Admission Document.
- 20.12 The Issuer has not sought assessment of the Bonds by any independent credit rating agency.
- 20.13 Subject to all other terms and conditions set out in the Document, the Issuer reserves the right to revoke the Issue at any time before the closing of the Issue Period. The circumstances in which such revocation might occur are expected to be exceptional, for example where a significant change in market conditions occurs.
- 20.14 The Bonds will be issued in multiples of €100. The minimum subscription amount of Bonds that can be subscribed for by all Applicants is €2,000.
- 20.15 The completed Application Forms are to be lodged with the Placement Agent and Manager. The Placement Agent and Manager shall, prior to accepting an Application, conduct an Appropriateness Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered appropriate for the Applicant.

To the extent that the authorized financial intermediary is providing advice in respect of a purchase of the Bonds by an Applicant, the authorized financial intermediary shall also be required to conduct a Suitability Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

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

For the purpose of this Admission Document, the term “Suitability Test” means the process through which a licensed financial intermediary providing investment advice or portfolio management services in relation to the subscription for and trading of Bonds obtains such information from the Applicant or prospective transferee as is necessary to enable the licensed financial intermediary to recommend to or, in the case of portfolio management, to effect for, the Applicant or prospective transferee, the investment service and trading in Bonds that are considered suitable for him/her, in accordance with Part BI of the ISR. The information obtained pursuant to this test must be such as to enable the licensed financial intermediary to understand the essential facts about the Applicant or prospective transferee and to have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or to be entered into in the course of providing a portfolio management service, satisfies the following criteria:

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

- 20.16 For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations, made under the Prevention of Money Laundering Act (Chapter 373 of the Laws of Malta), as amended from time to time, all appointed authorised financial intermediaries are under a duty to communicate to the CSD, all information including customer due diligence data about clients as is required under the Implementing Procedures issued by the Financial Intelligence and Analysis Unit in view of its placing of reliance on the said intermediaries under the said Regulations and 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 (Chapter 586 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.
- 20.17 Applications in the name of a corporation or corporate entity or association of persons need to include a valid Legal Entity Identifier (“LEI”) in the space provided on the Application Form. Failure to include a valid LEI code will result in the Application being cancelled by the Issuer acting through the Placement Agent and Manager and subscription monies will be returned to the Applicant in accordance with sub-section 20.19 below.
- 20.18 In the event that an Applicant fails to submit full information and/or documentation required with respect to an Application, the Applicant shall receive a full refund, without interest, by direct credit transfer to such account indicated in the Application Form at any time before the Bonds are admitted to the Prospects MTF List. The Issuer shall not be responsible for any charges, loss or delay arising in connection with such credit transfer.

20.19 By completing and delivering an Application Form, the Applicant:

- agrees and acknowledges to have had the opportunity to read the Admission Document and to be deemed to have had notice of all information and representations concerning the Issuer and the issue of the Bonds contained therein;
- 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;
- authorises the Placement Agent and Manager and the Directors of the Issuer to include his/her/its name or, in the case of joint Applications the first named Applicant, in the register of debentures of the Issuer in respect of the Bonds allocated to such Applicant and further authorises the Issuer and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Chapter 586 of the laws of Malta). The Applicant has the right to request access to and rectification of the personal data relating to him/her/it as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Admission Document. The requests must further be signed by the Applicant to whom the personal data relates;
- 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 Admission Document and, accordingly, agree/s that no person responsible solely or jointly for the Document or any part thereof will have any liability for any such other information or representation;
- agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her/its remittance and any verification of identity as required by the Prevention of Money Laundering Act (Chapter 373 of the laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
- agrees to provide the Placement Agent and Manager and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application;
- warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her/its Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Corporate Advisor acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bonds or his/her/its Application;
- warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) and that he/she/it is not accepting the invitation set out in the Admission Document from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- agrees that all documents in connection with the issue of the Bonds and any returned monies, including refunds of all unapplied Application monies, if any, will be sent at the Applicant's own risk and may be sent, in the case of documents, by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form and in the case of monies by direct credit into the Applicant's bank account as indicated by the Applicant on the Application Form;
- 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;
- irrevocably offers to purchase the number of Bonds specified in his/her/its Application Form (or any smaller number for which the Application is accepted) at the Bond Issue Price subject to the Admission Document, the terms and conditions thereof and the Memorandum and Articles of Association of the Issuer;
- warrants that his/her/its remittance will be honoured on first presentation and agrees that if such remittance is not so honoured he/she/it will not be entitled to receive a registration advice, or to be registered in the register of debentures or to enjoy or receive any rights in respect of such Bonds unless and until payment in cleared funds for such Bonds is received and accepted by the Issuer and/or the Corporate Advisor (which acceptance shall be made in the absolute

discretion of the Issuer and/or the Corporate Advisor and may be on the basis that the Issuer and/or the Corporate Advisor is indemnified against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of such remittance to be honoured on first presentation) and that, at any time prior to unconditional acceptance by the Issuer and/or the Corporate Advisor of such late payment in respect of such Bonds, the Issuer and/or the Corporate Advisor may (without prejudice to other rights) treat the agreement to allocate such Bonds as void and may allocate such Bonds to some other person, in which case the Applicant will not be entitled to any refund or payment in respect of such Bonds (other than return of such late payment);

- agrees that all Applications, acceptances of applications and contracts resulting therefrom will be governed by, and construed in accordance with, Maltese law and that he/she/it submits to the exclusive jurisdiction of the Maltese Courts and agrees that nothing shall limit the right of the Issuer to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of applications and contracts in any other manner permitted by law in any court of competent jurisdiction;
- warrants that if he/she signs the Application Form on behalf of another party or on behalf of a corporation or corporate entity or association of persons, he/she has due authority to do so and such person, corporation, corporate entity or association of persons will also be bound accordingly, and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions;
- warrants that he/she is not under the age of eighteen (18) years or if he/she is lodging an Application in the name and for the benefit of a minor, warrants that he/she is the parent/s or legal guardian/s of the minor;
- confirms that, in the case of a joint Application entered into in joint names, the first named Applicant shall be deemed the holder of the Bonds; and
- agrees that, in all cases, any refund of unallocated Application monies, if any, will be sent to the Applicant by direct credit into the Applicant's bank account as indicated by the Applicant on the Application Form. No interest shall be due on refunds. The Issuer shall not be responsible for any changes, loss or delay in transmission. If no such bank account number is provided, or in the event that bank account details on the Application Form are incorrect or inaccurate, such refund will be made by means of a cheque mailed to the Applicant's address (or, in the case of joint Applications, the address of the first named Applicant) indicated in the Application Form.

## 21. TAXATION

### 21.1 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 the Bonds and 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 Admission Document, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject matter referred to in the preceding paragraph, may change from time to time.

This information is being given solely for the general information of 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.

### 21.2 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 (Chapter 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 said Income Tax Act. Interest payments made to Prescribed Funds will be subject to a final withholding tax at the rate of 10%. 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. For the purpose of the above, a "recipient" is generally a person who is resident in Malta during the year in which investment income is payable to him or other persons or entities acting on behalf of such resident person or a trustee or foundation pursuant to or by virtue of which any money or other property whatsoever shall be paid or applied to or for the benefit of such resident persons.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder may not declare the interest so received in his income tax return. No person shall be charged to further tax in respect of such income.

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 progressive rate/s applicable to that person at that time. Any such election made by a qualifying Bondholder at the time of subscription may be subsequently revoked 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.

The Issuer is required to provide an account to the Commissioner for Revenue of all payments of interest made during any year, whether tax is deducted or otherwise. The annual account shall include details of the recipient's name, address and the income tax registration number as well as the amount of interest paid, and the tax deducted, where applicable, by the Issuer to the recipient during that year.

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.

### 21.3 Foreign Account Tax Compliance Act

The United States has enacted rules, commonly referred to as "FATCA", that generally impose a new reporting regime and withholding requirements with respect to certain US source payments (including dividends and interest), gross proceeds from the disposition of property that can produce US source interest and dividends and certain payments made by, and financial accounts held with, entities that are classified as financial institutions under FATCA. The United States has entered into an intergovernmental agreement with Malta dated 6 December 2013 regarding the implementation of FATCA with Malta. Payments effected by the Issuer on or with respect to the Bonds are not expected to be subject to withholding under FATCA except to the extent that any Bondholder fails to comply with its obligations under FATCA. However, FATCA may affect payments made to custodians or intermediaries, if any, in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Bondholders should choose any custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Bonds are discharged once it has effected payment as stipulated in this Admission Document and therefore the Issuer has no responsibility for any amount thereafter transmitted through the payment chain.

FATCA requires participating financial institutions to satisfy applicable due diligence and reporting requirements in terms of the intergovernmental agreement entered into by Malta together with the relevant regulations and guidelines issued by the Commissioner for Revenue. Consequently certain confidential information in relation to the Bondholders and/or other relevant persons may be reported to the Commissioner for Revenue and automatically exchanged pursuant to these requirements.

FATCA is particularly complex. Each Bondholder should consult his own tax advisor to obtain a more detailed explanation of FATCA and to learn how it might affect such holder in his specific circumstance.

## 21.4 Directive on Administrative Cooperation in the Field of Taxation

The Council of the European Union has adopted Directive 2014/107/EU amending Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime that implements the OECD measures known as the “Common Reporting Standard”. Member States are required to begin exchanging information pursuant to this Directive no later than 30 September, 2017 (subject to deferral under transitional rules in the case of Austria).

Malta has transposed Directive 2014/107/EU into national law by means of Legal Notice 384 of 2015 amending the Cooperation with Other Jurisdictions on Tax Matters Regulations. In terms of this legal notice, the automatic exchange of information obligations extends also to jurisdictions that are not EU Member States with which there is a relevant arrangement in place.

In consequence, financial institutions of an EU Member State and of participating jurisdictions will be required to report to their respective tax authorities certain financial account information in respect of account holders (and in some cases, beneficial holders), that are residents of another EU Member State or of a participating jurisdiction in order to be exchanged automatically with the tax authorities of the other EU Member States or participating jurisdictions. Financial account information in respect of holders of the Bonds could fall within the scope of EU Directive 2014/107/EU and this may therefore be subject to reporting obligations.

## 21.5 Maltese taxation on capital gains on transfer of the Bonds

To the extent that the Bonds do 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 instruments that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return*”, no Malta tax on capital gains should be chargeable in respect of transfers of Bonds held as capital assets at the time of disposal.

## 21.6 Duty on documents and transfers

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

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

## 21.7 Tax status of the Group

The Maltese incorporated companies forming part of the Group should be subject to tax in Malta at the standard corporate tax rate, which currently stands at 35%.

Income from foreign sources received by such companies (including capital gains, dividends, interest and any other income) is also subject to tax in Malta at the rate of 35%, subject to claiming relief for double taxation in terms of the provisions of the Income Tax Act (Chapter 123 of the laws of Malta).

**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 BOND 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.**

## 22. LITIGATION PROCEEDINGS AND INVESTIGATIONS

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period covering twelve months prior to the date of the Admission Document which may have, or have had, in the recent past significant effects on the financial position or profitability of the Issuer and / or the Group.

## 23. GOVERNING LAW

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

## 24. NOTICES

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

## 25. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or certified copies thereof, where applicable, are available for inspection at the registered office of the Issuer at Vaults 14, Level 2, Valletta Waterfront, Floriana FRN 1914, Malta during the term of the Bond Issue during office hours:

1. the Memorandum and Articles of Association of the Issuer;
2. Audited financial statements for the year ended 31 December 2017 of Relais Borgo Santo Pietro srl.

## ANNEX A – Vessel Valuation Document

### Studio Tecnico **DEBONIS**

NAVALE & TRASPORTI (since 1980)

CONSULTING ENGINEERS - MARINE & CARGO SURVEYORS

Via A. Gramsci, 20  
72023 MESAGNE (BR) ITALIA

Tel. & Fax +39 0831 77 54 00  
Mobile Tel. +39 348 44 12 149  
E-mail [serafinodebonis@gmail.com](mailto:serafinodebonis@gmail.com)

Brindisi, September 12<sup>th</sup> 2018

#### **"Two Masted SCHOONER"**

named **"SATORI"** - OFF. No. 17370

#### ***SURVEY REPORT***



This is to Certify that at the request of Messrs. **BIG BLUE CRUISING Limited -**

**Malta**, to ascertain the general condition of the above said SCHOONER and her estimated commercial valuation, the undersigned carried out inspection, and as far as noted where visible/accessible, reports as following without any prejudice.

#### **1. INSPECTION**

- Date and place : September 9<sup>th</sup> 2018 at CORFU' (Greece) on board of the SCHOONER whilst she was floating and anchored into CORFU' road.
- Present were :
  - Mr. ALI AKER, Captain;
  - Mr. YIGIT GAZI UZUNKAYA, Chief Mate.
  - Crew Members.

Iscrizioni: C.C.I.A.A. Brindisi n°45 - Trib. Brindisi n°24 - A.I.P.E.R.T. n°24 - Albo Naz. Periti Ass.vi n°3838  
Codice Fiscale: DBN SFN 55B28 F152W - Partita IVA: 00610080749



## 2. GENERAL DATA

- Sailing and engine Custom Yacht, used for commerciale and private use.
- Named : "SATORI"
- Flag : MALTESE
- Port of Registry : Valletta.
- Official Number : 17370.
- Call sign : 9HB5426.
- Owners : **BIG BLUE CRUISING LIMITED**  
114, The Strand – GZIRA GZR 1027 - MALTA

### - Certificates

#### - Certificate of Class

Issued by R.I.N.A. Services S.p.A. at Istanbul on 22-03-2018, valid up to 15-12-2022.

Class: C \* Hull \* MACH; Y.

Navigation: Without limit in every zone and every time.

#### - Statutory Certificates

Issued by MALTA Registry.

	<u>Issued</u>	<u>Expiry</u>
- Ship's Carving and Marking note	31-03-2017	
- Certificate of Compliance to trade as a commercial yacht	28-12-2017	21-04-2018
- Certificate of Registry	16-01-2018	29-03-2019
- Int. Load Line Certificate	30-03-2017	30-04-2017
- Int. Tonnage Certificate	30-03-2017	
- Int. Seawage Pollution Certificate	30-03-2017	29-03-2018
- Record of Equipment	28-12-2017	

#### - Safety Equipments Certificates

- Radio installation report	05-04-2018	
- S.A.R.T. Certificate	28-03-2017	10/2021
- GMDSS	05-04-2017	04-04-2019
- EPIRB	05-04-2018	04-04-2019
- AIS	05-04-2018	
- GPS SIMRAD – Report	22-03-2017	

- Passengers : 10 (Ten).
- Crew Members : 7 (Seven)  
ALI AKER, Captain;  
YIGIT GAZI UZUNKAYA, Chief Mate;  
N.1 Engine man and n.3 Seamen.  
N.1 Chef.

### 3. HULL DATA & CONDITION

- Type : Single Hull.
- Costruttore : UMUT YILLIKCI – CAVUSOGLU YAT IMALATHA-  
NESI – MUĞLA – Turchia.
- Model : Bermudian two Masted SCHOONER.
- Hull identification number : 04.
- Year : 2017.
- Material : Mahogany wood.
- Length overall : mt. 41,50.
- Length between perpendiculars : mt. 32,58.
- Breadth : mt. 7,55.
- Depth : mt. 4,39.
- Draughts : mt. 3,80.
- Gross tonnage : T. 191.
- Net tonnage : T. 57.
- Maximum speed : 14 Knots.
- Cruising speed : 12 Knots.
- Alleged works on 2018 : Ordinary works, bottom cleaning and antifouling,  
zinc anodes renewing, top side polishing.
- Hull general condition : Good.

- Framing general condition (as far as visible): Good.
- Deck general condition: Good. Guardrail in stainless steel.
- Superstructure general condition: Good.
- Steering plant (as far as visible): Good.  
Electric/hydraulic plant with one rudder blade, manoeuvring by joystick on bridge at fore, and by wheel on deck house port side manoeuvring position. Emergency manual wheel.
- Sea water intake general condition, maintenance and accessibility (as far as visible): Good.
- Deck scuttles and shutters general condition: Good.

### 3.1 Deck house

#### A) Fore deck house

Fore section with navigation bridge.

Aft section with galley equipped by two electrical kitchen, of which 1 x 4 plate and 1 x 2 plate, n.2 electric oven, n.2 dish washer, n.5 refrigerator, n.2 freezing, store room, n.2 sink, all in stainless steel.

#### B) Amidships/Aft deck house

Deck house with aft and starboard side access.

Drawing room with parlour on both side, dinner table and working table.

Furniture, lining, furnishing, cushions, tables, chairs in good condition and very good quality.

Various sundress bed on top of the deck house.

Stainless steel mobile ladder to access on top of the deck house.

### 3.2 Under deck compartment

#### A) Passengers cabins with access from amidship deckhouse

- Fore cabin (suite) double bathroom.
- Center/fore starboard side cabin with bathroom.
- Center/fore port side cabin with bathroom, and also equipped/used for hydro massage.
- Center starboard side cabin with bathroom.
- Center port side cabin with bathroom.
- Each cabin equipped by television, stereo, phone, minibar, safe, air conditioning plant, smoke alarm and fire fighting.
- Furniture, lining, furnishing in good condition and very good quality.

#### B) Crew cabin with access from amidship deck house outer starboard side

- Dinner room.
- Captain cabin, n.1 bed.
- Chef cabin, n.1 bed.
- Crew cabin, n.2 bunk beds.
- Crew cabin, n.2 bunk beds.
- Crew cabin, n.2 bunk beds.
- N.2 bathrooms.
- Furniture, lining, furnishing in good condition.

### 3.3 Deck

- Fore zone: Sundress bed.
- Center zone: ten place dinner mahogany table, n.2 sundress deckchairs and small table on each side.
- After zone: Sundress bed under mobile veranda.
- Parlour under veranda.
- Bar post.



*Deban's Lab*

#### 4. SAILING EQUIPMENT

- Sailing type: Two masted Schooner with Bermudian sail – Total sail area 700 m<sup>2</sup>.
- Aluminium Main mast, fixed on stainless steel plate on top of the amidship deck house, with underneath mast, crossing deck and fixed by stainless steel plate on keel bottom.  
Mast eight from top of the deck house mt. 37, from main deck mt. 39,10, n.3 cross tree sections.  
N.2 spiral stainless steel backstay of dia. 22 mm. equipped by electric/hydraulic turn-buckle.  
On each side: n.2 lower shroud, n.1 mean shroud and n.1 top shroud, each one of dia. 18 mm., main shroud of dia. 22 mm., all in spiral stainless steel.  
Turn-buckles, brackets and pins in stainless steel.  
Aluminium Boom with brackets and pins in stainless steel.
- Aluminium fore mast crossing deck and fixed by stainless steel plate on keel bottom.  
Mast eight from deck mt. 37,5 – N.3 crosstree sections.  
Fore mast stay in stainless steel, and electric turn-buckle.  
Bow sprit stay in stainless steel and electric turn-buckle.  
On each side: n.2 lower shroud, n.1 mean shroud and n.1 top shroud, each one of dia. 18 mm., main shroud of dia. 22 mm., all in spiral stainless steel.  
Turn-buckles, brackets and pins in stainless steel.  
Aluminium Boom with brackets and pins in stainless steel.
- Aluminum bow sprit.  
Dog and brackets in stainless steel.
- Stainless steel whinch: n.3 ANTAL XT70, n.2 ANTAL XT66, n.2 HIDROMARIN
- Sails on board: Bermudian Ketch Rig - NORTH SAILS in Poly Preg Cream 15.52 HA CTDR.  
Main trysail, fore trysail, Jib, flying-Jib, Gennaker.

**Note:**

Sailing equipment in good condition.





## 5. MAIN ENGINES

- Type : Diesel.
- Number of Engines : Two.
- Builder : AB VOLVO PENTA.
- Model : D13 MH/MG.  
Four stroke cycle Engine, n.6 cylinders,  
displacement 12780 CC, bore 131 mm., stroke  
158 mm., Dimensions 1728 x 1072 x 1501 mm.,  
Weight 1522 kg., Consumption 75 litres/hour.
- Year : 2016.
- Serial number : 1013522083 – 1013522214.
- Indicated working hours : P.S. Engine 1430 hours - S.S. Engine 1417 hours.
- Power : 2 x 404 KW (2 x 550 Bhp) at 1900 RPM.
- Alleged works 2018 : Ordinary works.
- Engine spare parts : Ordinary equipment..
- General condition : As far as visible, good.
- Maintenance condition : As far as visible, good.
- Bunker plant condition : As far as visible, good.

## 6. PROPULSION

- N.2 independent shafting line, each one coupled by ZF BW 350-1 reduction/reversing gear in line to the respective engine.
- Stainless steel propellers shaft with n.4 blade fixed brass propeller.
- Alleged works 2018: Ordinary works.



7. **STEERING GEAR**

- Electric/Hydraulic plant connecting with GPS and Autopilot, n.1 rudder blade.  
Manoeuvring on navigation bridge by Joystick, on deckhouse by wheel.  
Emergency manual wheel.

8. **ELECTRIC - ELECTRONIC PLANTS**

- Voltage: 12 - 24V dc, 220V - 380V ac, plus shore plug socket 220 V ac.
- N.22 Batteries of 220 A/h each one, of which n.4 for engines, n.4 for GG.EE., n.9 for services, n.5 for navigation equipments/apparatus.
- N.2 Diesel Generating set of 54 KW each one.
- General condition and maintenance of electric/electronic plants, general panels, wiring, connecting, switches, taps, navigation light, battery charge, battery detach, short circuit protection, etc., as far as visible, good.
- Underwater lights on both side.

9. **FIRE-FIGHTING EQUIPMENT**

- |                                 |   |  |
|---------------------------------|---|--|
| - Engine room                   | : | N.1 fixed extinguisher of 94 kg. NOVEC 1230. Test 05-04-2018.                          |
| - Smoke and Fire-Fighting plant | : | TYCO - Test 05-04-2018.<br>N.2 Fire electric pump 500/50 liters/min. <sup>1</sup> -    |
| - Portable extinguishers        | : | - N.3 of 5 kg. CO <sub>2</sub> .<br>- N.4 of 6 liters foam;<br>- N.10 of 6 kg. powder. |
| - Compartment ventilation       | : | Natural, and air conditioning.   |
| - Engine room ventilation       | : | Natural, and forced electromechanical.   |
| - Kitchen and oven              | : | Electrical.  |



#### 10. ELECTRONIC NAVIGATING APPARATUS

	<u>Builder</u>	<u>Model</u>	<u>Year</u>	<u>Condition</u>
<u>On bridge</u>				
- Compass	SIMRAD	RC 42	2017	Good
- GPS	SIMRAD	NSS EV02	2017	Good
- Radar	SIMRAD	BR 24	2017	Good
- N.2 Depth recorder	SIMRAD	B 744	2017	Good
- Wind	SIMRAD	508	2017	Good
- Autopilot	SIMRAD	AC 42	2017	Good
- Steering gear	Hidromarin			
- Bowthrust	Hidromarin		2017	Good
- VHF	SIMRAD	n.i.	2017	Good
- Satellite phone	PANASONIC	QT 1887	2017	Good
- Receiver Meteo NAVTEX	FURUNO	NX 300	2017	Good
- Electric Panel	Hidromarin	--	2017	Good
- Fire-Fighting panel	Hidromarin	--	2017	Good
- Bilge alarm panel	Hidromarin	--	2017	Good
- Engine control equipment by computer	VOLVO PENTA	--	2017	Good
- Barometer, Clock, Hygrometer/Thermometer	SILVA	--	2017	Good
<u>On Deck house manoeuvring position</u>				
- Compass	PLASTIMO	OFF SHORE 75	2017	Good
- GPS/Radar	SIMRAD	NSS EVO2	2017	Good
- Autopilot	SIMRAD	AC 42	2017	Good
- Depth recorder	SIMRAD	B 744	2017	Good



- |   |   |             |          |      |      |
|---|---|-------------|----------|------|------|
| - | Wind  | SIMRAD      | 508      | 2017 | Good |
| - | VHF SSB   | SAILOR      | 6222     | 2017 | Good |
| - | VHF   | SIMRAD      | n.i.     | 2017 | Good |
| - | Engine control equipment by computer  | VOLVO PENTA | --       | 2017 | Good |
| - | AIS   | SIMRAD      | NAIS 400 | 2017 | Good |
| - | EPIRB   | BRACKET     | 406      | 2017 | Good |
| - | Bow thruster Joystick   | HIDROMARIN  |          | 2017 | Good |
| - | Bilge allarm panel.   |             |          |      |      |
| - | <b><u>Other equipments:</u></b>   |             |          |      |      |
| - | Bow thruster 5,5 KW.  |             |          |      |      |
| - | Telecamera plant on engine room, Bridge, Galley.                                    |             |          |      |      |
| - | Air conitioning plant MARINCOLD.  |             |          |      |      |
| - | N.2 desalinator of 150 liters/hour each one.  |             |          |      |      |
| - | Stern mobile retractable ladder.  |             |          |      |      |
| - | Starboard side reclining ladder.  |             |          |      |      |
| - | Hot water plant.  |             |          |      |      |
| - | Each passengers cabin equipped by stereo, TVC, IPad, phone, decoder, minibar, safe. |             |          |      |      |
| - | TVC into drawing room.  |             |          |      |      |
| - | TVC crew dinner room.   |             |          |      |      |
| - | N.2 water craft YAMAHA of 700 KW.   |             |          |      |      |
| - | N.2 Seabob Cayago F5S.  |             |          |      |      |
| - | N.5 water sking table.  |             |          |      |      |
| - | N.2 Cajak.  |             |          |      |      |
| - | N.1 Optimist.   |             |          |      |      |

General condition, as far as visible: Good.

**11. BILGE WATER SUCTION EQUIPMENTS**

- N.1 centralized electric pump.
- N.6 electric pumps automatic and/or operating.
- N.2 fixed manual pumps.
- General condition, as far as visible: Good.

**12. DECK EQUIPMENTS**

- N.2 HALL stainless steel anchor of 200 Kg. each one, with chains of 20 mm. and length 200 mt.
- N.2 windlass and docking winch HARKEN of 3500 W at fore.
- N.2 docking winch of 2500 W cad. at aft, port and starboard side.
- Stainless steel bitt and mooring chock.
- General condition, as far as visible: Good.

**13. SERVICE BOAT**

- Tender of mt. 5,65 with bottom in Fiberglass.
- DIESEL JET Engine of 180 CV.
- N.2 Liferaft ARIMAR, each one for 12 persons – Expire date 2019.

**14. WATERTIGHTNESS COMPARTMENTING**

- Collision bulkhead : Yes.
- Engine room fore bulkhead : Yes.
- Engine room aft bulkhead : Yes, equipped by watertight door

**15. STAINLESS STEEL TANKS**

- Bunker : Two tanks for a total of 11000 liters, and service tank of 600 liters.
- Fresh water : Four tanks for a total of 5000 liters.
- Dirty water : Four tanks for a total of 3200 liters.
- Sewage : Two tanks for a total of 1800 liters.

**16. CONCLUSION**

According to the inspection carried out as far as visible/accessible, the Schooner "SATORI": Hull, sailing equipments, main engines and propulsion, electric/electronic plants, navigating equipments, safety equipments, and others extra equipments, resulted to be in general good condition.

At the inspection the equipments were tested and all resulted to be well running.

Navigating test has not been carried out.

**17. ESTIMATED COMMERCIAL VALUATION**

The "SATORI" Schooner is not a conventional yacht.

Construction materials and equipments resulted to be of very good quality.

Construction carried out under supervision of R.I.N.A. Service S.p.A. Classification and MALTA Registry according to international standard rules.

Furniture, lining, furnishing material and services, resulted to be of very good quality.

Considering the performance of the "SATORI" Schooner, Builder and year of construction, and general condition of Hull, sailing equipments, main engines and propulsion, electric/electronic plants, safety equipments, navigating electronic apparatus, furniture lining furnishing materials and other extra equipments, it is our opinion that the estimated commercial valuation of the "SATORI" is **EURO 9.000.000,00** (Ninemillion/00).

Nevertheless the undersigned is available to examine the possible valuation supporting documentation when and if it will be submitted us.

*Issued without any prejudice.*

**Serafino DEBONIS**  
Consulting Engineer & Marine Surveyor



**Enclosures:** Certificates; Photo Set.



Cron. Nr.

## TRIBUNALE DI BRINDISI

### VERBALE DI GIURAMENTO PERIZIA

Il giorno 16 OTT. 2018 in Brindisi nel  
Tribunale innanzi al sottoscritto Cancelliere si è presentato il signor  
do Basso Stefano u. Merone 28.02.1955  
identificato con tanepet AA 40856P3 Quarta Breve  
il quale chiede di giurare l'antescritta perizia.

Premesse le ammonizioni di legge, ha giurato di aver bene e  
fedelmente adempiuto all'incarico ricevuto consapevole delle  
conseguenze morali e giuridiche che derivano da dichiarazioni  
mendaci.

u. 162P esch.

Stefano Basso

IL FUNZIONARIO GIUDIZIARIO  
(Giovanni Aversa)  
epura







# CERTIFICATE OF CLASS FOR PLEASURE YACHTS

N. 93136-V001-001



RINA No. 93136

Name of ship	<b>SATORI</b>				
Former names	-----				
Hull Material	Wood				
Owner	BIG BLUE CRUISING LIMITED		Flag	Malta	
Port of registry	VALLETTA		Distinctive number or letters	9HB5426	
Shipyard - place of build	UMUT YILLIKCI - CAVUSOGLU YAT IMALATHANESI - MUGLA				
Date of build	30 May 2017		Date of commissioning	30 May 2017	
Overall Length	41.50 m	Gross Tonnage	191 GT	Net Tonnage	57 NT
Length Between Perpendiculars	32.58 m	Moulded Breadth	7.55 m	Depth	4.39 m
Number of main engines	2	Total power	882 kW		

**THIS IS TO CERTIFY** that the above ship has been surveyed in accordance with the Classification Rules and, on the basis of the survey report submitted, has been assigned the class (\*)

**C \* HULL • MACH ; Y**

based on the maximum draught as per approved Stability Booklet

with additional Class notations:

This certificate is valid until: **15 December 2022**

This certificate will be invalidated whenever the requirements of the Rules are not complied with.

Issued at: **ISTANBUL**

on: **22 March 2018**



Sanquerra Massimo  
**RINA SERVICES S.p.A.**

This certificate is only valid provided it also contains the pages with the endorsements.

\* Service and navigation are described at page 2

Form DIPCLAC - 12/2017 - LS

This certificate consists of 3 pages



**Service****Y**

Yacht engaged in private use

**Navigation****unrestricted**

Yacht intended to operate in any area and in any period of the year

The Certificate of Class becomes invalid in the following cases:  
1. when the ship's class is suspended in accordance with the provisions indicated in Part A, Ch 2, Sec 3, [1.2] of Rules for the Classification of Yachts;  
2. when the ship's class is withdrawn in accordance with the provisions indicated in Part A, Ch 2, Sec 3, [1.3] of Rules for the Classification of Yachts.  
Furthermore, where the ship is assigned with additional class notations or more than one service notations, these notations are suspended and/or withdrawn in accordance with the provisions indicated in Part A, Ch 2, Sec 3, [1.5] of Rules for the Classification of Yachts.

The certificate of class is issued on the basis of the requirements and conditions specified in RINA SERVICES S.p.A. Classification Rules of which the interested party has acquired full knowledge, accepting them unconditionally, with particular regard to the following clauses: RINA SERVICES S.p.A. carries out its duties through officers or other persons it considers possess all the requirements of suitability and competence for the tasks which have been assigned to them. In its capacity as expert, RINA SERVICES S.p.A. only expresses opinions and evaluations of compliance with its own rule requirements and does not, in any case whatsoever, (even if its opinions are requested on matters not expressly covered by Rules) assume the liabilities pertaining to the designers, shipowners, builders, test inspectors, shipyards or any person or organization responsible by law or contractually for providing guarantees for all of whom the respective liabilities remain unchanged even in the case of consultative actions by RINA SERVICES S.p.A. For what concerns the tasks taken on and carried out directly, other than those delegated in the following, RINA SERVICES S.p.A. is answerable in law terms. Within the context of the tasks under the responsibility of RINA SERVICES S.p.A. as delegate of an Administration, liability can only be recognized in the case of fraud or gross negligence by the officers or the persons engaged. In no case shall the liability, regardless of the amount of damage reported, exceed a value equal to 5 times the total of the fees received by RINA SERVICES S.p.A. as consideration of the services rendered from which the damage reported derives.

# **PERIODICAL CLASS SURVEYS ENDORSEMENTS** **ANNUAL SURVEYS**

<b>First annual survey</b>	Signature and seal
Place	
Date	
<b>Second annual survey</b>	Signature and seal
Place	
Date	
<b>Third annual survey</b>	Signature and seal
Place	
Date	
<b>Fourth annual survey</b>	Signature and seal
Place	
Date	
<b>Fifth annual survey</b>	Signature and seal
Place	
Date	

## **INTERMEDIATE SURVEY**

The intermediate survey is applicable at any period of class to the ships which are five years old and over

Place	Signature and seal
Date	

## **EXTENSION TO ALLOW COMPLETION OF CLASS RENEWAL SURVEY (maximum 3 months)**

Place	Signature and seal
Date	
Class Certificate extended until:	

## **CLASS RENEWAL SURVEY**

Place	Signature and seal
Date	
Validity of Class Certificate confirmed until:	

NOTE: for other Class endorsements refer to the "Class survey endorsement sheets" issued by the Offices/TQY in charge of the relevant surveys.

**RINA**





## CERTIFICATE OF COMPLIANCE TO TRADE AS A COMMERCIAL YACHT

No. 0229

Name of Yacht	Official Number	Port of Registry	Length*	Gross Tonnage
SATORI	17370	VALLETTA	32.58m	191

### THIS IS TO CERTIFY THAT:

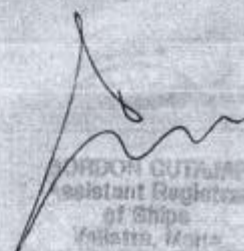
1. the yacht has been surveyed in accordance with the Commercial Yacht Code 2015.
2. the yacht has been found to comply with the requirements of the said Code.
3. the total number of persons for which life saving appliances are provided is 17 and that the maximum number of passengers that may be carried is 10.
4. the yacht was surveyed on the 14 March 2017 at Bordum, Turkey.
5. the range of operation of the yacht is: Short (60 nautical miles from safe haven)

This certificate is issued under the authority of the Government of Malta, and it will remain in force, unless previously cancelled, until **13 March 2022** subject to the yacht, its machinery and equipment being efficiently maintained, surveys are carried out within the prescribed windows, the manning complies with the Code and the following conditions are satisfied:-

- Nil.

Issued at Valletta, Malta on 28 December 2017

Signature of authorised officer issuing the Certificate:

  
ORDON GUTWINE  
Assistant Registrar  
of Ships  
Valletta, Malta

The validity of this Certificate is subject to the following valid Certificates being on board:

Certificate of Malta Registry  
International Tonnage Certificate  
International Load Line Certificate  
International Sewage Pollution Prevention Certificate  
Certificate of Class  
Minimum Safe Manning Certificate

This Certificate shall be supplemented with a Record of Equipment

Form\_COC2015

(\*) Length – Refer to Section 2 of the Commercial Yacht Code and to LL Article 2(8)

CERTIFICATE OF COMPLIANCE TO TRADE AS A COMMERCIAL YACHT

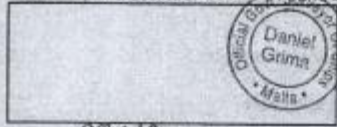
Name of Yacht: SATORI

Official No.: 17370

**ENDORSEMENT FOR INTERMEDIATE/ANNUAL SURVEYS**

**THIS IS TO CERTIFY** that at a survey as required by the Code the vessel was found to conform with the relevant requirements.

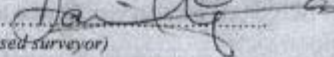
1<sup>st</sup> Annual Survey  
between (14 December 2017 - 14 June 2018)



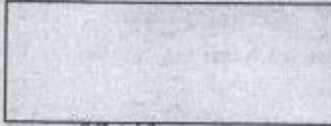
Official Stamp

Place: Bodrum, Turkey

Date: 21 APRIL 2018

Signed:   
(signature of authorised surveyor)

2<sup>nd</sup> Annual Survey  
between (14 December 2018 - 14 June 2019)



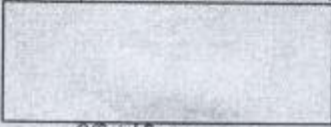
Official Stamp

Place:

Date:

Signed: .....  
(signature of authorised surveyor)

3<sup>rd</sup> Annual Survey  
between (14 December 2019 - 14 June 2020)



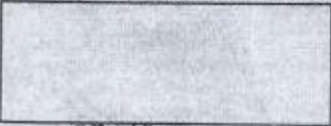
Official Stamp

Place:

Date:

Signed: .....  
(signature of authorised surveyor)

4<sup>th</sup> Annual Survey  
between (14 December 2020 - 14 June 2021)



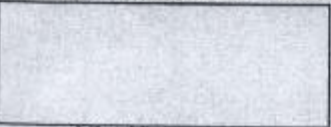
Official Stamp

Place:

Date:

Signed: .....  
(signature of authorised surveyor)

Renewal Survey  
between (14 December 2021 - 13 March 2022)



Official Stamp

Place:

Date:

Signed: .....  
(signature of authorised surveyor)

The validity of this certificate is hereby being extended until the ..... (not later than 3 months subsequent to the original expiry date) pending the issuance of the new COC.

Form\_CO2015





# CERTIFICATE OF MALTA REGISTRY

Issued in terms of Article 19 of the Merchant Shipping Act

Form No.  
Certificate No. 108037

Official No. <b>17370</b>	Call Sign <b>9HB5426</b>	Name of Ship <b>SATORI</b>	No, Year and Home Port <b>22 IN 2018 VALLETTA</b>
Framework & Description of Vessel <b>WOOD COMMERCIAL YACHT</b>		When and Where Built <b>2017 - BIG BLUE YACHTING YATCILIK A.S., BODRUM, TURKEY</b>	
Length Article 2(8) <b>32.58</b> Moulded Breadth Reg 2(3) <b>7.50</b> Moulded depth Reg 2(2) <b>4.39</b> Moulded Draught Reg 4(2) <b>3.80</b>		Particulars of Tonnage Gross Tonnage <b>191</b> Net Tonnage <b>57</b> A detailed summary of the tonnage for this ship is shown on the International Tonnage Certificate	
Propulsion <b>SAIL MOTOR SHIP TWIN SCREW</b>		Number and Description of Engines <b>TWO INTERNAL COMBUSTION DIESEL</b>	Power <b>Combined KW 882 Estimated Speed of Ship 12 knots</b>

Engine Makers and Year of Make  
**AB VOLVO PENTA, GOTHENBURG, SWEDEN - 2013**

Accommodation: 7

I the undersigned, Registrar of Ships at Valletta, Malta, hereby certify that the Ship, the description of which is prefixed to this my Certificate has been duly surveyed, the above description is in accordance with the Register, and that the Name/s, Residence and Description of the Owners and the proportion in which they are interested in the Ship are as follows:

**BIG BLUE CRUISING LIMITED  
114, THE STRAND  
GZIRA GZR 1027  
MALTA**

**SOLE OWNER**

Provisionally Registered on 30 March 2017  
Registered on 16 January 2018  
Certificate issued this 16 January 2018  
This certificate expires on 29 March 2019

Registrar of Maltese Ships

A Certificate of Registry is not a document of Title. It does not necessarily contain notice of all changes of ownership, and in no case does it contain an official record of any mortgages affecting the ship. In case of any change of ownership it is important for the protection of the interest of all parties that the change should be registered according to law. Changes of ownership, address, or otherwise registered particulars should be notified to the Registrar of Maltese Ships at Valletta, Malta. Should the vessel be lost, taken by the enemy, burnt or broken up, or ceasing whether by reason of a transfer to persons not qualified to own a Maltese ship, or for any reason, to be a Maltese ship, notice thereof, together with the Certificate of Registry, if in existence, should immediately be given to the Registrar of Maltese Ships at Valletta, Malta, under the penalties prescribed by law, for default.

Merchant Shipping Directorate, Malta Transport Centre, Hel Lija LJA 2021, Malta. Tel: +356 21250360 E-Mail: [mershipmalta@transport.gov.mt](mailto:mershipmalta@transport.gov.mt), Fax: +356 21241450  
AOH contact numbers: Ship Registration: +356 99494315 / 99494317, Technical: +356 79434316 / 79434317 / 99494318

MSR 1254/1716



**INTERNATIONAL TONNAGE CERTIFICATE  
(1969)**

No. 026/17-ITC

Issued under the provisions of the  
INTERNATIONAL CONVENTION ON TONNAGE MEASUREMENTS OF SHIPS, 1969  
under the authority of the Government of  
**The Republic of Malta**

Name of ship	Distinctive number or letters	Port of registry (Regulation 2 (3))	Date <sup>2</sup>
<b>SATORI</b>	<b>17370</b>	<b>VALLETTA</b>	<b>June, 2014</b>

**MAIN DIMENSIONS**

Length (Article 2 (8))	Breadth (Regulation 2 (3))	Moulded depth amidships to upper deck (Regulation 2 (2))
<b>32.58 m</b>	<b>7.50 m</b>	<b>4.39 m</b>

**THE TONNAGES OF THE SHIP ARE:**

GROSS TONNAGE 191  
NET TONNAGE 57

This is to certify that the tonnages of this ship have been determined in accordance with the provisions of the  
International Convention on Tonnage Measurement of Ships, 1969.

The undersigned declares that he is duly authorized by the said Government to issue this Certificate.

Issued at **VALLETTA**

on **30<sup>th</sup> March, 2017**

(Daniel Grima) – Malta Government Surveyor of Ships

## ANNEX B – Accountant's Report



Deloitte Services Limited  
Deloitte Place  
Mriehel Bypass  
Mriehel BKR 3000  
Malta

Tel: +356 2343 2000, 2134 5000  
Fax: +356 2131 8196, 2134 4443  
info@deloitte.com.mt  
www.deloitte.com/mt

Company Reg No: C51320  
VAT Reg No: MT2013 6212  
Exemption number: EXO2156

The Directors  
Calamatta Cuschieri Investment Services Limited  
Ewropa Business Center  
Triq Dun Karm  
Birkirkara BKR 9034  
Malta

25 January 2019

Dear Sirs,

### **Independent Accountants' Report on the Forecast Financial Information of Borgo Lifestyle Finance plc**

We report on the forecast consolidated statements of financial position, income statement and cash flow ('the Forecast Financial Information') of Borgo Lifestyle Finance plc ('the Issuer'), and its subsidiary (collectively 'the Group') for the financial years ending 31 December 2019, 31 December 2020 and 31 December 2021. The Forecast Financial Information, the basis of preparation and the material assumptions upon which the forecasts are based, are set out in Annex D "Forecast Information of the Issuer" and Annex E "Summary of significant assumptions and accounting policies" of the Company Admission Document issued by Borgo Lifestyle Finance plc dated 25 January 2019.

This report is required in terms of Appendix 4.7 (4) in the Prospects MTF Rules issued by the Malta Stock Exchange dated September 2017 and is given for the purpose of complying with that regulation and for no other purpose.

### **Directors' responsibilities for the Forecast Financial Information**

It is the responsibility of the Directors of the Issuer to prepare the Forecast Financial Information and the assumptions upon which it is based, as set out in Annex E "Summary of significant assumptions and accounting policies" of the Company Admission Document, in accordance with the requirements of the Prospects MTF Rules issued by the Malta Stock Exchange.

### **Accountants' responsibility**

It is our responsibility to form an opinion as required by Appendix 4.7 (4) in the Prospects MTF Rules as issued by the Malta Stock Exchange as to the proper compilation of the Forecast Financial Information, in so far as the application of the underlying accounting policies and accuracy of calculations are concerned, and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with the report or our statement, required by and given solely for the purposes of complying with the Prospects MTF Rules.

### **Basis of preparation of the Forecast Financial Information**

The financial information has been prepared on the basis stated in "Summary of significant assumptions and accounting policies" in Annex E of the Company Admission Document and is based on the forecasts for the years ending 31 December 2019, 31 December 2020 and 31 December 2021. The Forecast Financial Information is required to be presented on a basis consistent with the accounting policies of the Group.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see [www.deloitte.com/mt/about](http://www.deloitte.com/mt/about) for a more detailed description of DTTL and its member firms.

Deloitte Malta refers to a civil partnership, constituted between limited liability companies, and its affiliated operating entities; Deloitte Services Limited, Deloitte Technology Solutions Limited and Deloitte Audit Limited. The latter is authorised to provide audit services in Malta in terms of the Accountancy Profession Act. A list of the corporate partners, as well as the principals authorised to sign reports on behalf of the firm, is available at [www.deloitte.com/mt/about](http://www.deloitte.com/mt/about).

Cassaro Torregiani & Associates is a firm of advocates warranted to practise law in Malta and is exclusively authorised to provide legal services, in Malta, under the Deloitte brand.



## **Basis of opinion**

We have examined the basis of compilation and the accounting policies of the accompanying Forecast Financial Information of the Group for the years ending 31 December 2019, 31 December 2020 and 31 December 2021 in accordance with ISAE 3000 "Assurance Engagements Other than Audits and Reviews of Historical Financial Information". Our work included evaluating the basis on which the financial information included in the forecast has been prepared and considering whether the Forecast Financial Information has been accurately computed based upon the disclosed assumptions and the accounting policies of the Group.

The assumptions upon which the Forecast Financial Information is based are solely the responsibility of the Directors of Borgo Lifestyle Finance plc and accordingly we express no opinion on the validity of the assumptions. However, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the Directors which, in our opinion, are necessary for a proper understanding of the Forecast Financial Information have not been disclosed and whether any material assumption made by the Directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Forecast Financial Information has been properly compiled on the basis stated, in so far as the application of the underlying accounting policies and accuracy of calculations are concerned.

The Forecast Financial Information is not intended to, and does not provide all the information and disclosures necessary to give a true and fair view of the results of the operations and the financial position of the Group in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs).

Since the Forecast Financial Information and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Forecast Financial Information and differences may be material.

## **Opinion**

In our opinion, the Forecast Financial Information has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Group.

Yours sincerely,



**Raphael Aloisio**  
Director  
Deloitte Services Ltd

## ANNEX C - Specimen Application Forms

**Borgo Lifestyle Finance plc**

**€5,000,000 5% Secured Callable Bonds 2026-2029**

**APPLICATION FORM**

**Application No. \_\_\_\_\_**

Please read the notes overleaf before completing this Application Form.

APPLICANT			
<input type="checkbox"/> Non-Resident	<input type="checkbox"/> Minor (under 18)	<input type="checkbox"/> Corporate	<input type="checkbox"/> CIS
TITLE (Mr/Mrs/Ms/...)		FULL NAME & SURNAME / REGISTERED NAME	
ADDRESS			
		POST CODE	
MSE A/C NO. (if applicable)		DATE OF BIRTH	NATIONALITY
<input type="checkbox"/> I.D. CARD / PASSPORT		DOCUMENT NUMBER	COUNTRY OF ISSUANCE
<input type="checkbox"/> LEGAL ENTITY IDENTIFIER (LEI)			
E-MAIL ADDRESS			MOBILE NO.
Already Registered for e-Portfolio <input type="checkbox"/>		Please register me for e-Portfolio <input type="checkbox"/>	Please do NOT register me for e-Portfolio <input type="checkbox"/>
ADDITIONAL (JOINT) APPLICANTS (please use additional application form if space is not sufficient)			
TITLE (Mr/Mrs/Ms/..)		FULL NAME & SURNAME	DATE OF BIRTH
<input type="checkbox"/> I.D. CARD / PASSPORT		DOCUMENT NUMBER	COUNTRY OF ISSUANCE
MINOR'S PARENTS/LEGAL GUARDIANS (See Note 4) (to be completed ONLY if the Applicant is a minor)			
TITLE (Mr/Mrs/Ms/..)		FULL NAME & SURNAME	DATE OF BIRTH
<input type="checkbox"/> I.D. CARD / PASSPORT		DOCUMENT NUMBER	COUNTRY OF ISSUANCE
TITLE (Mr/Mrs/Ms/..)		FULL NAME & SURNAME	DATE OF BIRTH
<input type="checkbox"/> I.D. CARD / PASSPORT		DOCUMENT NUMBER	COUNTRY OF ISSUANCE
I/We apply to purchase and acquire the amount set out below			
AMOUNT IN FIGURES €		AMOUNT IN WORDS	
Borgo Lifestyle Finance plc €5,000,000 Secured Callable 5% Bonds 2026 - 2029 at the Bond Issue Price (at par) pursuant to the Admission Document dated 25 <sup>th</sup> January 2019 (minimum €2,000 and in multiples of €100 thereafter)			
RESIDENT - WITHHOLDING TAX DECLARATION (to be completed ONLY if the Applicant is a Resident of Malta)			
<input type="checkbox"/> I/We elect to have Final Withholding Tax deducted from my/our interest.			
<input type="checkbox"/> I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).			
NON-RESIDENT DECLARATION FOR TAX PURPOSES (to be completed ONLY if the Applicant is a Non-Resident)			
TAX COUNTRY		TOWN OF BIRTH	
T.I.N. (Tax Identification Number)		COUNTRY OF BIRTH	
PASSPORT/NATIONAL I.D. CARD NUMBER		ISSUE DATE	
<input type="checkbox"/> I/We am/are NOT Resident in Malta but I/we am/are Resident in the European Union.			
<input type="checkbox"/> I/We am/are NOT Resident in Malta and I/we am/are NOT Resident in the European Union.			
INTEREST, REFUND AND REDEMPTION MANDATE (completion of this panel is mandatory)			
BANK		IBAN	
I/We have fully understood the instructions for completing this Application Form, and am/are making this Application on the basis of the Admission Document, and subject to its Terms and Conditions (as defined therein) which have been explained to me/us, and which I/we fully accept.			
Signature/s of Applicant/s		Financial Intermediary	Date
(All parties are to sign in the case of a joint Application)			
FINANCIAL INTERMEDIARY'S STAMP		FINANCIAL INTERMEDIARY'S CODE	

## Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Admission Document dated 25<sup>th</sup> January 2019

1. This Application is governed by the Terms and Conditions of Application contained in the Admission Document. Capitalised terms not defined herein shall, unless the context otherwise requires, have the same meaning ascribed to them in the Admission Document.
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).  
Upon submission of an Application Form, Bondholders who do not have an online e-portfolio account will be registered by the CSD for the online e-portfolio facility and will receive by mail at their registered address a handle code to activate the new e-portfolio login. The Bondholder's statement of holdings evidencing entitlement to Secured Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Those Bondholders who opt not to avail themselves of this facility should indicate such on the Application Form. Further detail on the e-portfolio is found on <https://eportfolio.borzamalta.com.mt/Help>.
4. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. The 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. The amount applied for must be in multiples of €100 subject to a minimum application of €2,000. The Applicant must ensure that the relative Application Form is accompanied by payment of the full price of the amount of Bonds applied for. Payment of the amount, must be made in Euro in cleared funds to "The Placement Agent and Manager – Borgo Lifestyle Finance plc". In the event that the cheque accompanying the Application Form is not honoured on the first presentation the Issuer and the Registrar reserve the right to invalidate the relative Application.
9. Only Applicants who hold 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.
10. In terms of Section 20 of the Admissions Document, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of 'recipient' in terms of article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), Interest shall be paid to such a person net of final withholding tax (currently 15%) of the gross amount of interest, pursuant to Article 33 of the Tax Act (Cap. 123 of the Laws of Malta).
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 of the balance of the amount paid but not allocated, as the case may be, will be returned by direct credit into the bank account as indicated in the application form. Interest or redemption proceeds will be credited to the account designated 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. Completed Application Forms are to be delivered to the Placement Agent and Manager, Calamatta Cuschieri Investment Services Limited during normal office hours by not later than 17:00 on the 6<sup>th</sup> February 2019. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not being received by the closing date indicated above. The Issuer reserves the right to refuse any Application, which appears to be in breach of the general terms and conditions of the Admissions Document. Any applications received by the Placement Agent and Manager after 17:00 on the 6<sup>th</sup> February 2019 will be rejected.
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. 586 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 D - Forecast Information of the Issuer

### Consolidated statement of comprehensive income for the years ending 31 December - Group

€'000	2019	2020	2021
Revenue	1,379	1,407	1,435
Direct costs	(262)	(267)	(273)
<b>Gross profit</b>	<b>1,117</b>	<b>1,139</b>	<b>1,162</b>
Operating costs	(155)	(158)	(161)
Administrative costs	(135)	(130)	(130)
<b>EBITDA</b>	<b>827</b>	<b>851</b>	<b>870</b>
Depreciation <sup>25</sup>	(275)	(275)	(275)
<b>EBIT</b>	<b>552</b>	<b>576</b>	<b>595</b>
Interest paid	(250)	(250)	(250)
Interest received	141	141	141
<b>Net interest paid</b>	<b>(109)</b>	<b>(109)</b>	<b>(109)</b>
<b>Profit for the year</b>	<b>443</b>	<b>467</b>	<b>486</b>

Source: Management information

### Consolidated statement of financial position as at 31 December - Group

€'000	31 Dec 19	31 Dec 20	31 Dec 21
<b>Assets</b>			
<u>Non-current assets</u>			
Sea vessels	8,313	8,038	7,763
Investment	16	-	-
Amounts owed by related party	2,820	2,820	2,820
	<b>11,148</b>	<b>10,858</b>	<b>10,583</b>
<u>Current assets</u>			
Inventories	14	14	14
Prepayments	113	100	88
Cash and cash equivalents	1,511	1,985	2,487
	<b>1,638</b>	<b>2,099</b>	<b>2,589</b>
<b>Total assets</b>	<b>12,786</b>	<b>12,957</b>	<b>13,171</b>
<b>Equity and Liabilities</b>			
<u>Equity</u>			
Share capital	171	171	171
Other equity	6,188	6,188	6,188
Retained earnings	859	1,326	1,812
<b>Total equity</b>	<b>7,218</b>	<b>7,685</b>	<b>8,171</b>
<b>Liabilities</b>			
<u>Non-current liabilities</u>			
Parent company loan	91	45	-
Amounts due to related party	290	145	-
Bond issue	5,000	5,000	5,000
	<b>5,381</b>	<b>5,190</b>	<b>5,000</b>
<u>Current liabilities</u>			
Other liabilities	187	81	-
<b>Total liabilities</b>	<b>5,568</b>	<b>5,271</b>	<b>5,000</b>
<b>Total equity and liabilities</b>	<b>12,786</b>	<b>12,957</b>	<b>13,171</b>

Source: Management information

### Projected Statement of Cash Flows - Group

€'000	FY19	FY20	FY21
Profit for the period	443	467	486
<u>Adjustments for:</u>			

<sup>25</sup> The Vessel will have an estimated residual value of € 2.4 million at the end of 24 years.

Depreciation and amortisation	288	288	288
Interest received	(141)	(141)	(141)
Interest paid	250	250	250
<i><u>Changes in working capital, net of effects from:</u></i>			
Movement in payables	25	(106)	(81)
<b>Net cash flows generated from operations</b>	<b>864</b>	<b>758</b>	<b>801</b>
Proceeds from sale of investment	-	16	-
Loan to Relais Borgo Santo Pietro srl	(2,820)	-	-
Interest received	141	141	141
<b>Net cash generated from/(used in) investing activities</b>	<b>(2,679)</b>	<b>157</b>	<b>141</b>
Bond issue	5,000	-	-
Movement in amounts due to related party	(2,000)	(145)	(145)
Movement in non-interest bearing liabilities	-	(45)	(45)
Bond issue costs	(125)	-	-
Bond interest paid	(250)	(250)	(250)
<b>Net cash generated from/(used in) financing activities</b>	<b>2,625</b>	<b>(440)</b>	<b>(440)</b>
<b>Net movement in cash and cash equivalents</b>	<b>810</b>	<b>474</b>	<b>502</b>
Cash and cash equivalents at the beginning of the year	700	1,510	1,984
<b>Cash and cash equivalents at the end of the year</b>	<b>1,510</b>	<b>1,984</b>	<b>2,486</b>

## ANNEX E - Summary of Significant Assumptions and Accounting Policies

### A. SUMMARY OF SIGNIFICANT ASSUMPTIONS AND ACCOUNTING POLICIES

#### 1. Introduction

Borgo Lifestyle Finance plc ('the Issuer') was incorporated on 11 September 2018 and has no trading record of operations. The Issuer itself is a public listed company set up to act as a holding company and a financing company solely for the needs of its subsidiary undertakings. The issuer and its subsidiary are collectively referred to as the 'the Group'.

The forecast statement of financial position, the forecast income statement, and the forecast statement of cash flows ('the Forecasts') of the Group for the period of three years to December 2021 have been prepared to provide financial information for the purposes of inclusion in the Issuer's Company Admission Document, dated 25th January 2019. The Forecasts as presented in Annex D of the Company Admission Document, together with the assumptions set out below, are the sole responsibility of the Directors of the Issuer.

The Forecasts are intended to show a possible outcome based on assumptions relating to anticipated future events which the Directors expect to take place, and on actions the Directors expect to take. Events and circumstances frequently do not occur as expected, and therefore, actual results may differ materially from those included in the forecast and projected financial information. Attention is drawn in particular, to the risk factors set out in the Admission Document, which describe the primary risks associated with the business to which the Forecasts relate.

The Forecasts are not intended to and do not provide all the information and disclosures necessary to give a true and fair view of the financial results, financial position, and cash flows of the Group, in accordance with International Financial Reporting Standards as adopted by the EU, however the Directors have exercised due care and diligence in adopting the assumptions set out below.

The Forecasts were formally approved on 20th November 2018 by the Directors of the Issuer, and the stated assumptions reflect the judgements made by the Directors at that date. The assumptions that the Directors believe are significant to the prospective financial information are described in Section 3 below.

#### 2. Significant accounting policies

The significant accounting policies of the Group are those applied in preparing financial statements in accordance with the International Financial Reporting Standards (IFRS) and their interpretations as adopted by the EU and in accordance with the requirements of the Companies Act, 1995. Where applicable, in so far as they relate to recognition and measurement criteria, these have been applied in the preparation of the forecast financial information.

#### 3. Basis of preparation and principal assumptions

Since the Issuer has no trading record of operations, these projections have been prepared solely on managements assumptions, which have been summarised below.

The principal assumptions relating to the environment in which the Group will operate, and the factors which are exclusively outside the influence of the Directors and which underlie the forecast financial statements, are the following:

- Exchange rates will not fluctuate significantly over the period covered by the forecast financial information;
- Interest rates will not change significantly over the period covered by the forecast financial information;
- The Group will be able to meet its financial obligations;
- The basis and rates of taxation, direct and indirect, will not change materially throughout the period covered by the prospective financial information.

The principal assumptions relating to the environment in which the Group will operate, and the factors which the Directors can influence and which underlie the Forecasts, are the following:

#### ***Key assumptions underlying the financial projections***

- The bond proceeds will be utilised to provide interest-bearing loans to related parties who will in turn use the funds for financing and investment activities.
- The amount transferred to group company will be repaid out of operating cashflows as reflected in the financial sustainability forecast of the group.
- Annual revenue and direct costs have been projected using on the basis of management experience as well as management's expectations of future growth.
- Administrative expenses have been forecast on the basis of management's experience.
- Finance costs have been forecast on the basis of existing arrangements, whereas interest on the Bond has been established at 5% per annum.
- Credit terms offered to clients and credit terms availed of from suppliers are in line with industry practice.

#### 4. Conclusion

The Directors believe that the assumptions on which the projections are based are reasonable. The Directors further believe that, in the absence of unforeseen circumstances outside their control, the working capital available to the Group will be sufficient for the carrying on of its business.

Approved by the Board of Directors on 25th January 2019 and signed on its behalf by:



Claus Thottrup  
Director  
Borgo Lifestyle Finance plc



Mr Stuart Blackburn  
Director  
Borgo Lifestyle Finance plc



Niels Bentzen  
Director  
Borgo Lifestyle Finance plc

## ANNEX F – List of Directorships

Name and Surname	Current Directorships	Directorships held in the past 5 years
<b>Mr Niels Bentzen</b>	HeadhunterPortal.com (Denmark) - 38109693	Purekids Wholesale ApS (Denmark) - 25824334 Amrop Denmark A/S (Denmark) - 26533147
<b>Mr Claus Thottrup</b>	P&N Home Uk Ltd P&N Home Italy srl Borgo lifestyle Group srl Relais Borgo Santo Pietro srl Relais Borgo Santo Pietro sas	
<b>Mr Stuart Blackburn</b>	Dcii (Malta) Limited - C 40765 33 Old Broad Street (Holdings) (Malta) Plc - C 39532 33 Old Broad Street (Malta) Limited - C 39533 Aburg Limited - C 48186 Andalusia International Ltd - C 46327 Arcticmed Holding Limited - C 46325 Aroha Limited - C 51263 Asas Forty Seventh 1 Limited - C 50515 Alchemy Parts (Malta) Limited - C 53393 B.M. Membership Club Limited - C 44570 Bedfont Lakes (Holdings) (Malta) P.L.C. - C 39920 Bhc Investment Limited - C 48931 Bold Tern Ltd - C 49900 Bordo (Europe) Holding Limited - C 42411 Bordo (Europe) Limited - C 42412 Boswell (International) Consulting Limited - C 36831 Brand Equity Development Limited - C 58849 Brave Tern Ltd - C 49898 Brh Malta Limited - C 51237 Algarmar Maritime Limited - C 55883 Arlanda Leasing Limited - C 60947 Aroya Limited - Oc 653 Bluewater Offshore Production Systems Limited - C32259 Dolphin Drilling Malta Ltd - C 61920 Esg Holdings Ltd - C 55768 Fred. Olsen Marine Holding (Malta) Ltd - C 55709 Ftftp 737-300 Limited - C 56901 Ftftp 737ng Limited - C 57743 Ftftp A330 Limited - C 56526 Glendine Holding Company Limited - C 55859 Jl Investments Holding Limited - C 53216 Kantara Agro Corp I Ltd - C 56927 Leca Investments Limited - C 69841 Lodestone Parts (Malta) Limited - C 56984 Malta Invest & Trading Company Ltd. - C 78487 Maltice Limited - C 54886 Manilla Investments Limited - Oc 468 Musahamat Investia Capital Limited - C 55429 Muscle Machine Finance Limited - C 53029 Nat Ivory Ltd - C 67787 Nat Ltd. - C 67785 Nat Opal Ltd - C 67790 Nordic-Link Shipping Ltd - C 55773 Onscreen Interactive Limited - Oc 577	Contra Telecom & Construction Limited - C 40460 Concilian Group Limited - C 43460 Finantia EMEA Limited - C 44359 FinantiaPH Limited - C 35363 Redbreast Aviation Malta Limited - C 51830 Thistle Beheer BV - OC 609 Hewlett Packard Int Trade BV Mlaeth Inv Fund PTY Limited Nordic Link shipping Limited - C 55773 Marfin Limited - C 26221 Chemopharma Limited - C 29528 LBC Tank Terminals MH CIE Limited - C 41149 LBC Tank Terminals M Limited - C 41150 Ads2score Limited - C 46661 CPP Holdings Limited - C 52347 Moda Limited – C38958 Muscle Machine Fin Limited - C 53029 Nymgo Malta Limited - C 53296 Red Agro Inv Limited - C 53861 LVG Holdings BV - Netherlands Aburg Limited - C 48186 KH Limited - Jersey FO Capital Limited - C 51681 FO Treasury Limited - C 48941 Sawyer Limited – C 43056 Database Mgt Services Limited – C 43060 International Wireless Comm Limited - C 37679 Telecom Mgt Services Limited - C 41575 Mogas Limited - C 55449 Oratel Int Inc Limited - C 37719 Minimax Ventures Limited - C 37678

	<p> Oural Limited - C 60165  Pw4168 Solutions (Malta) Limited - C 57461  Sc Moana Limited - C 55645  Sevenoaks Holdings Limited - C 76466  Sommera Holding Limited - C 54852  Sea Capital Holding Malta Limited - C 55427  Trinisla Shipping Limited - C 60414  Troy Capital Iii Limited - C 53612  Firmitas Limited - C 49906  Remedia International Limited - C 41801  Bric Plus (Malta) Limited - C 44343  Bulls Aircraft Leasing (Malta) Limited - C 49955  Bedfont Lakes (Malta) Limited - C 39921  Bluebell Aircraft Leasing Limited - C 45185  Browley Malta Limited - C 52382  Cactus Investments Limited - C 36097  Canada Square (Malta) P.L.C. - C 42219  Ceg Land Promotions Limited - C 52803  Chiefs Aircraft Holding (Malta) Limited - C 49952  Cinclus Aviation Investments Limited - C 49741  Citadel Capital Transportation Opportunities Ii Ltd - C49277 </p>	
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ANNEX G – Audited Financial Statements of Big Blue Cruising Ltd

**BIG BLUE CRUISING LIMITED**

**ANNUAL REPORT**

**31 DECEMBER 2017**

Company Reg. No. C 66386

# **BIG BLUE CRUISING LIMITED**

## **ANNUAL REPORT**

**31 DECEMBER 2017**

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Statement of Financial Position	7
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## **DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

### **Directors:**

Vistra Marine & Aviation Limited (appointed on 6 July 2017)  
Stravi Management Limited (resigned on 6 July 2017)

The sole director presents herewith its annual report together with the audited financial statements of Big Blue Cruising Limited for the year ended 31 December 2017.

### **Principal Activities**

The principal activities of the company, which have remained unchanged from the previous accounting year, are those of owning, operating and chartering all types of sea craft.

### **Company Registration**

Effective 23 October 2017, the company changed its registration status from that of the Companies Act, 1995 to that of the Merchant Shipping (Shipping Organisations – Private Companies) Regulations, 2004.

### **Review of Business**

During the year under review, the company took delivery of the yacht that had been commissioned and managed to start chartering operations mid-way through the peak summer season. The charters income achieved during this period was encouraging and the company registered a slight loss for the year. The company's financial position remains strong and the director is confident that the situation will continue to improve in the forthcoming year.

### **Results, Dividends and Reserves**

The results for the year and the movement on the reserves are as set out on pages 6 and 8 of the financial statements respectively. Being that the company has accumulated losses, no dividends were recommended or paid during the year.

### **Directors**

The members serving on the Board of Directors and movements thereon are listed above. In accordance with the company's Articles of Association, the directors at date of this report are to remain in office.

### **Auditors**

Baker Tilly Sant have intimated their willingness to continue in office. A proposal to reappoint Baker Tilly Sant as auditors of the Company will be put to the General Meeting.

Approved and signed by the sole director on 29 August 2018.



Dr. Anthony Galea and Mr. Marco Bugolli  
obo Vistra Marine & Aviation Limited  
**Director**

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## **BIG BLUE CRUISING LIMITED**

### **DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The directors are required to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company as at the end of the financial period and of the profit or loss of the Company for that period.

In preparing the financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed by the sole Director on 29 August 2018.



Dr. Anthony Galea and Mr. Matteo Bugelli  
obo Vistra Marine & Aviation Limited  
**Director**



## BAKER TILLY SANT

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### INDEPENDENT AUDITORS' REPORT

#### TO THE MEMBERS OF BIG BLUE CRUISING LIMITED

##### *Report on the Audit of the Financial Statements*

We have audited the financial statements of the Company set out on pages 6 to 23 which comprise the statement of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

##### *Opinion*

In our opinion, the financial statements give a true and fair view of the Company's financial position as at 31 December 2017 and of its financial performance and its cash flows for the period then ended in accordance with the requirements of International Financial Reporting Standards as adopted by the EU and the Merchant Shipping (Shipping Organisations – Private Companies) Regulations, 2004.

##### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Other Information*

The directors are responsible for the other information. The other information comprises the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work performed, in our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information. We have nothing to report in this regard.

##### *Responsibilities of the Directors*

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Partners: Donald Sant  
Adrian J. Miller

An independent member of Baker Tilly International

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF BIG BLUE CRUISING LIMITED (Contd.)**

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

**INDEPENDENT AUDITORS' REPORT****TO THE MEMBERS OF  
BIG BLUE CRUISING LIMITED  
(Contd.)***Other Legal and Regulatory Requirements*

We are also required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.

We have nothing to report to you in respect of these responsibilities.



*This copy of the audit report has been signed by  
Donald Sant for and on behalf of  
**Baker Tilly Sant**  
Registered Auditors*

29 August 2018

# **BIG BLUE CRUISING LIMITED**

## **STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017**

		<u><b>2017</b></u>	<u><b>2016</b></u>
	Note	Euro	Euro
<b>Revenue</b>	5	<b>381,200</b>	-
Direct Costs		(209,472)	-
<b>Gross Contribution</b>		<u><b>171,728</b></u>	-
Operating Overheads		(244,977)	-
Administrative Overheads		(46,116)	(81,001)
<b>Results from Operating Activities</b>	6	<u><b>(119,365)</b></u>	<u><b>(81,001)</b></u>
Movement in Provision in Value of Investment in Subsidiary		<u><b>5,122</b></u>	<u><b>(5,122)</b></u>
<b>Loss before Taxation</b>		<b>(114,243)</b>	<b>(86,123)</b>
Tax Expense	7	(1,000)	-
<b>Loss for the Year</b>		<u><b>(115,243)</b></u>	<u><b>(86,123)</b></u>
<b>Total Comprehensive Loss for the Year</b>		<u><b>(115,243)</b></u>	<u><b>(86,123)</b></u>

The notes on pages 10 to 23 form an integral part of these financial statements.

# BIG BLUE CRUISING LIMITED

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

		<u>2017</u>	<u>2016</u>
	Note	Euro	Euro
<b>ASSETS</b>			
Sea Vessels	8	8,862,500	2,196,789
Investment in Subsidiaries	9	15,650	10,528
<b>Total Non-Current Assets</b>		<u>8,878,150</u>	<u>2,207,317</u>
Inventories	10	13,110	-
Other Receivables	11	9,235	-
Cash and Cash Equivalents	12	98	1,271
<b>Total Current Assets</b>		<u>22,443</u>	<u>1,271</u>
<b>Total Assets</b>		<u>8,900,593</u>	<u>2,208,588</u>
<b>EQUITY</b>			
Share Capital	13	10,001	10,001
Other Reserve	13	2,317,498	2,317,498
Yacht Revaluation Reserve	13	4,203,525	-
Accumulated Losses		(173,242)	(147,374)
<b>Total Equity</b>		<u>6,357,782</u>	<u>2,180,125</u>
<b>LIABILITIES</b>			
Non-Interest Bearing Borrowings	14	90,547	15,650
<b>Total Non-Current Liabilities</b>		<u>90,547</u>	<u>15,650</u>
Trade and Other Payables	15	2,452,264	12,813
<b>Total Current Liabilities</b>		<u>2,452,264</u>	<u>12,813</u>
<b>Total Liabilities</b>		<u>2,542,811</u>	<u>28,463</u>
<b>Total Equity and Liabilities</b>		<u>8,900,593</u>	<u>2,208,588</u>

The notes on pages 10 to 23 form an integral part of these financial statements.

The financial statements on pages 6 to 23 were approved and signed by the sole Director on 29 August 2018.



Dr. Anthony Galea and Mr. Marco Bugelli  
obo Vistra Marine & Aviation Limited  
Director

## BIG BLUE CRUISING LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Total	Share Capital	Other Reserve	Yacht Revaluation Reserve	Accumulated Losses
	Euro	Euro	Euro	Euro	Euro
<b>Balance at 31 December 2015</b>	(51,250)	10,001	-	-	(61,251)
<b>Comprehensive Loss for the Year</b> Loss for the Year	(86,123)	-	-	-	(86,123)
<b>Movement on Reserve</b> Waiver of Related Party Balance	2,317,498	-	2,317,498	-	-
<b>Balance at 31 December 2016</b>	<b>2,180,125</b>	<b>10,001</b>	<b>2,317,498</b>	<b>-</b>	<b>(147,374)</b>
<b>Comprehensive Loss for the Year</b> Loss for the Year	(115,243)	-	-	-	(115,243)
<b>Movement on Reserve</b> Revaluation of Yacht	4,292,900	-	-	4,292,900	-
Trsf. of Depreciation on Revaluation	-	-	-	(89,375)	89,375
<b>Balance at 31 December 2017</b>	<b>6,357,782</b>	<b>10,001</b>	<b>2,317,498</b>	<b>4,203,525</b>	<b>(173,242)</b>

The notes on pages 10 to 23 form an integral part of these financial statements.



# BIG BLUE CRUISING LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

		<u>2017</u>	<u>2016</u>
	Note	Euro	Euro
<b>Cash Flows from Operating Activities</b>			
Loss for the Year before Taxation		(114,243)	(86,123)
<i>Adjustments for:</i>			
Depreciation		137,500	-
Movement in Provision in Value of Investment in Subsidiary		(5,122)	5,122
		<u>18,135</u>	<u>(81,001)</u>
<b>Changes in</b>			
Inventories		(13,110)	-
Other Receivables		(9,235)	-
Trade and Other Payables		91,302	(28,687)
Related Party Payable		57,899	-
		<u>144,991</u>	<u>(109,688)</u>
<b>Cash Generated/(Lost) from Operations</b>		<u>144,991</u>	<u>(109,688)</u>
Taxes Paid		(1,000)	-
		<u>143,991</u>	<u>(109,688)</u>
<b>Net Cash from/(used in) Operating Activities</b>		<u>143,991</u>	<u>(109,688)</u>
<b>Cash Flows from Investing Activities</b>			
Payments for Yacht Acquisition/Construction		(220,061)	(186,153)
Payment for Investment in Subsidiary Company		-	(15,650)
		<u>(220,061)</u>	<u>(201,803)</u>
<b>Net Cash used in Investing Activities</b>		<u>(220,061)</u>	<u>(201,803)</u>
<b>Cash Flows from Financing Activities</b>			
Movement on Subsidiary Company Loan Account		-	294,626
Movement on Parent Company Account		74,897	15,650
		<u>74,897</u>	<u>310,276</u>
<b>Net Cash from Financing Activities</b>		<u>74,897</u>	<u>310,276</u>
<b>Net Movement in Cash and Cash Equivalents</b>		<u>(1,173)</u>	<u>(1,215)</u>
Cash and Cash Equivalents at Beginning of Year		1,271	2,486
<b>Cash and Cash Equivalents at End of Year</b>	12	<u>98</u>	<u>1,271</u>
<b>Non-Cash Transactions:</b>			
Acquisition of Yacht Additions/Construction		2,290,250	-
Movement on Subsidiary Company Account		(2,290,250)	-
Increase in Fair Value of the Sea Vessel		(4,292,900)	-
Movement on Yacht Revaluation Reserve		4,292,900	-
Waiver of Related Party Loan		-	(2,317,498)
Movement on Other Reserves		-	2,317,498
		<u>-</u>	<u>-</u>

The notes on pages 10 to 23 form an integral part of these financial statements.

## **BIG BLUE CRUISING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **1. Reporting Entity**

Big Blue Cruising Limited ("the Company") is a limited liability company domiciled and incorporated in Malta. The Company's registered office is at 114, The Strand, Gzira GZR 1027, Malta.

#### **2. Basis of Preparation**

##### **2.1 Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("the applicable framework"). All references in these financial statements to IAS, IFRS or SIC/IFRIC interpretations refer to those adopted by the EU.

##### **2.2 Basis of Measurement**

The financial statements have been prepared on the historical cost basis with the exception for the Vessel, which is stated at fair value.

##### **2.3 Functional and Presentation Currency**

These financial statements are presented in Euro (€), which is the Company's functional currency.

##### **2.4 Use of Estimates and Judgements**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the opinion of the directors, the accounting estimates and judgments made in the course of preparing these financial statements are not difficult to reach, subjective or complex to a degree which would warrant their description as significant and critical in terms of the requirements of IAS 1 (revised).

##### **2.5 Measurement of Fair Values**

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The company measures its Vessels at fair value.

## BIG BLUE CRUISING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Basis of Preparation (Contd.)

##### 2.6 New Standards and Interpretations Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted, however the company has not early adopted the new or amended standards in preparing these financial statements.

##### New Currently effective requirements

- *Annual Improvements to IFRSs 2014-2016 Cycle- amendments to IFRS1 and IAS 28*
- *Classification and Measurement of Share-Based Payment Transactions (Amendments to IFRS 2)*
- *Sale or Contribution of Assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)*
- *Transfers of Investment Property (Amendments to IAS 40)*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration*
- *IFRIC 23 Uncertainty over Income Tax Treatments*
- *Disclosure Initiative (Amendment to IAS 7)*
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)*

##### Effective 1 January 2018

- *IFRS 15 Revenue from Contracts and Customers. This new standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces three existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13, Customer Loyalty Programmes.*
- *IFRS 9 Financial Instruments which replaces IAS 39 and sets out the requirement for recognising and measuring financial assets, liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets; measurement at amortised cost, Fair Value through Other Comprehensive Incomes (FVOCI) and Fair Value Through Profit and Loss (FVTPL). It eliminates the categories of held to maturity, loans and receivable and available-for-sale.*

##### Effective 1 January 2019

- *IFRS 16 Leases which standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right of use asset representing its right to use the underlying asset and a lease liability representing the obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessor continue to classify leases as finance or operating leases.*
- *IFRIC 23 Uncertainty over Income Tax Treatment*

## **BIG BLUE CRUISING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **3. Significant Accounting Policies**

The accounting policies set out below have been applied throughout the period presented in these financial statements.

##### **3.1 Foreign Currency Transactions**

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

##### **3.2 Investment Income**

Interest is recorded on a time proportion basis and dividends are recorded when declared.

##### **3.3 Financial Instruments**

###### **3.3.1 Non-Derivative Financial Assets**

The Company initially recognises receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets as trade and other receivables and cash and cash equivalents.

###### ***Receivables***

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses.

###### ***Cash and Cash Equivalents***

Cash and cash equivalents comprise call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

## BIG BLUE CRUISING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 3. Significant Accounting Policies (*Contd.*)

##### 3.3 Financial Instruments (*Contd.*)

###### 3.3.2 Non-Derivative Financial Liabilities

All financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Non-derivative financial liabilities comprise other trade and other payables and borrowings. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

###### 3.3.3 Share Capital

Ordinary shares are classified as equity.

##### 3.4 Impairment

###### 3.4.1 Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables measured at amortised cost at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

##### 3.5 Revenue

Revenue comprises the fair value of the consideration received or receivable for the chartering of the yacht in the ordinary course of business of the company. Revenues are shown net of value added tax.

## BIG BLUE CRUISING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 3. Significant Accounting Policies (*Contd.*)

##### 3.6 Sea Vessels

Sea vessels are measured at cost or valuation less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is recognised in profit and loss account on a straight-line basis over the estimated useful life of the sea vessel. Depreciation is provided on sea vessels and equipment so as to write off their carrying value over their expected useful economic lives. Depreciation is provided at the following annual rates after taking into consideration that the company's sea vessel will have an estimated residual value of € 2,400,000 at the end of 24 years:

Sailing Yacht	-	4.17%
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##### 3.7 Investments in Subsidiaries

Investments in subsidiaries are stated at cost less any accumulated impairment losses.

Loans advanced by the Company to its subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future, are treated as an extension to the Company's net investment in those subsidiaries and included as part of the carrying amount of investments in subsidiaries.

##### 3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventory is ascertained on the first in first out basis. Cost comprises all costs of purchases, costs of conversion and other costs in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

##### 3.9 Trade and Other Payables

Trade and other payables comprise obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities, if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

##### 3.10 Finance Income and Costs

Finance income comprises interest income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

##### 3.11 Tax

Tax expense comprises current tonnage tax. Current tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax represents the tonnage tax payable in accordance with the Merchant Shipping (Shipping Organisations – Private Companies) Regulations, 2004 enacted in Malta.

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**BIG BLUE CRUISING LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**4. Determination of Fair Values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

**4.1 Other Receivables**

Trade receivables comprise amounts due from customers for services rendered/goods sold in the ordinary course of business. The fair value of trade and other receivable is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

A provision for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. When a receivable is uncollectable, it is written off against either the impairment provision or written off directly to profit and loss. Subsequent recoveries of amounts previously written off are credited in the income statement.

**4.2 Non-Derivative Financial Liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**5. Revenue**

	<u>2017</u>	<u>2016</u>
	Euro	Euro
Yacht Charter Income	<u>381,200</u>	<u>-</u>

**6. Results from Operating Activities**

The results from operating activities are stated after charging the following:

	<u>2017</u>	<u>2016</u>
	Euro	Euro
Auditors' Remuneration	<u>3,500</u>	<u>1,500</u>

**6.1 Employee Information**

The average weekly number of persons employed by the company during the year was 8 (2016 – nil). Staff costs for the year comprised:

	<u>2017</u>	<u>2016</u>
	Euro	Euro
Crew Wages and Salaries	<u>93,514</u>	<u>-</u>

All persons were employed as crew members on the yacht.

## BIG BLUE CRUISING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 7. Tax Expense

	<u>2017</u>	<u>2016</u>
	Euro	Euro
Tonnage Tax	1,000	-
<b>Total Tax Charge</b>	<b>1,000</b>	<b>-</b>

- 7.1 Effective 23 October 2017, the company changed its registration status from that of the Companies Act, 1995 to that of the Merchant Shipping (Shipping Organisations – Private Companies) Regulations, 2004. Accordingly, as from the current year, the company's profits are not subject to any corporation tax as the yacht is considered as a tonnage taxed vessel and subject to a fixed tax based on its tonnage.

#### 8. Sea Vessel

	<u>At</u> <u>01.01.17</u>	<u>Additions</u>	<u>Transfer</u>	<u>Revaluation</u>	<u>At</u> <u>31.12.17</u>
	Euro	Euro	Euro	Euro	Euro
Cost:					
S/Y Satori	-		4,707,100	4,292,900	9,000,000
Yacht Under Construction	2,196,789	2,510,311	(4,707,100)	-	-
	<u>2,196,789</u>	<u>2,510,311</u>	<u>-</u>	<u>4,292,900</u>	<u>9,000,000</u>
	<u>At</u> <u>01.01.17</u>	<u>Charge</u> <u>For Year</u>	<u>Transfer</u>	<u>Revaluation</u>	<u>At</u> <u>31.12.17</u>
	Euro	Euro	Euro	Euro	Euro
Depreciation:					
S/Y Satori	-	137,500	-	-	137,500
	<u>-</u>	<u>137,500</u>	<u>-</u>	<u>-</u>	<u>137,500</u>
<b>Net Book Amount</b>	<b>-</b>				<b>8,862,500</b>

- 8.1 During the year under review the company completed the construction of the S/Y Satori, and following inspections by an external independent qualified valuer, the vessel was revalued at € 9 million. The external independent valuer has a recognised and relevant professional qualification and has experience in the category of vessel being valued. This value was further confirmed during 2018, when the vessel was insured with AIG Europe Limited for the same amount.
- 8.2 Effective 9 October 2017, a first mortgage was issued on the yacht in favour of Mr. Lars Frederiksen for an amount of € 3,600,000 in support of a loan which was made available to the Ultimate Beneficial Owner, whilst on 14 December 2017, a second mortgage was registered on the yacht in favour of Mr. Arnaud Massenet for an amount of € 1,110,000 in support of a Deed of Covenants; and loans and fees which were advanced to the Company and later assigned to the Parent company, Borgo Lifestyle Group srl.
- 8.3 The company did not have any commitments to purchase any property, plant and equipment at year end.



## BIG BLUE CRUISING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 9. Investments in Subsidiaries

	<u>2017</u>	<u>2016</u>
	Euro	Euro
<b>Equity Investments</b>		
Investment in Subsidiary Company at Cost	15,650	15,650
Provision for Diminution in Value of Investment in Subsidiary	-	(5,122)
<b>Net Investment in Subsidiary</b>	<u>15,650</u>	<u>10,528</u>

#### 9.1 The following information relates to the subsidiary company.

Significant Subsidiary	<u>Incorp. In</u>	<u>% Holding</u>	<u>% Holding</u>	<u>Nature of Business</u>
		<u>2017</u>	<u>2016</u>	
Big Blue Yachting Yatcilik AS	Turkey	<u>100%</u>	<u>100%</u>	Yacht Builder

#### 9.2 Subsidiary Company Financial Information

The following table highlights the unaudited financial information relating to the subsidiary company, whose operations revolved solely around the continuation of the construction and completion of the S/Y Satori which was acquired by Big Blue Cruising Limited during the year:

<b>Big Blue Yachting Yatcilik AS</b>	<u>2017</u>	<u>2016</u>
	Euro	Euro
<b>Income Statement:</b>		
Turnover	2,200,000	-
Cost of Sales	(2,034,493)	-
Gross Profit	165,507	-
Overheads	(143,964)	(2,949)
Exchange Differences	(6,514)	(2,173)
<b>Profit/(Loss) for the Year/Period</b>	<u>15,029</u>	<u>(5,122)</u>
<b>Statement of Financial Position:</b>		
Non-Current Assets	113,637	66,439
Current Assets	56,442	2,121,660
Receivables from Parent Company	1,820,472	-
<b>Total Assets</b>	<u>1,990,551</u>	<u>2,188,099</u>
Share Capital	15,650	15,650
Retained Earnings/(Losses)	9,907	(5,122)
<b>Total Equity</b>	<u>25,557</u>	<u>10,528</u>
Current Liabilities	65,922	2,177,571
Payables to Ultimate Parent Company	1,820,472	-
<b>Total Liabilities</b>	<u>1,964,994</u>	<u>2,177,571</u>
<b>Total Equity and Liabilities</b>	<u>1,990,551</u>	<u>2,188,099</u>

## BIG BLUE CRUISING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 10. Inventories

	<u>2017</u>	<u>2016</u>
	Euro	Euro
Wines and Spirits	7,610	-
Yacht Fuel	5,500	-
	<u>13,110</u>	<u>-</u>

#### 11. Other Receivables

	<u>2017</u>	<u>2016</u>
	Euro	Euro
Prepayments	4,407	-
Other Taxes	4,828	-
	<u>9,235</u>	<u>-</u>

#### 12. Cash and Cash Equivalents

	<u>2017</u>	<u>2016</u>
	Euro	Euro
Bank Balances	98	1,271
<b>Total Cash and Cash Equivalents</b>	<u>98</u>	<u>1,271</u>

#### 13. Capital and Reserves

##### 13.1 Share Capital

	<u>2017</u>	<u>2016</u>
	Euro	Euro
<b>Authorised</b>		
10,000 A Ordinary Shares of € 1 each	10,000	10,000
1 B Ordinary Share of € 1	1	1
	<u>10,001</u>	<u>10,001</u>
<b>Issued and Fully Paid up</b>		
10,000 A Ordinary Shares of € 1 each	10,000	10,000
1 B Ordinary Share of € 1	1	1
	<u>10,001</u>	<u>10,001</u>

## BIG BLUE CRUISING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 13. Capital and Reserves (Contd.)

##### 13.1 Share Capital (Contd.)

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

##### 13.2 Other Reserve

The other reserve was created on the waiver of a related party loan balance that was affected as part of the agreement of the transfer of ownership of the company during 2016. This reserve forms part of the distributable reserves of the company.

##### 13.3 Yacht Revaluation Reserve

This reserve represents the movement between the cost of the S/Y Satori and its fair value as established by an external independent qualified valuer and further confirmed through AIG Europe Limited, the yacht's insurers during 2018. This reserve is stated net of the relative depreciation on the revalued amount. This reserve is non-distributable.

#### 14. Non-Interest Bearing Borrowings

	<u>2017</u>	<u>2016</u>
	<u>Euro</u>	<u>Euro</u>
Non-Current:		
Parent Company Loan	90,547	15,650
<b>Total Non-Interest Bearing Borrowings</b>	<b>90,547</b>	<b>15,650</b>

- 14.1 The amounts due to the parent company are unsecured, interest free and have no fixed date for repayment.

#### 15. Trade and Other Payables

	<u>2017</u>	<u>2016</u>
	<u>Euro</u>	<u>Euro</u>
Trade Payables	21,387	-
Other Payables	76,278	9,313
Accrued Expenses	6,450	3,500
Amounts due to Related Party	57,899	-
Amounts due to Subsidiary Company	2,290,250	-
	<b>2,452,264</b>	<b>12,813</b>

- 15.1 The amounts due to the related party are unsecured, interest free and repayable on demand.

- 15.1 The amounts due to the subsidiary company are due in connection with the acquisition of the yacht. These amounts are unsecured, interest free and repayable on demand.

## BIG BLUE CRUISING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 16. Fair Value Hierarchy

The following table shows financial instruments recognised at fair value for the year ended 31 December 2017 and 2016, analysed between those whose fair value is based on:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based upon observable market data.

The following table presents the company's assets and liabilities that are not measured at fair value but for which the fair value is disclosed.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>Euro</u>	<u>Euro</u>	<u>Euro</u>	<u>Euro</u>
<b>31 December 2017</b>				
<b>Financial Assets</b>				
Sea Vessels	8,862,500	-	8,862,500	-
Unquoted Investments	15,650	-	15,650	-
Inventories	13,110	-	-	13,110
Other Receivables	9,235	-	-	9,235
Cash and Cash Equivalents	98	-	-	98
	<u>8,900,593</u>	<u>-</u>	<u>8,878,150</u>	<u>22,443</u>
<b>Financial Liabilities</b>				
Parent Company Loan	90,547	-	-	90,547
Subsidiary Company Account	2,290,250	-	-	2,290,250
Related Party Account	57,899	-	-	57,899
Trade and Other Payables	104,115	-	-	104,115
	<u>2,542,811</u>	<u>-</u>	<u>-</u>	<u>2,542,811</u>
<b>31 December 2016</b>				
<b>Financial Assets</b>				
Sea Vessels	2,196,789	-	-	2,196,789
Unquoted Investments	10,528	-	10,528	-
Cash and Cash Equivalents	1,271	-	-	1,271
	<u>2,208,588</u>	<u>-</u>	<u>10,528</u>	<u>2,198,060</u>
<b>Financial Liabilities</b>				
Parent Company Loan	15,650	-	-	15,650
Trade and Other Payables	12,813	-	-	12,813
	<u>198,463</u>	<u>-</u>	<u>-</u>	<u>198,463</u>

During the reporting year ended 31 December 2017, there was no transfer between Level 1 and Level 2 fair value measurement.

## BIG BLUE CRUISING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 17. Financial Risk Management

##### 17.1 Overview

The Company activities potentially expose it to a variety of financial risks, including fair value or cash flow interest rate risk, credit risk, liquidity risks and market risks:

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

##### 17.2 Risk Management Framework

The director has overall responsibility for the establishment and oversight of the Company's risk management objectives and policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The overall objective of the sole director is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details of these policies are set out below:

##### 17.3 Fair Value or Cash Flow Interest Rate Risk

The Company was not exposed to interest rate risk at the reporting date.

##### 17.4 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's charter income. The Company has implemented credit reviews of new and existing customers before entering into contracts. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Company's policy is to place cash with financial institutions of a high credit rating.

###### *Exposure to Credit Risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	<u>2017</u>	<u>2016</u>
	<u>Euro</u>	<u>Euro</u>
Other Receivables	9,235	-
Cash and Cash Equivalents	98	1,271
	<u>9,333</u>	<u>1,271</u>

##### 17.5 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

## BIG BLUE CRUISING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 17. Financial Risk Management (Contd.)

##### 17.5 Liquidity Risk (Contd.)

###### *Exposure to Liquidity Risk*

The following are the contractual maturities of financial liabilities:

	Up to 3 Months	Between 3-12 Months	Between 1-2 Years	Between 2-5 Years	Over 5 Years
	Euro	Euro	Euro	Euro	Euro
<b>31 December 2017</b>					
Parent Company Loan	-	-	-	90,547	-
Subsidiary Company Account	-	2,290,250	-	-	-
Related Party Account	-	57,899	-	-	-
Other Payables	104,115	-	-	-	-
	<u>104,115</u>	<u>2,348,149</u>	<u>-</u>	<u>90,547</u>	<u>-</u>
<b>31 December 2016</b>					
Parent Company Loan	-	-	-	15,650	-
Other Payables	12,813	-	-	-	-
	<u>12,813</u>	<u>-</u>	<u>-</u>	<u>15,650</u>	<u>-</u>

##### 17.6 Market Risk

The Company is not exposed to market risk.

##### 17.6.1 Currency Risk

The Company is not exposed to currency risk.

##### 17.7 Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company is not subject to externally imposed capital requirements.

#### 18. Related Parties Disclosures

##### 18.1 Parent and Ultimate Controlling Party

The Company is a wholly owned subsidiary of Borgo Lifestyle Group srl. (the "Parent Company"), an Italian company bearing registration No. MI-2082215 and whose registered office is at Via Torino 2, Milano 20123, Italy.

The ultimate controlling party is Mr. Claus Thottrup.

##### 18.2 Identity of Related Parties

The Company has a related party relationship with its parent company, subsidiary company and related party.

## BIG BLUE CRUISING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 18. Related Parties Disclosures (Contd.)

##### 18.3 Related Party Transactions and Balances

	<u>2017</u>	<u>2016</u>
	Euro	Euro
<b>Related Parties:</b>		
Expenses Paid by	57,899	-
Loan Balance Waived by	-	2,317,498
	<u>57,899</u>	<u>2,317,498</u>
<b>Subsidiary Company:</b>		
Acquisition of Yacht Additions	2,290,250	-
	<u>2,290,250</u>	<u>-</u>
<b>Parent Company:</b>		
Funds Advanced by	74,897	15,650
	<u>74,897</u>	<u>15,650</u>

Amounts due to related parties are disclosed in Notes 14 and 15 to these financial statements.

The key management of the company is considered to be the director of the company. The director did not receive any remuneration during the year under review.

#### 19. Operating Commitments

At year end, the company did not have any operating commitments.

#### 20. Contingent Liabilities

Effective 9 October 2017, a first mortgage was issued on the yacht in favour of Mr. Lars Frederiksen for an amount of € 3,600,000 in support of a loan which was made available to the Ultimate Beneficial Owner, whilst on 14 December 2017, a second mortgage was registered on the yacht in favour of Mr. Arnaud Massenet for an amount of € 1,110,000 in support of a Deed of Covenants; and loans and fees which were advanced to the Company and later assigned to the Parent company, Borgo Lifestyle Group srl.

#### 21. Subsequent Events

No events or transactions have occurred after the closing date of the financial period that need to be considered or disclosed in these financial statements.

## ANNEX H – Security Trust Deed

The 18<sup>th</sup> day of December of the year 2018

### DECLARATION OF TRUST

made by

**GVZH Trustees Limited**

**(The “Trustee”)**

and

**Borgo Lifestyle Finance P.L.C.**

**(the “Issuer”)**

and

**EMD Trust Services Limited**

**(“EMD”)**

**And**

**Big Blue Cruising Limited**

**(the “Company”)**

**Constituting**

**‘The Borgo Trust’**



## THE BORGGO TRUST

**THIS Trust Deed** known or referred to as the “**Borggo Trust**” is made on 18<sup>th</sup> day of December of the year 2018 by and between:

**GVZH Trustees Limited**, a limited liability company registered under the laws of Malta, bearing company registration number C23095, and having its registered office situated at 192, Old Bakery Street, Valletta VLT 1455, Malta.

(hereinafter referred to as the “**Trustee**”);

AND

**Borggo Lifestyle Finance p.l.c.**, a public limited liability company incorporated under the laws of Malta, having its registered office situated at Vaults 14, Level 2, Valletta Waterfront, Floriana, Malta and bearing company registration number C 88245.

(hereinafter referred to as the “**Issuer**”);

AND

**EMD Trust Services Limited**, a limited liability company registered under the laws of Malta, bearing company registration number C83011, and having its registered office situated at 35, Triq l-Imghazel, Swieqi SWQ 3141, Malta

(hereinafter referred to as the “**EMD**”)

AND

**Big Blue Cruising Limited** a limited liability company registered under the laws of Malta, bearing company registration number C66386, and having its registered office situated at 114, The Strand, Gzira GZR 1027, Malta

(hereinafter referred to as the “**Company**”)

## WHEREAS:

- (i) The Issuer by virtue of a resolution taken at the board meeting of the Issuer dated [-] 2018 and extraordinary general meeting of the shareholders of the Issuer dated on the same date, has authorised the issue of the Bonds (as defined below) under the terms and conditions set out in the Company Admission Document (as defined below) and determined to secure the same in the manner hereinafter appearing;
- (ii) The Issuer, in terms of the Company Admission Document, has committed to provide the Company with an interest-bearing loan of two million Euro (EUR2,000,000) so as to refinance an existing debt undertaken to finance the construction of the Vessel (as defined below) raised by virtue of the issue of the Bonds;
- (iii) The Issuer, in terms of the Company Admission Document, has committed to provide Relais Borgo Santo Pietro SRL with an interest-bearing loan of two million eight hundred and twenty thousand Euro (EUR2,820,000) so as partly finance the upcoming upgrading project of the Borgo Hotel (as defined in the Company Admission Document) raised by virtue of the issue of the Bonds;
- (iv) The Company, shall guarantee the obligations of the Issuer to the Primary Beneficiaries by constituting a first priority mortgage over the Vessel in favour of the Trustee for the benefit of the Primary Beneficiaries;
- (v) The Issuer has successfully pledged the Insurance Policy (as defined hereinafter) in favour of the Trustee for the benefit of the Primary Beneficiaries on the 18th of December 2018, as the Initial Property/ies and have been transferred to the Trustee, to be held on the trusts hereinafter declared;
- (vi) The Issuer shall further guarantee its obligations to the Primary Beneficiaries by constituting a pledge over its shares held in the Company in favour of the Trustee for the benefit of the Primary Beneficiaries;
- (vii) EMD shall further guarantee the obligations of the Issuer to the Primary Beneficiaries by constituting a pledge over its share held in the Company in favour of the Trustee for the benefit of the Primary Beneficiaries;
- (viii) The Original Trustee is a qualified trustee as defined under the Trusts and Trustees Act (Chapter 331 of the laws of Malta);
- (ix) The Issuer and EMD have successfully registered a pledge over the shares they hold in the Company in favour of the Trustee;
- (x) The Future Property will be transferred to the Trustee subject to the conditions listed in clause 4.3 hereof being satisfied;
- (xi) The Trustee shall hold, manage and administer the Assets for the benefit of the Primary Beneficiaries; and
- (xii) The Trustee acknowledges and agrees that it is not itself a creditor of the Issuer and that the creditors of the Issuer, in terms of the Borgo Trust, shall be solely the Bond Holders whose names and other details shall be entered in and maintained by the Central Securities Depository of the Malta Stock Exchange, and who shall be recognised as the Primary Beneficiaries under this Trust.

Now this Trust Deed witnesses as follows:

## 1. DEFINITIONS AND INTERPRETATION

1.1. In this Trust Deed, unless the context otherwise requires, the following definitions shall apply:

1.1.1. The term “**Assets**” shall mean the assets subject of the Security Rights;

1.1.2. The terms “**Beneficiary**” and “**Beneficiaries**” shall mean the Primary Beneficiaries and the Residual Beneficiaries as indicated in Schedule Two and Schedule Three of this Trust Deed.

1.1.3. The term “**Bond/s**” shall mean the issue of five million Euro (€5,000,000) (as better described in the Company Admission Document) secured bonds 2028 of a nominal value of one hundred Euro (€100) per bond issued at par and redeemable on the redemption date (as indicated in the Company Admission Document) at their nominal value, bearing interest at the rate of 5% per annum under the terms and conditions set out in the Company Admission Document;

1.1.4. The term “**Bond Holders**” shall mean the person or persons holding Listed Debt Securities issued by the Issuer on Prospects MTF in terms of the Company Admission Document as registered in the Register of Beneficiaries maintained on behalf of the Issuer by the CSD.

1.1.5. The term “**Company Admission Document**” shall mean the Company Admission Document approved by the Malta Stock Exchange for the Bonds to be admitted on the Prospects MTF.

1.1.6. The term “**Corporate Advisor**” shall mean Calamatta Cuschieri Investment Services Limited a limited liability company registered under the laws of Malta with company registration number C 13729, having its registered office at Ewropa Business Centre, Triq Dun Karm, Birkirkara, BKR 9034, Malta;

1.1.7. The term “**Corporate Trustee**” shall mean any Trustee that is constituted as a body corporate, wherever incorporated, and may include the Trustee and / or any other subsequently appointed trustee.

1.1.8. The term “**Events of Default**” shall have the same meaning as set out in the Company Admission Document.

1.1.9. The term “**Future Property**” means any future property which shall be settled into the Borgo Trust, including, but not limited to a pledge by the Issuer and EMD of all of their shares held in the Company and the mortgage over the Vessel forming part of the Security Rights which will be held by the Trustee in its capacity as trustee of the Borgo Trust, at any time during the term of the Borgo Trust.

1.1.10. The term “**Initial Property**” shall mean the pledge over the Insurance Policy in favour of the Trustee;

1.1.11. The term “**Insurance Policy**” shall mean the insurance policy providing for the replacement value of the Vessel.

1.1.12. The term “**Listed Debt Securities**” shall mean the Bonds issued by the Issuer in terms of the Company Admission Document admitted on Prospects MTF.

1.1.13. The term “**person**” shall mean an individual or a company; the latter term “**company**” shall mean any body of persons corporate or unincorporate (of whatsoever kind) incorporated or otherwise brought into existence in any part of the world.

1.1.14. The term “**Primary Beneficiary**” or “**Primary Beneficiaries**” shall mean all and any of the persons specified in Schedule Two hereto;

1.1.15. The term “**Proper Law**” shall have the meaning granted to such term in Clause 20 hereof.

1.1.16. The term “**Property**” shall mean property of any kind or description, whether movable or immovable, personal or real, and wherever situated, and in relation to rights and interests whether vested, contingent, voidable or future;

1.1.17. The term “**Prospects MTF**” shall mean the market regulated as a Multilateral Trading Facility (“**MTF**”) operated by the Malta Stock Exchange providing a venue for start-up and growth small to medium-sized enterprises to float their capital (including equity or debt) on the market.

1.1.18. The term “**Residual Beneficiaries**” shall mean the person or persons specified in Schedule Three attached hereto;

1.1.19. The term “**Security Documents**” shall mean the documents relating to the Security Rights, as may be applicable, including but not limited to,

- (i) a pledge agreement between the Issuer and EMD as pledgors, the Company and the Trustee as pledgee connected with a pledge on the Issuer’s and EMD’s shares in the Company,
- (ii) a deed of covenants between the Company as mortgagor and the Trustee as mortgagee connected with the mortgage on the Vessel, and
- (iii) the terms and conditions of the Insurance Policy;

1.1.20. The term “**Security Rights**” shall mean

- (i) a pledge by the Issuer and EMD of all of their shares held in the Company (being the owner of the Vessel) in favour of the Trustee in its capacity as trustee of the Borgo Trust; and, subject to the conditions in Clause 4.3 hereof being satisfied;
- (ii) a first priority mortgage on the Vessel in favour of the Trustee in its capacity as trustee of the Borgo Trust; and
- (iii) an Insurance Policy for the full replacement value of the Vessel pledged in favour of the Trustee in its capacity as trustee of the Borgo Trust.

1.1.21. The term “**Trust Deed**” whether used in this document or not, shall be interpreted as having the same meaning and shall refer to this Agreement.

1.1.22. The term “**Trust Documents**” shall mean this Trust Deed, any accounts of the Borgo Trust as maintained by the Trustee in accordance with Clause 18, and the Security Documents;

1.1.23. The terms “**Trust Fund**”, “**Trust Property**” and “**Trust Assets**” shall mean the Initial Property, the Future Property and any proceeds arising from the sale or enforcement of any property or asset connected with the Security Rights;

1.1.24. The term “**Trust Period**” shall mean the duration of the Trust in terms of Clause 8 hereof;

1.1.25. The Term “**Trust and Trustees Act**” shall mean The Trust and Trustees Act, Chapter 331 of the laws of Malta;

1.1.26. The term “**Trustee**” or “**Trustees**” shall refer to the Original Trustees specified in this Instrument of Trust if such Trustees remain the sole Trustees, or (in the event that any additional Trustee or Trustees may subsequently be duly effectively appointed) to the Original Trustees (unless he has in the meantime resigned or been removed) and the additional Trustee/s;

1.1.27. The term “**Vessel**” shall mean the luxury Satori vessel, owned in its entirety by the Company, which specifications and details of the Vessel are set out in the Company Admission Document.

1.2. In the interpretation and construction of each and every provision hereof:

1.2.1. any adopted or legitimated person shall be treated as a child of the adoptive or legitimate parents as the case may be and of no other person;

1.2.2. references to the issue of any person shall include the children and remoter issue of such person through all degrees;

1.2.3. words in the singular shall include the plural and words in the plural shall include the singular;

1.2.4. words denoting any gender shall include all genders;

1.2.5. subject to any change in the Proper Law and as otherwise herein provided the words used herein shall bear the meaning ascribed to them by the Interpretation Act, Chapter 249 of the laws of Malta, and the law on Trusts;

1.2.6. the headings and sub-headings to this Trust Deed are inserted only for reference to the provisions hereof and shall not affect the construction of such provisions;

1.2.7. unless the context otherwise requires, where this Trust Deed refers to any enactment, the reference is a reference to that enactment as extended or applied by or under any other enactment including any other provision of that enactment.

1.2.8. this Trust Deed shall be considered valid in its entirety including the schedules and annexes attached hereto.

Unless the context otherwise requires, words and expressions not otherwise defined in this Trust Deed shall bear the same meanings as in the Company Admission Document.

## 2. DECLARATION OF TRUST

2.1. The Trustee is hereby appointed to hold and administer the Trust Property in accordance with powers and discretions outlined in Schedule Four and subject to provisions declared, contained and concerning the same in this Trust Deed. Upon the settlement of the Assets into the Trust, the Security Trustee shall notify and confirm to the appointed Placement Agent and Manager of the bonds that

such Assets have been settled in the Borgo Trust.

- 2.2. The trust constituted hereby shall be irrevocable subject to the terms hereof and any applicable terms contained in the Company Admission Document.

Provided that in any case of discrepancy, the provisions of the Trust Deed shall prevail over any provisions found in the Company Admission Document.

- 2.3. This Trust Deed shall be known or referred to under the name or reference first above stated or by such other name or reference as the Trustee in its absolute discretion shall from time to time think fit.
- 2.4. Subject to Article 10 of the Trust and Trustees Act, the Trustee may, at any time during the Trust Period, accept as additions to the Trust Fund additional settlements as an accretion to the Trust Fund and such additional settlements shall, subject to any contrary direction, be held upon the Borgo Trust and with and subject to the powers and provisions of this Trust Deed.
- 2.5. The Trustee shall make declarations of trust whenever any additional property is received under this Trust Deed and such declarations of trust shall be on the same terms as stated herein and shall form an integral part hereof.

Provided that every time the Trustee shall make declarations of trust indicating the additional property settled on Trust as aforesaid, the Issuer shall be notified in writing of such fact immediately and the Issuer shall make the necessary Company Announcement in accordance with the Prospects Rules to that effect.

### **3. PURPOSE OF THE TRUST**

- 3.1. The purpose of the Trust Deed is:

- 3.1.1. to hold the Trust Property as a guarantee in favour of the Primary Beneficiaries up to the value of the Listed Debt Securities, until such time as the Listed Debt Securities are repaid in full in terms of the Company Admission Document (as may be amended from time to time);
- 3.1.2. to settle all liabilities relating to the Listed Debt Securities which might be outstanding in terms of this Trust Deed and in terms of the Company Admission Document as may be amended from time to time;
- 3.1.3. to hold property on trust for the benefit of the Primary Beneficiaries and Residual Beneficiaries according to the terms of this Trust Deed;
- 3.1.4. to distribute the Trust Property to the Residual Beneficiaries at any time after the debt in terms of the Company Admission Document due to the Primary Beneficiaries has been paid in full and the rights of the said Primary Beneficiaries to receive capital and interest accrued up to the date of redemption of the Bonds have ceased to exist.

### **4. SECURITY TRUST HOLDING FOR BOND HOLDERS**

- 4.1. In terms of the Company Admission Document, the Issuer, the Company and EMD, as the case may be, are to grant the Security Rights for the benefit of the Bond Holders and to instruct the Trustee to hold the Trust Property as security for the outstanding amount due to the Bond Holders, together with amounts of interest and charges thereon.

- 4.2. The Parties agree that, in terms and for the purposes of the Trusts and Trustees Act, the Borgo Trust created hereby shall be treated as constituted in the context of a commercial transaction. Pursuant to the provisions of Article 21(7) of the Trust and Trustees Act, each party agrees that the duties, liabilities, obligations and responsibilities incumbent upon the Trustee shall be limited to those expressly specified in this Trust Deed, and that the Borgo Trust shall operate in accordance with the express provisions of this Trust Deed, unless any provision of the Trust and Trustees Act is specifically hereby retained. Provided that nothing in this clause shall permit the Trustee to be exonerated from the effects of, or be indemnified for, its own fraud, wilful misconduct or gross negligence.
- 4.3. The Trustee shall hold the Trust Property under a security trust as provided in Article 2095E of the Civil Code (Chapter 16 of the Laws of Malta). A security shall be, therefore, constituted in the name of the Trustee in the manner provided for by applicable laws of Malta for the benefit of the Primary Beneficiaries prior to the admission of the Bonds issued by the Issuer on Prospects MTF, and this for all amounts owing to the Primary Beneficiaries by the Issuer in terms of the Company Admission Document, as may be amended from time to time, including all amounts of interest or charges due in terms thereof, in relation to the Listed Debt Securities, once and provided that all of the following conditions precedent have taken place:
- 4.3.1. the Issuer has successfully obtained the necessary proceeds from the subscription of the Listed Debt Securities to refinance the existing debt of the Company and to partly finance the upcoming upgrading project of the Borgo Hotel, in accordance with the Company Admission Document;
- 4.3.2. the Pledge Agreement is executed and the Pledged Shares have been pledged in favour of the Trustee in its capacity as trustee of the Borgo Trust.
- 4.3.3. The two mortgages registered on the 9<sup>th</sup> October 2017 and 14<sup>th</sup> December 2017 respectively, have been extinguished contemporaneously with the issue of the bond.

Provided that the Issuer and the Company, as applicable, hereby undertake to fulfil the following conditions after the Trust is set up and the Trustee shall hold the Trust Property under a security trust in accordance with the provisions of Article 2095E of the Civil Code:

- 4.3.4. The Company shall take out a first priority mortgage on the Vessel in favour of the Trustee;
- 4.3.5. Registration of the first priority mortgage with the relevant authorities; and
- 4.4. Further to the foregoing conditions, the Issuer, the Company and EMD hereby undertake to constitute all the Security Rights in favour of the Trustee and settle the Security Rights on the Borgo Trust.
- Provided that, in the event that the Trustee becomes aware of the fact that an Event of Default has occurred or is likely to occur, it shall notify in writing the Malta Stock Exchange, the Corporate Advisor and the Primary Beneficiaries of such fact without delay.
- 4.5. The Trustee shall, notwithstanding that it is not a Bond Holder, be entitled to be registered as the holder of the Security Interests for the benefit of the Bond Holders in accordance with the provisions of this Trust Deed and Article 2095E of the Civil Code.
- 4.6. All payment and other obligations to the Bond Holders pursuant to the Company Admission Document shall be the exclusive obligations of the Issuer and/or the Company, and the Trustee shall not have, and nothing herein contained shall be construed as creating or otherwise acknowledging, any

obligation on the part of the Trustee in favour of the Bond Holders for any payments that may fall due under the Bonds.

- 4.7. Subject to Clause 7 herein, in the event that the Issuer commits any of the Events of Default, including default of its obligations to repay any Listed Debt Securities (together with interest and charges thereon) in terms of the Company Admission Document, the Trustee shall have the authority to enforce the Security Rights.
- 4.8. In such event, the Trustee may carry out any of the actions provided for in Article 42(1) of the Merchant Shipping Act, Chapter 234 of the laws of Malta.
- 4.9. Following the Trustee's enforcement of the Security Rights in accordance with the trusts contained in this Clause 4, where applicable, the Trustee shall apply the net proceeds of the sale of the Vessel as follows:-
- Firstly, to pay any fees due to the Trustee for the administration of the trust and any costs or liabilities of the Trustee arising therefrom, in terms of Article 28 of the Trusts and Trustees Act;
  - Secondly to pay the Primary Beneficiaries any outstanding debt owed to them by the Issuer in terms of the Company Admission Document;
  - Thirdly to hold any remaining balance in trust for the Residual Beneficiaries.
- 4.10. Immediately upon the Issuer repaying all amounts outstanding to the Primary Beneficiaries, in view of the Listed Debt Securities in terms of the Company Admission Document, and upon receiving confirmation in writing to this effect from the Issuer and/or the Malta Stock Exchange, the Trustee shall extinguish the Security Rights in favour of the Primary Beneficiaries and the Residual Beneficiaries shall become the sole beneficiaries of this Trust.

## **5. COVENANTS BY THE ISSUER AND THE COMPANY**

- 5.1 The Issuer and the Company, as the case may be, covenant to the Trustee, for the benefit of the Primary Beneficiaries, that at all times during the continuance of admission of the Bonds to Prospects MTF:
- 5.1.1 the Issuer shall pay to the Bond Holders interest as set out in the Company Admission Document;
- 5.1.2 the Issuer shall redeem the Bonds at their nominal value on the Redemption Date as set out in the Company Admission Document;
- 5.1.3 the Issuer and the Company shall maintain their respective corporate existence as companies duly organised and existing and in good standing under Maltese law;
- 5.1.4 the Issuer and/or the Company shall promptly notify the Trustee, upon the happening of any Event of Default;
- 5.1.5 the Issuer shall do all such acts as it may consider necessary or desirable, or as may be reasonably required by the Trustee, to ensure that during the period when the Bonds are outstanding and until their redemption in full, the Security Rights shall, save for any privileges and/or claims afforded priority in terms of law and any future debts which may be secured by a cause of preference such as a pledge, privilege and/or hypothec, rank with priority over all other claims of the Issuer and in the event of a third party claim or any circumstances in which the Trustee's right, title and interest of the Security Rights is or may be prejudiced, the Issuer shall defend the Trustee's right, title and interest in the Security Rights;



5.1.6 the Issuer shall maintain the listing of the Bonds on Prospects MTF and shall, at all times, comply with such requirements and furnish punctually to the Malta Stock Exchange and the Prospects Committee, as applicable, such information as may be required to maintain the listing of the Bonds on Prospects MTF;

Furthermore, in the case of failure of the part of the Issuer to provide any requested information from the Trustee, the Issuer shall allow the Trustee to communicate directly with the Malta Stock Exchange so as to obtain any information required on the Bond Holders.

5.1.7 The Issuer undertakes in favour of the Trustee, that for as long as any principal or interest under the Bonds or any indebtedness under the Bonds remains outstanding, not to create or permit to subsist any claim, charge, lien, encumbrance, hypothec, privilege or security interest other than the Security Rights or security interest arising by law, upon the whole or any part of the Assets to secure any financial indebtedness of the Issuer.

5.1.8 The Company undertakes to keep the Insurance Policy valid at all times during the Trust Period.

## **6. REPRESENTATIONS AND WARRANTIES**

6.1 The Issuer and the Company hereby represent and warrant to the Trustee, which relies on such representations and warranties, that:

6.1.1 They are duly registered, incorporated, validly existing and in good standing under the laws of Malta and have the power to carry on their respective business as are now being conducted and to hold their respective property and other assets under legal title;

6.1.2 They have the power to execute, deliver, and perform their respective obligations under this Trust Deed; all necessary corporate, shareholder and other action has been duly taken to authorise the execution, delivery and performance of the same and no limitation on the powers of the Issuer to borrow or guarantee shall be exceeded as a result of this Trust Deed;

6.1.3 the obligations of the Issuer and/or the Company in terms of this Trust Deed constitute valid and legally binding obligations of the Issuer and the Company;

6.1.4 the execution and performance of the obligations under, and in compliance with the provisions of this Trust Deed by the Issuer and the Company shall not:

- (i) contravene any existing applicable law, statute, rule or regulation or any judgement, decree or permit to which the Issuer and the Company is subject;
- (ii) conflict with, or result in any breach of any terms of, or constitute a default under any borrowing or bond or other instrument to which the Issuer and/or the Company is a party or are subject or by which they or any of their respective property is bound;
- (iii) contravene any provision of the Issuer's and/or the Company's Memorandum and Articles of Association.

6.1.5 no litigation, arbitration or administrative proceedings is taking place, pending or, to the knowledge of the officers of the Issuer and/or the Company, threatened against the Issuer and/or the Company which could have a material adverse effect on the business, assets or financial condition of the Issuer and/or the Company.

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

6.1.7 The Issuer further represents and warrants to the Trustee, that relies on such representations and warranties, that every consent, authorisation, approval or registration with or declaration to, governmental or public bodies or authorities or courts, required by the Issuer in connection with the execution, validity, enforceability of this Trust Deed or the performance of its obligations under this Trust Deed have been obtained or made and are in full force and effect and there has been no default in the observance of any of the conditions or restrictions, if any, imposed in, or in connection with, any of the same;

6.1.8 no default mentioned in this Trust Deed has occurred and is continuing.

## **7. EVENTS FOR ENFORCING THE SECURITY RIGHTS**

- 7.1. The Trustee shall have the power and legal interest to file any legal proceedings or any other legal actions as the case may be, for the enforcement of the Security Interests notwithstanding that under the terms of this Trust Deed the Trustee is not the creditor of the principal debt or obligation arising from or acknowledged by the Bonds.
- 7.2. The Trustee shall have the discretion to enforce any of the Security Rights on its own accord or upon receiving notice in writing from not less than 65% in value of the Bondholders qua primary beneficiaries and/or from the Corporate Advisor appointed under the Prospects MTF Rules and acting in its duty of care to the Exchange, the market and the Bondholders that any of the Events of Default have occurred in accordance with the provisions of the Company Admission Document.
- 7.3. The Trustee shall have the discretion to postpone any sale of the Assets if the best value reasonably achievable for the Assets on the open market for the time being would not be considered a fair value in the opinion of the Trustee or in the opinion of any advisor appointed by the Trustee for the valuation of the Assets.
- 7.4. Notwithstanding anything contained in Clause 7.2, the 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. Until it shall have actual knowledge or express notice to the contrary, the Trustee shall be entitled to assume that no such Event of Default or condition, event or other circumstance has happened and that the Issuer is observing and performing all the obligations, conditions and provisions on part pursuant to the Company Admission Document.

## **8. THE TRUST PERIOD**

- 8.1. The Trustee shall hold and administer the Trust Property until the termination date of the Trust Period in accordance with Clause 8.2 below.
- 8.2. The Borgo Trust shall terminate in any of the following events, whichever the earliest:
  - a. Subject to the provisions of clause 4.10 hereof and pursuant to the issue of the Bonds in terms of the Company Admission Document, the dues payable to the Bond Holders in terms of the Company Admission Document have been repaid in full; or
  - b. after one hundred and twenty five (125) years from the date hereof; or
  - c. on such earlier date as the Trustees shall declare in writing to be the date on which the Trust Period shall end, provided that such action is in accordance with the Company Admission Document.

## **9. PLACE OF ADMINISTRATION OF TRUST**

- 9.1. The place of administration of the Borgo Trust shall be in Malta or as decided from time to time by the Trustee, currently at the registered office of the Trustee.
- 9.2. All documents and acts relative to this Trust Deed shall be retained at the place of administration of the Borgo Trust.

## **10. USE, CUSTODY, POSSESSION AND SALE OF THE ASSETS**

- 10.1. The use and possession of the Assets shall be subject to the provisions of the Security Documents.
- 10.2. The Trustee shall, subject to any terms and conditions stipulated in the Security Documents, permit the Issuer and/or the Company, if and until the Security Rights shall have become enforceable and the Trustee shall have determined or become bound to enforce the same, to hold and enjoy the Vessel and to make use of and/or improvements in line with the Issuer's and/or the Company's objectives.
- 10.3. Whenever the Trust Property requires to be registered in public or private registers, the Trustee shall apply for registration thereof:
  - a. in its capacity as Trustee/s of the Borgo Trust; or
  - b. in the name of the Trust; or
  - c. in any other manner such as to reveal clearly the existence of the Borgo Trust.
- 10.4 The Trustee hereby acknowledges that, in the event of unforeseen circumstances or where it may be in the best interest of the Company and/or the Primary Beneficiaries, the Company may choose to sell the Vessel (hereinafter referred to as the "Prospective Sale"). In such an event the Trustee shall have the power, in its absolute discretion and subject to the discretion afforded to it in terms of the respective Security Document, to release the mortgage, provided that:
  - (iv) the Company shall provide sufficient reason/s supporting the Prospective Sale;
  - (v) prior to the Prospective Sale, an independent valuer is appointed in order to establish the fair value of the Vessel ("hereinafter referred to as the "Fair Value"); and
  - (vi) the Company or the Issuer make a settlement to the Borgo Trust equivalent to the Fair Value immediately upon execution of the Prospective Sale.

Provided that the Trustee may require the Company and/or the Issuer as the case may be, to enter into such arrangement or arrangements as the Trustee may deem required or desirable for the protection of the Primary Beneficiaries' entitlement under the Borgo Trust.

## **11. POWERS AND DISCRETIONS OF THE TRUSTEE**

- 11.1. The Trustee shall have such powers and discretions as outlined in Schedule Four of this Trust Deed.

## **12. TRUSTEE'S REMUNERATION AND REIMBURSEMENT OF EXPENSES**

- 12.1. Any Corporate Trustee hereof, or any other Trustee hereof being an advocate, solicitor, accountant or other individual or any person associated or in any way connected with the Trustee, being a person engaged in any profession or business shall be entitled to charge and be paid all usual professional charges for business transacted, time expended and acts done by its firm or other firms in the same group of companies in connection with the trusts hereof, including acts which a trustee not being engaged in any profession or business could have done personally. Any such Corporate Trustee, or other firms in the same group, shall be entitled to transact any business on behalf of the Borgo Trust or of any of the Beneficiaries, which it is authorised to undertake upon the same terms as would be made with an ordinary customer. Any such Corporate Trustee shall be entitled to retain, without accounting for, any commission or brokerage received by it or by other companies in its group in connection with any investment of trust money or any insurance effected by the Trustee and any interest credited to its firm or other companies in the group in respect of any trust money at any time temporarily held by his firm in any bank account.
- 12.2. The Trustee and any other Corporate Trustee of this Trust shall be entitled to charge remuneration in accordance with such Original Trustee or Corporate Trustee's standard scale of fees from time to time in force or their usual and proper charges applicable from time to time, whether this is on an ad-valorem basis or on a time-spent basis or both, and shall be empowered to pay such remuneration out of the Trust Property.
- 12.3. The Trustee shall be entitled to recover all out-of-pocket expenses properly incurred by the Trustee in connection with the Borgo Trust from the Trust Property.

## **13. POWER OF APPOINTMENT OF NEW TRUSTEE**

- 13.1. Any Trustee may resign as trustee by notice in writing to his co-trustees, and in the case of there being no other trustee, to the Issuer and the Company or, if impracticable or there are none to whom notice can be given, to the Beneficiaries or to the Trustee's duly appointed successor and the resignation shall take effect on delivery of the aforesaid notice. However, the duties, obligations and responsibilities of the outgoing Trustee shall not cease until the new Trustee is duly appointed and has received all the necessary information and documentation in relation to the Borgo Trust.
- 13.2. If a Trustee dies, or being a corporation steps are taken for its winding up, or desires to be discharged from his office as Trustee hereof, or is made bankrupt or refuses or is unfit to act as Trustee or is incapable of acting as Trustee, then
- a. the continuing Trustee or Trustees, or if there are none,
  - b. the Trustee or Trustees desiring to be discharged from the trusts hereof, or if there are none,
  - c. the personal representatives or liquidator, as the case may be, of the last surviving or existing Trustee,
  - d. the Primary Beneficiaries by extraordinary resolution thereof,

may in writing:

- remove the Trustee that is in the process of winding up, desiring to be discharged, bankrupt, refusing or unfit to act or incapable of acting as Trustee; and/or
- appoint one or more other persons, who may be resident or domiciled in any part of the world and may include the person exercising this power, to be a Trustee or Trustees of the Borgo Trust in the place of the Trustee who is dead, dissolved, desiring to be discharged, bankrupt, refusing or unfit to act or incapable of acting as aforesaid.

13.3. The Trustee for the time being may from time to time in writing appoint another person or persons to be an additional Trustee or Trustees.

13.4. The number of Trustees shall consist of a minimum of one and a maximum of three.

13.4.1. Where a person for any reason ceases to hold office as a Trustee and such person (including his personal representatives or the liquidator as the case may be) reasonably apprehend that he/they is, or are, or may be or become liable, including a contingent liability and a fiscal liability of any nature whatsoever arising in any part of the world and,

- a. such liability has been incurred or may be incurred by that person or his personal representatives or its liquidator in consequence of that person having been a Trustee of the Borgo Trust; and
- b. that person would have been entitled to discharge or reimburse himself for the same out of the capital or income of the Trust Fund if that liability had been discharged at a time when that person was still a Trustee, the Trustee shall agree to indemnify or provide security to that person or his personal representatives or its liquidator out of the capital or income of the Trust Fund against any such liability.

13.4.2. If for any reason the duty imposed by paragraph 13.4.1 of this sub-clause on the Trustee is unenforceable or otherwise invalid or ineffective the Trustees shall nevertheless have power, if in their discretion they think fit, to agree and to indemnify any such person or his personal representatives or its liquidator out of the capital or income of the Trust Property against such liability as aforesaid.

13.5 For the duration of the Trust Period, neither the Issuer nor the Company shall have the power to remove the Trustee.

## **14. VARIATION OF TRUST INSTRUMENT AND TERMINATION OF TRUST**

14.1 The Trustee may at any time during the Trust Period, by means of an instrument in writing, make any variation, alterations, deletions or additions to the provisions of this Trust Deed which they consider in their absolute discretion to be for the benefit of all or any one or more of the Primary Beneficiaries, or of the Residual Beneficiaries in case the right of Primary Beneficiaries has lapsed in terms of this Trust Deed.

Provided that this Power shall not be exercised in such a manner as to prejudice or invalidate any previous payment, transfer or application of or dealing with any income or capital of the Trust Property pursuant to the provisions of this Trust

## **15. ACCOUNTABILITY AND BUSINESS INTERESTS OF TRUSTEES**

- 15.1. Any Trustee and any officer or employee or any associates, affiliates, agents or delegates of a Corporate Trustee shall not by reason of its or his fiduciary position, as the case may be, be in any way precluded from entering into or being interested in any contract or financial or other transaction or arrangement with the Issuer or any person or body corporate associated with the Issuer and may act as an officer, manager or employee of any company (or of a subsidiary of any company) the shares, debentures or securities of which form part of the Trust Fund. Any such Trustee or Corporate Trustee, may retain for himself or itself, without accounting for any remuneration, fees or profits which he or it may receive in consequence of such Trustee (or in the case of a corporate Trustee its officer or employee) acting as such officer, director, manager or employee of such company notwithstanding that any votes or other rights attached to such shares debentures or securities may have been instrumental either alone or in conjunction with other matters or by reason of their non-exercise in procuring or continuing for such Trustee (and for such officer or employee or connected company of a Corporate Trustee) his or its position as such officer, director, manager or employee or that his or its qualification for any such position may be constituted in part or in whole by any such shares debentures or securities.
- 15.2. Any Trustee, not being the sole trustee of the Borgo Trust at the time, may on his own account enter into any transaction with the Trustees or relating to the Trust Property without being liable to account for any profit, gain or advantage which may be derived directly or indirectly by himself or any other person from such transaction.
- 15.3. The Trustee may in the execution of any of the trusts herein, or in exercise of any of the powers conferred on it by the Borgo Trust or by law, sell property or lend money to, or buy property, or borrow money from, or carry out any other transaction with the trustees of any other trust or the executors or administrators of any estate, notwithstanding that the Trustee or any of them are, or is the same person or persons as those trustees, executors or administrators or any of them and where the Trustee is the same persons as those trustees, executors or administrators the transaction shall be binding on all persons then or thereafter interested under the Borgo Trust though effected and evidenced only by an entry in the accounts of the Trustee.
- 15.4. The power of Trustee/s under Paragraph 7.14 of Schedule Four hereto, to appoint professional advisors shall be allowed, notwithstanding that one or more of the Trustees or any officer or employee of a corporate Trustee is a partner, officer, member or employee of the said firm or company employed, appointed or retained and notwithstanding that (in the case of a corporate Trustee) the issued share capital of such Trustee is wholly or partially owned by or held in trust for such firm or company and no Trustee or officer or employee of a corporate Trustee shall be liable to account for any remuneration, profit, gain or advantage which may be directly or indirectly derived by any person from the employment of his said firm or company by the Trustee as aforesaid.
- 15.5. The Trustee shall have the powers and discretions afforded to it by this Trust Deed, notwithstanding that any personal interest they may have in the mode or result of exercising any such power or discretion, but any of the Trustees may abstain from acting except merely as a formal party, in any matter in which he may be personally interested as aforesaid, and may allow a co-Trustee to act alone in the exercise of the powers and discretions aforesaid in relation to such matter.

## **16. EXONERATION, LIABILITY AND INDEMNITY OF THE TRUSTEES**

- 16.1. In the execution of the trusts and powers hereof no Trustee shall be liable for any loss to the Trust Property arising in consequence of the failure, depreciation or loss of any investments made in good faith or by reason of any act or omission made in good faith or due to the use, enjoyment and operation

of the Vessel by the Company and/or the Issuer, or of any other matter or thing except liability for breach of trust arising from the fraud, wilful misconduct or gross negligence of the Trustee who is sought to be made liable.

- 16.2. Every discretion or power hereby conferred on the Trustee shall be an absolute and uncontrolled discretion or power, and no Trustee shall be held liable for any loss or damage occurring as a result of his concurring or refusing or failing to concur in an exercise of any such discretion or power.
- 16.3. In addition to any right to indemnity provided by law, every Trustee shall be entitled in the purported exercise of his or its duties and discretions hereunder to be indemnified out of the Trust Property against all expenses and liabilities notwithstanding that such exercise constituted a breach of such Trustee's duties unless brought about by his own actual fraud, wilful default, reckless misconduct, gross negligence, or the actual fraud, wilful default reckless misconduct or gross negligence of its directors, officers and/or employees, and such indemnity shall extend to the expenses and liabilities incurred by a Trustee in any legal proceedings notwithstanding that such proceedings shall be brought in respect of an alleged breach of duty by such Trustee unless it shall be established that such breach of duty was brought about by such Trustee's own actual fraud, wilful misconduct or gross negligence or that of its directors, officers, and/or employees.
- 16.4. Subject to the foregoing, each Trustee shall be held harmless against any claims, losses, death duties, taxes and impositions arising in connection with the Trust Assets or any part thereof. This indemnity shall extend to former Trustees and to directors, officers, and employees of any Corporate Trustee. Without limiting the generality of the foregoing and subject to same, the Trustee/s is/are authorised to indemnify and to enter into any indemnity in favour of any former Trustee or other persons in respect of any contingent or prospective liability, including any tax in respect of the Trust Property or the income thereof, or otherwise in connection with the trusts created pursuant to this Trust Deed. The Trustee may, in the exercise of an absolute discretion, apply the whole or any part of the Trust Property or the income thereof by way of mortgage, pledge or otherwise howsoever as security for such indemnity.
- 16.5. The Trustee shall be discharged from any further liability in respect of the whole or any part of the Trust Property which is not transferred to any person interested under this Trust or otherwise pursuant to the terms of the Trust.
- 16.6. While the Assets are in possession of the Issuer and/or the Company, as applicable, the Trustee shall not be required to check inventory, or monitor the state and condition of the Assets or the use and enjoyment of the Assets by the Issuer and/or the Company, as applicable. It shall be the duty of the Issuer and/or the Company, as applicable, to maintain the Assets. It shall be the sole duty and responsibility of the Issuer and/or the Company, as applicable, to ensure that any repairs and/or alterations (whether structural or otherwise) made to the Assets are carried out in line with established standards and that any necessary permits and/or licences required are obtained.
- 16.7. The Issuer shall insure and keep insured the Trustee or shall pay an any additional premium which the Trustee may incur for any insurance taken out by it for any or all liabilities which it may incur in the performance of its functions under this Deed provided that any limit of indemnification set out in a professional indemnity insurance shall not in any way mean that the Trustee may only be indemnified up to the amount to which the cover is limited.
- 16.8. The Issuer and the Company shall indemnify the Trustee with respect to any claim against the Trustee arising out of or in connection with the use and operations of the Vessel.

## **17. BENEFICIARIES AND ADDITIONAL BENEFICIARIES**

- 17.1. The beneficiaries of this Trust shall be the Primary Beneficiaries and the Residual Beneficiaries, subject to the terms of this Trust Deed, as may be amended from time to time.
- 17.2. The Trustees shall have the power at any time during the Trust Period to add to the class of Residual Beneficiaries, such one or more persons as the Trustees in their absolute discretion may determine.
- 17.3. Any such addition shall be made by virtue of a memorandum of decision by the Trustees and:
- a. Naming or describing the person or persons to be thereby added to the class of Beneficiaries; and
  - b. Specifying the date (not being earlier than the date of the declaration but during the Trust Period) from which such person or persons shall be so added;
- 17.4 The Trustees may, without prejudice to the terms of the Company Admission Document, at any time during the Trust Period revocably or irrevocably declare in writing that any person shall cease to be a beneficiary or shall cease to be capable of becoming a beneficiary, provided that no such declaration shall prejudice or invalidate any previous exercise by the Trustees of their powers in favour of that person.

## **18. THE RIGHT TO INFORMATION**

- 18.1. The Trustee shall, so far as is reasonable and within a reasonable time of receiving a request in writing to that effect, provide full and accurate information on the Trust Documents of the Borgo Trust to the Primary Beneficiaries and the Residual Beneficiaries and to the Court.
- 18.2. Upon the enforcement of any Security Rights, the Trustee shall keep accounting records, including the valuation of Trust Assets, prepared in accordance with generally accepted accounting principles, unless the Trustee feels that adherence thereto is considered inappropriate considering the circumstances of the case and the cost and benefit involved.
- 18.3. Subject to the provisions of the Laws of Malta and to any order of the court of the jurisdiction of the Proper Law the Trustee shall not be obliged to disclose to the Primary Beneficiaries and Residual Beneficiaries or any other person having any interest in the Trust Settlement or any other person whatsoever:
- a. any document disclosing the deliberations of the Trustee as to the manner in which they have exercised a power or discretion or performed a duty conferred or imposed upon them; or
  - b. any document disclosing the reason for any particular exercise of a power or discretion or performance of a duty or the material upon which such reason shall or might have been based; or
  - c. any document relating to the exercise or proposed exercise of any power or discretion or the performance or proposed performance of any duty.

For the avoidance of any doubts, the abovementioned documents in points a. to c. shall not be considered as trust documents, subject to disclosure.

## **19. EFFECTIVE DATE OF TRUST**



- 19.1. This Trust Deed shall take effect on the day the Trustee, the Issuer and the Company sign this Trust Deed.

## 20. JURISDICTION AND PROPER LAW

- 20.1. The proper law of this Trust Deed shall be the laws of Malta, which laws shall govern its validity, interpretation, administration and effects.
- 20.2. The Courts of Malta shall be the exclusive forum and shall have exclusive jurisdiction in relation to any dispute or litigation relating to the Borgo Trust.

## 21. CHANGE OF JURISDICTION

- 21.1. If the Trustee has reason to believe that fiscal, social, political, military or other developments within the Maltese jurisdiction are likely to adversely affect the administration of the Borgo Trust, then the Trustee may, in accordance with Article 5(3) of the Trusts and Trustees Act, change the proper law governing the Trust to be changed to that of another jurisdiction and shall, if necessary or desired:
- a. appoint a successor trustee in a different jurisdiction;
  - b. declare that this Trust shall be governed by and take effect in accordance with the law of some other jurisdiction and the Proper Law referred to in Clause 20 shall from that date be changed accordingly;
  - c. change the applicable forum;
  - d. make such consequential alterations or additions in or to the trusts, powers and provisions of the Borgo Trust as the Trustee may consider necessary or desirable to ensure that the trusts, powers and provisions of this trust shall be, *mutatis mutandis*, as much valid and effective as possible as they are at the date hereof under the laws of Malta, or insofar as the terms of this Trust Deed under the laws of Malta would be too onerous or incompatible with the new governing law.

## 22. GENERAL

- 22.1. Notwithstanding anything to the contrary expressed or implied in any other provision of this Trust Deed, none of the provisions, powers, discretions or authorities conferred by this Trust Deed shall at any time be exercisable in such a manner as to infringe any provision of the Proper Law for the time being, and in the event that any such provision, power, discretion or authority shall not be valid in terms of the law, such clause shall insofar as it is capable in terms of law of being separated and severed, be so severed and separated from the rest of the Trust Deed provisions and shall not affect the validity of this Trust Deed or of the other provisions of the said Trust Deed.

EXECUTED by ..... for and on behalf of  
the Trustee on the      day of ..... 2018



in the presence of

Witness:

Name:

Address:


EXECUTED by ..... for and on behalf of  
the Issuer on the      day of ..... 2018

in the presence of

Witness:

Name:

Address:


EXECUTED by ..... for and on behalf of  
the Company on the      day of ..... 2018

in the presence of

Witness:

Name:

Address:

EXECUTED by ..... for and on behalf of  
EMD on the      day of ..... 2018

in the presence of

Witness:

Name:

Address:

## **SCHEDULE ONE – “TRUST PROPERTY”**

- The Initial Property to be settled on Trust shall be a pledge over the Insurance Policy, by the Issuer in favour of the Trustee
- Any Future Property which shall be settled into the Borgo Trust, including, but not limited to a pledge by the Issuer and EMD of all of their shares held in the Company and the mortgage over the Vessel forming part of the Security Rights which will be held by the Trustee in its capacity as trustee of the Borgo Trust, at any time during the term of the Borgo Trust

## **SCHEDULE TWO – PRIMARY BENEFICIARIES**

- the Bond Holders

### **SCHEDULE THREE – RESIDUAL BENEFICIAIRES**

- The Company
- The Issuer

#### SCHEDULE FOUR – POWERS AND DISCRETIONS OF THE TRUSTEE

1. The Trustee may employ and remunerate any nominee, valuer, agent, adviser or delegate, for any period and on any terms and to charge any expenses to capital or income or both, without being liable for the acts or defaults of any such nominee, agent, adviser or delegate appointed in good faith.
2. The Trustee shall be empowered to release any of the Security Rights as it deems fit, and/or, take in settlement any other rights, interests, assets, funds and/or property in their stead, in accordance with Clause 10.4 of the Borgo Trust, whilst adhering to and maintaining its fiduciary obligations towards the Primary Beneficiaries.
3. The Trustee shall be empowered to lend and advance the whole or any part of the capital of the Trust Property, if any, to any of the Residual Beneficiaries, either free of interest or at such rate of interest as the Trustee may decide, with or without security for repayment, and generally on such terms as to repayment and otherwise as the Trustee thinks fit.
4. The Trustee shall be empowered to guarantee and to secure the obligations of any of the Residual Beneficiaries or of companies in which the Residual Beneficiaries have an interest, with or without security, and generally on such terms as the Trustee thinks fit. However, the Trust Property may not be utilised as collateral for any purpose whatsoever, saving the collateral granted in favour of the Bond Holders hereon.
5. The Trustee shall be empowered to permit any of the Residual Beneficiaries to occupy, use or enjoy any moveable or immovable property which is part of the Trust Property upon any terms or conditions whatever which the Trustee thinks fit but such permission shall in each case be revocable at any time by the Trustee unless the Trustee has in writing declared otherwise.
6. In the administration of the Trust Property, in addition to all powers and discretions granted to them by virtue of this Trust Deed, the Trustees shall have all other additional powers and discretions conferred on them by the Proper Law of the Trust that are not specifically excluded in this Trust Deed.
7. In administration of the Trust, in addition to all powers and discretions granted to them by this Trust Deed, the Trustee shall have the widest administrative powers that are lawfully capable of being conferred on the Trustee in their capacity as Trustee of this Trust to the same effect as if such powers were expressly conferred on them by this Trust Deed and shall have the widest power of effecting any transaction whatsoever, including any sale, exchange, assignment, grant, lease, rent, let, charge, pledge, any type of hypothec, mortgage or charge, loan, release or other disposition, purchase, acquisition, borrowing, guarantee, covenant, contract, licence, exercise or renunciation of options or rights, suing or compromising claims by or against the Trust Property, partition, appropriation, insurance, expenditure or incorporation of corporate bodies which are lawfully capable of being conferred on the Trustee.
8. The Trustee shall have, in addition and without prejudice to all other powers conferred on them by this Trust or any enactment or the general law, the following powers exercisable at their discretion in respect of the Trust Property and each and every part thereof:

Power in respect of assets forming part of the Trust Property:

- to sell the same to any Beneficiary or grant to any Beneficiary an option to purchase the same;

- to sell or grant options to purchase the same on terms under which the price is payable to the Trustee by instalments;
  - otherwise to manage and deal with the same in the same unrestricted manner as if the Trustee were the absolute beneficial owners thereof and shall have all the powers of a natural person having the absolute title to such property;
9. Power to cause or permit any company, the shares or securities whereof are comprised in the Trust Property, to retain the whole or any part of its income undistributed notwithstanding that the effect of such retention may be to benefit those interested in capital at the expense of those interested in income and so that (whether or not the Trustee has a controlling interest in any such company) the Trustee shall not be under any obligation to take any step to remove directors of any such company who recommend such retention of the company's income and if any Trustee is a director thereof he may recommend such retention;
  10. Power to permit any funds and investments forming part of the Trust Property to be held in any part of the world by or in the name or names of any nominee or nominees of the Trustee on such terms (if any) as to execution of blank transfers or declarations of trust and as to custody of the documents of title relating to such investments or property and otherwise as the Trustee may think fit and so that (but without prejudice to the generality of the foregoing) this power may be exercised for the purpose of qualifying any nominee (including any Trustee) to act as a director of any company;
  11. Power without any restriction to borrow money in connection with and for any purpose connected with the trusts on which the Trust Property is held including power to borrow for the purpose of acquiring investments as additions to the Trust Property;
  12. Power for the purpose hereof (including the purpose of providing security for the repayment of any money borrowed), but subject to the terms of this Trust Deed, to mortgage, charge, pledge, guarantee or hypothecate any investments, immovable or movable property comprised in the Trust Property and to vary the terms of any such mortgage charge, pledge or hypothecation to the like extent and in the same unrestricted manner as if the Trustee were the absolute beneficial owner thereof;
  13. Power to purchase, effect or acquire by any other means, insurance policies, whether covering trust assets or property or covering sickness, accident or death or liability insurance, and in the case of life policies whether they are term or endowment or sinking fund policies or any other kind and annuities perpetual or terminable and for lives or any other periods;
  14. Power in relation to any insurance policy held by the Trustee to make such arrangements for the payment of premiums or any premium thereon and at the expense of the trust income or trust capital or otherwise as they may think fit, and power to surrender, exchange, sell, charge or otherwise deal with the same in the same unrestricted manner as if they were the absolute beneficial owners thereof;
  15. Power to guarantee the payment of money and the performance of obligations and to give indemnities to or on behalf of any persons in any form the Trustee think fit if the Trustees in their discretion consider that the giving of such guarantee or indemnity is for the benefit of the Trust or any Primary Beneficiary or Residual Beneficiary;
  16. Power to agree to any scheme for the amalgamation or reconstruction of any company in which securities are held by the Trustee or any other scheme relating to any such company;
  17. Power to obtain or join with others in obtaining from any Stock Exchange a quotation for, or permission to deal in, any securities which or some of which are comprised in the Trust Property and to sell or join with others in selling or disposing of any securities with a view to creating a market in such securities whether or not a sale or disposition would on any other ground be desirable or expedient;
  18. Power at any time or times to accept any offer of and take up:



- a. any bonus shares or other securities whatsoever, proposed to be issued or offered for issue to the Trustee on any capitalisation of profits or reserves; and
  - b. any rights to the allotment or issue of any securities offered to the Trustee as holder of any other securities with full power to subscribe for and pay for all securities issued pursuant thereto and to sell the rights to allotment or issue of such securities;
19. Power to, without the consent of any person, appropriate any part of the Trust Property in its actual state of investment in or towards satisfaction of the whole or any part of any share therein which has at any time become absolutely vested in any person of which ought in the opinion of the Trustee for any reason to be distinguished or separated from any other part or parts of the Trust Property and so that:
- a. in making any such appropriation the Trustee may itself estimate the value of any component part of the Trust Property or may employ such person to make such valuations as they may select or think fit; and
  - b. any appropriation so made shall be final and binding on all persons claiming under the trusts hereinbefore declared in respect of the Trust Property;
20. The Trustee is empowered to pay out of the capital or income of the Trust Property any taxes of any kind which become payable anywhere in the world in respect of the income and / or capital of the Trust Property either by the Trustees or by the Settlers or any other person who has transferred assets to this Trust or by any of the Primary Beneficiaries or Residual Beneficiaries notwithstanding that the payment of taxes may be prejudicial to one or more of the Beneficiaries.
21. The Trustee may employ, appoint or retain any firm or company to provide professional, legal, tax, financial, investment, administrative or other services and advice to the Trustees in connection with the execution, administration and management of this Trust (including any acts or matters which could be performed by the Trustees personally) upon such terms as to remuneration and otherwise as the Trustees may in their absolute discretion think fit.
22. The Trustee shall have the power to rely on the advice, opinion, direction, report, statement, certificate, or other information furnished by any lawyer, broker, surveyor, valuer, accountant, auditor, architect, engineer or other professional person without incurring any liability for so relying notwithstanding that such professional person may have been employed by the Issuer and without incurring liability for any error in the transmission of any such advice, opinion, direction, report, statement, certificate or other information, or by reason of the same not being authentic. The Trustee may but shall not be bound to make any investigation or inquiry into any matters stated in such advice, opinion, direction, report, statement, certificate or other information.
23. The Trustee may exercise or omit to exercise all or any of the powers granted by this Trust Instrument, by law and by the exercise of this Clause in its absolute and unfettered discretion.

Provided that, the Trustee in terms of Article 37 of the Trusts and Trustees Act, may apply to the court for directives with respect to the manner in which the trustee is to act or should act in connection with any matter concerning the Borgo Trust.

24. The Trustees may delegate to any person, including to any one or more of the Trustees, at any time and for any period in any manner and upon any terms, including remuneration, all or any of the powers conferred upon the Trustees by this Trust Instrument or by law without being liable for the acts or

defaults of any delegate.

25. All or any of the powers and discretions conferred on the Trustee by this Trust Instrument may be exercised by a majority in number of the Trustees, in the case that there is more than one Trustee, after consultation so far as may be practically possible in the particular circumstances of the case between all the Trustees.
26. The Trustee may at any time in writing extinguish, release or restrict the exercise of any of the powers conferred on him/them by this Trust Instrument (including a power of appointment) or by law.

## ANNEX I – Pledge Agreement

MADE on [-] 2019

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**Borgo Lifestyle Finance p.l.c.**

and

**EMD Trust Limited**

and

**GVZH Trustees Limited as trustee of the Borgo Trust**

and

**Big Blue Cruising Limited**

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PLEDGE O F SHARES AGREEMENT

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## Pledge of Shares Agreement

This Pledge of Shares (hereinafter referred to as the “**Agreement**”) is made the [-] day of [-] 2019

between

**Borgo Lifestyle Finance p.l.c.**, a public limited liability company incorporated under the laws of Malta, bearing company registration number C 66811 and having its registered address situated at Vaults 14, Level 2, Valletta Waterfront, Floriana FRN 1914, Malta (hereinafter referred to as the “**Pledgor A**”);

and

**EMD Trust Services Limited**, a limited liability company registered under the laws of Malta, bearing company registration number C32231, and having its registered office situated at Vaults 13-15, Valletta Waterfront, Floriana FRN 1914, Malta (hereinafter referred to as the “**Pledgor B**”);

(Pledgor A and Pledgor B shall hereinafter be jointly referred to as the “**Pledgors**”)

and

**GVZH Trustees Limited as trustee of the Borgo Trust**, a limited liability company registered under the laws of Malta, bearing company registration number C23095, and having its registered office situated at 192, Old Bakery Street, Valletta VLT 1455, Malta, (hereinafter referred to as the “**Pledgee**”);

and

**Big Blue Cruising Limited**, a limited liability company registered under the laws of Malta, bearing company registration number C66386, and having its registered office situated at 114, The Strand, Gzira GZR 1027, Malta (hereinafter referred to as the “**Company**”);

hereinafter collectively referred to as the “**Parties**” or individually as a “**Party**”.

### **WHEREAS:**

- (A) the Company, as of the date hereof, has an authorised and issued share capital of ten thousand and one Euro (€10,0001) divided into ten thousand (10,000) ordinary A shares and one (1) ordinary B share of one Euro (€1) each fully paid up.

Ten thousand (10,000) ordinary A shares of the issued share capital is subscribed by and registered in the name of the Pledgor A and one (1) ordinary B share of the issued share capital is subscribed by and registered in the name of the Pledgor B and the said shares, together with all the rights arising therefrom or in connection therewith, whether involving the receipt of money or otherwise, are hereinafter referred to as the “Pledged Shares”;

- (B) The Pledgor A has authorised the issue of five million Euro (€5,000,000) secured bonds 2028 of a nominal value of one hundred Euro (€100) per bond issued at par and redeemable on the redemption date (as indicated in the Company Admission Document) at their nominal value, bearing interest at the rate of 5% per annum under the terms and conditions set out in the Company Admission Document and determined to secure the same in the manner hereinafter appearing;
- (C) The Pledgors shall, in terms of this Agreement and the Company Admission Document, guarantee the obligations of Pledgor A to the Bond Holders by constituting the Security Rights, which include a pledge over the Pledged Shares, in favour of the Pledgee in its capacity as trustee of the Borgo Trust for the benefit of the Bond Holders;
- (D) In terms of the Company Admission Document, the Pledgors and the Company have agreed to grant the Security Rights for the benefit of the Bondholders as Primary Beneficiaries and in terms of a trust deed constituting the Borgo Trust;
- (E) In terms of the Borgo Trust the Pledgee is to hold property on trust, including the Pledged Shares as security for the outstanding amount due to the Bondholders in terms of the Company Admission Document in relation to the Bonds, together with amounts of interest and charges thereon;
- (F) Thus, the Pledgors have agreed to enter into this Agreement with the Pledgee, by way of security for the payment and performance of the Secured Obligations (as defined below) subject to the terms of this Agreement and to undertake all such acts and things as are required to validly create the Pledge, in accordance with the terms of this Agreement, including to procure the delivery of the share certificates and other documents (evidencing title) in respect of the Pledged Shares to the Pledgee;
- (G) The Parties are, therefore, entering into this Agreement in order to establish and regulate the terms and conditions under which the pledge of the Pledged Shares shall take place and under which the release and termination of such pledge shall be effected.

**NOW THEREFORE**, it is hereby agreed as follows:

## **1. DEFINITIONS AND INTERPRETATION**

- 1.1 In this Agreement, unless the context otherwise requires, the following definitions shall apply:

- 1.1.1 **“Bonds”** means one or more bonds subject of the issue of five million Euro (€5,000,000) secured bonds 2028 of a nominal value of one hundred Euro (€100) per bond issued at par and redeemable on the redemption date (as indicated in the Company Admission Document) at their nominal value, bearing interest at the rate of 5% per annum under the terms and conditions set out in the Company Admission Document.
- 1.1.2 **“Bond Holders”** means the person or persons holding Bonds in terms of the Company Admission Document as registered in the Register of Bondholders maintained on behalf of the Pledgors by the CSD;
- 1.1.3 **“Borgo Trust”** means the trust established by means of a trust deed, dated 18<sup>th</sup> December 2018 and entered into by the Pledgee, as “Trustee”, the Pledgor A as the “Issuer”, the Pledgor B as “EMD” and the Company as the “Company”;
- 1.1.4 **“Company Admission Document”** means the Company Admission Document approved by the Malta Stock Exchange on 25<sup>th</sup> January 2019 for the Bonds to be admitted on the Prospects MTF;
- 1.1.5 **“CSD”** means the Central Securities Depository of the Malta Stock Exchange authorised in terms of Part IV of the Financial Markets Act (Cap. 345 of the Laws of Malta), having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063, Malta;
- 1.1.6 **“Event of Default”** means an event of default construed in accordance with Clause 14 of this Agreement;
- 1.1.7 **“Pledge”** means the pledge over the Pledged Shares as created under this Agreement;
- 1.1.8 **“Prospects MTF”** means the market regulated as a multilateral trading facility operated by the Malta Stock Exchange providing a venue for start-up and growth small to medium-sized enterprises to float their capital (including equity or debt) on the market;
- 1.1.9 **“Secured Obligations”** means the obligations undertaken by Pledgor A in favour of the Bond Holders in terms of and in accordance with the Company Admission Document, principally the repayment of the outstanding amount due to the Bondholders in terms of the Company Admission Document in relation to the Bonds, together with amounts of interest and charges thereon;
- 1.1.10 **“Security Rights”** means:
- a first priority mortgage on the Vessel (as defined in the Company Admission Document), as further explained in the Company Admission Document, in favour of the Pledgee in its capacity as trustee of the Borgo Trust;
  - the Pledge;
  - a pledge over the insurance policy providing for the replacement value of the Vessel to be acquired by the Company, pledged in favour of the Pledgee in its capacity as trustee of the Borgo Trust.
- 1.2 In this Agreement reference to the Parties includes reference to their lawful successors and assigns except in the case of the Pledgors, which are prohibited (except as otherwise provided herein) to assign this Agreement without the prior written consent of the Pledgee.
- 1.3 In this Agreement, unless the context otherwise requires, any reference to the singular shall include the plural and vice versa; the use of the masculine pronoun shall include the feminine, the use of the neutral pronoun shall include the masculine or the feminine as the case may be and any reference to any statute, law, or regulation having the force of law or any section thereof includes reference to any modification thereto or re-enactment of such statute, law, or regulation having the force of law for the time being in force.

- 1.4 The headings in this Agreement are used and inserted for convenience only and shall be ignored in the interpretation of this Agreement.
- 1.5 Unless the context otherwise requires, words and expressions not otherwise defined in this Pledge Agreement shall bear the same meanings as in the Company Admission Document.

## **2. PLEDGE**

- 2.1 The Pledgors hereby pledge to the Pledgee who accepts the Pledged Shares as security for the due and punctual performance of the Secured Obligations. In constitution of the Pledge the Pledgors are contemporaneously delivering the share certificates relating to the Pledged Shares, to the Pledgee who accepts to hold the said shares and certificates under the terms hereof. The parties are entering into this Agreement to regulate the said Pledge.
- 2.2 It is expressly agreed that the Pledge is being granted by the Pledgors to the Pledgee as security for the Secured Obligations. For the avoidance of doubt, the obligations of Pledgor B are limited to the granting of a Pledge over the one (1) Ordinary B share held in its name in the Company.
- 2.3 The Pledge confers upon the Pledgee the right to obtain payment out of the Pledged Shares with privilege over other creditors as provided by the Civil Code (Chapter 16 of the Laws of Malta) in virtue of the special privilege accorded by law under Article 2009(a) of the said Code as well as the right of retention over the said shares which entitles the Pledgee to retain the benefits of this Agreement until such time as the Secured Obligations have been settled in full. The Pledge is also regulated by Regulation 37 of the Merchant Shipping (Shipping Organisations – Private Companies) Regulations (Subsidiary Legislation 234.42 of the Laws of Malta) (hereinafter referred to as the “Merchant Shipping Regulations”).
- 2.4 Subject to Clause 6 of this Agreement, the Pledge shall extend to and include all dividends and all shares (and the dividends in respect thereof), rights, monies or other property accruing or offered at any time by way of redemption, substitution, bonus, preference, option or otherwise to or in respect of any of the Pledged Shares and all allotments, accretions, offers and other rights, benefits and advantages whatsoever at any time accruing, made, offered or arising in respect of any of the Pledged Shares.
- 2.5 Nothing in this Agreement shall be construed as placing on the Pledgee, prior to the eventual disposal or appropriation of the Pledged Shares, any liability whatsoever in respect of any calls, instalments or other payments relating to any of the Pledged Shares or to any rights, shares or other securities accruing, offered or arising as aforesaid, and Pledgor A shall at all times indemnify and hold harmless the Pledgee against and from all demands made against it or any of them, payments made by it, and costs, expenses, damages, losses or other liabilities incurred or suffered by it or any of them at any time in respect of any such calls, instalments or other payments as aforesaid.
- 2.6 The Pledge is in addition to and independent of, any other security which the Pledgee may hold at any time for any or all of the Secured Obligations.

## **3. REPRESENTATIONS AND WARRANTIES**

3.1 The Pledgors represent and warrant to the Pledgee that:

- (a) the Pledgors and the Company are entities duly incorporated and validly existing under the laws of Malta and have the power to own their assets and carry on their business as it is being conducted;
- (b) they are the sole owners of the Pledged Shares and the Pledged Shares are free from all and any encumbrances other than the charge created as a result of this Agreement;
- (c) the Pledgors have the power to enter into and perform, and has taken all necessary action to authorise the entry into, performance and delivery of, this Agreement;
- (d) this Agreement constitutes the legal, valid and binding obligation enforceable in accordance with its terms;
- (e) all authorisations, regulatory approvals and third party consents required or advisable in connection with the entry into, performance, validity and enforceability of the Pledge have been obtained or effected and are in full force and effect;
- (f) the entry into and performance by the Pledgors of, and the transactions contemplated by, the Pledge do not and will not:
  - (i) conflict with any law or regulation or judicial order; or
  - (ii) conflict with the documents of constitution of the Pledgors; or
  - (iii) conflict with any document which is binding upon the Pledgors or any of their assets;
- (g) other than in accordance with this Agreement, including but not limited to Clause 6 hereof, the Pledgors no longer enjoy any right to dispose of any of the Pledged Shares nor any right to enjoy any dividends, capital or other distribution nor the right to redeem the Pledged Shares or any other rights arising in connection with or from the Pledged Shares;
- (h) the Company has not issued or granted or resolved or agreed to issue or grant any option or other right to subscribe for or acquire any additional shares or stocks to any person;
- (i) all rights arising from or in connection with the Pledged Shares are exercisable in the interest of the Pledgors and the Pledgee strictly in accordance with the terms of this Agreement;
- (j) this Agreement and all the terms and obligations herein contained are valid and binding on the Pledgors and there exist no limitations in any agreement to which the Pledgors are a party to or in any applicable law which would hinder the performance of any of the obligations of the Pledgors hereunder; and
- (k) for the purposes of EU Regulation 2015/848 of 20 May 2015 on Insolvency Proceedings (hereinafter referred to as the "Regulation"), the centre of main interest of the Pledgors (as that term is used in Article 3(1) of the Regulation) is situated in its jurisdiction of incorporation.

3.2 Pledgor A further represents and warrants to the Pledgee that it shall fulfil the Secured Obligations.



- 3.3 The Pledgors also represent and warrant to and undertake in favour of the Pledgee that the foregoing representations and warranties in Clause 3.1 will be true and accurate throughout the duration of this Agreement with reference to the facts and circumstances subsisting from time to time.

#### **4. COVENANTS**

- 4.1 With respect to their respective Pledged Shares, the Pledgors covenant and agree with the Pledgee: -
- (a) to warrant and to defend the right title and interest of the Pledgors and the Pledgee in and to the Pledged Shares against the claims and demands of all persons whomsoever;
  - (b) that they will not sell, assign, transfer, pledge or encumber in any other manner any of the Pledged Shares or suffer to exist any encumbrance on the Pledged Shares except the Pledge;
  - (c) that they will not request the repurchase of the Pledged Shares by the Company without the prior written consent of the Pledgee;
  - (d) that they will notify, or consent to the Pledgee notifying, the Malta Registrar of Companies of the Pledge by filing the statutory notice (Form G - MSR) in the form set out in Annex 1 immediately upon the execution of this Agreement;
  - (e) that they will not grant in favour of any other person any interest in or any option or other rights in respect of any of the Pledged Shares;
  - (f) to procure that the Company shall not issue or grant or resolve or agree to issue or grant any option or other right to subscribe for or acquire shares or stocks to any person other than the Pledgors (and subject always to this Pledge) and that no reduction of the Company's issued share capital is made;
  - (g) that they will at all times remain the legal owner of the Pledged Shares;
  - (h) to procure that no amendment or supplement is made to the Company's Memorandum or Articles of Association which would have a material adverse effect on the performance by the Pledgors of their obligations under this Agreement or on the rights and remedies of the Pledgee under this Agreement;
  - (i) that if they shall subscribe for, be allotted or otherwise acquire any such other shares at any time and from time to time after the date hereof, they shall forthwith deliver or procure that there be delivered to the Pledgee the relevant share certificates together with the undated signed share transfer instrument/s (in the form set out in Annex 4) executed in blank in respect thereof as well as a certified true copy of an extract of the register of members of the Company confirming that the Company has recorded the pledge of shares on the same terms as those in this Agreement. In addition, they shall

forthwith also deliver to the Pledgee an executed Additional Pledge Agreement in the form set out in Annex 5 under the terms of which they will pledge such further shares as further security for the Secured Obligations;

- (j) The Pledgors shall ensure that the Pledge will be recorded in the Register of Members of the Company and that any share certificates issued throughout the duration of this Agreement and any entry in the Register of Members of the Company on the Pledged Shares will have an annotation referring to the Pledge in the form set out in Annex 2;
- (k) that themselves and the Company will obtain and maintain in full force and effect all Maltese governmental and other approvals and consents and do or cause to be done all other acts and things necessary or desirable in connection herewith or for the performance of their obligations hereunder;
- (l) that in the event of the nomination of any new directors to the Company, the Pledgors or any one of them shall procure the delivery of an undated resignation letter from such directors to the Pledgee (in the form set out in Annex 3); and
- (m) that they shall not take or omit to take any action which will or might impair the value of the Pledged Shares.

4.2 The Pledgors hereby deliver to the Pledgee who confirms receipt thereof under the terms of this Agreement of the following:

- (a) all existing Share Certificates in respect of the Pledged Shares, duly annotated in the form set out in Annex 2;
- (b) undated letters of resignation of the directors of the Company in the form set out in Annex 3;
- (c) undated share transfer instrument/s in respect of the Pledged Shares signed by the Pledgors, as transferor, in the form set out in Annex 4, and
- (d) a certified true copy of an extract of the register of members of the Company confirming that the Company has recorded the pledge of shares in terms of the Agreement.

## **5. TERMINATION AND RELEASE OF PLEDGE**

- 5.1 It is agreed that the Pledge is a continuing security for the due and punctual payment of the Secured Obligations, and subject to the terms of this Agreement, the Pledge may only be terminated in terms of Clause 5.2 hereunder or by the Pledgors and the Pledgee in writing.
- 5.2 On final and full settlement of the Secured Obligations to the satisfaction of the Pledgee and pursuant to the terms of the Company Admission Document and the Borgo Trust, the Pledgee shall:
- (a) agree to terminate this Agreement and shall release all documents held by it hereunder to the Pledgors and the annotation of the share certificates shall be cancelled and this for no consideration other than the refund of expenses incurred and fees due for carrying out its obligations hereunder and in accordance with this Agreement;
  - (b) on a specific request in writing made by the Pledgors, file the necessary notification (Form H - MSR) at the Registry of Companies in accordance with the Merchant Shipping Regulations.
- 5.3 Notwithstanding the provisions of Clause 5.2 above, the Pledgee is entitled to retain this Pledge and decline to release it, even if the Secured Obligations shall have been paid in full, until such time as it is satisfied that any payment of settlement of the Secured Obligations will not be challenged or avoided at any time (whether as a preference or otherwise) provided however that the Pledgee shall not unreasonably withhold such release unless it has reason to believe that the Company is, at the time of such repayment of the Secured Obligations, likely to be dissolved by reason of insolvency. For all good intents and purposes, it is being expressly agreed that any release of this Pledge is subject to the condition that any payment towards the Secured Obligations shall not be reversed, revoked or declared null at any time.

## **6. VOTING POWER, DIVIDENDS ETC.**

- 6.1 Prior to the issue of a Notice of Default (as hereinafter defined) by the Pledgee to the Pledgors, the rights pertaining to the Pledged Shares shall be exercised as following:

### **VOTING**

- (i) The Pledgors may continue to exercise all voting and/or consensual rights and powers pertaining to the Pledged Shares or any part thereof for all purposes;

PROVIDED THAT the Pledgors undertake not to exercise any of their voting rights or powers in a manner which negatively prejudices the interests of the Pledgee.

### **DIVIDENDS**

- (ii) All dividends due on the Pledged Shares shall be paid to and shall be receivable by the Pledgors.

### **CAPITAL DISTRIBUTIONS**

(iii) All capital distributions paid on the Pledged Shares upon the reduction of capital or redemption of any Pledged Shares shall be received by the Pledgors.

#### NOTICES OF MEETINGS

(iv) All notices of meetings required by Maltese law and the Articles of the Company shall also be sent to the Pledgee.

Without prejudice to the rights and remedies of the Pledgee under Clause 9, upon the issue of a Notice of Default (as hereinafter defined) by the Pledgee to the Pledgors, the Pledgee shall be immediately vested with all rights pertaining to the Pledgors under the Pledged Shares, and in particular, without prejudice to the generality of the foregoing:

- (i) all dividends due on the Pledged Shares shall be paid to and shall be received by the Pledgee which shall apply the same in accordance with the terms of the Borgo Trust;
- (ii) all voting and other rights and powers attaching to the Pledged Shares shall vest in the Pledgee, and the Pledgee shall exercise such powers for the purposes of, and in accordance with the terms of, the Pledge;
- (iii) all capital distributions paid on the Pledged Shares upon any reduction of capital or redemption of any Pledged Shares shall be received by the Pledgee which shall apply the same in accordance with the terms of the Borgo Trust; and
- (iv) all notices of meetings required by Maltese law and/or the Company's memorandum and articles of association shall be sent to the Pledgee which shall have the right to attend and vote at same itself.

6.2 Subject to the terms of this Agreement, upon the issue of a Notice of Default (as hereinafter defined) by the Pledgee to the Pledgors and in so far as it is necessary and for the purposes of conducting business at any general meeting of the Company, the Pledgors irrevocably confer on the Pledgee, which accepts, the right to receive and waive notice of, attend and vote at any meeting of the Company in respect of the Pledged Shares held by the Pledgors and, the Pledgor irrevocably recognises these rights of the Pledgee.

6.3 The non-exercise or partial exercise by the Pledgee of any of its rights, powers or remedies under this Agreement, even after a Notice of Default has been issued, shall not imply or operate as a waiver thereof on the part of the Pledgee and the granting of any new authorisations or permissions to the Pledgors by the Pledgee after any Event of Default (as hereunder defined) has taken place shall not operate as a waiver of any right or remedy hereunder nor shall it preclude any other or further exercise thereof.

6.4 The remedies herein provided are cumulative and are not exclusive of any remedies provided by law.

## **7. RESERVED MATTERS**

It is agreed that any resolution of the Company on any of the following matters shall require the consent of both the Pledgors and the Pledgee:

- a. the sale of assets of the Company;
- b. the liquidation of the Company;
- c. the merger or amalgamation of the Company;
- d. the reduction of capital in the Company;
- e. any change in the share capital structure of the Company; and/or
- f. any amendment or change to the Memorandum or Articles of Association of the Company;

PROVIDED THAT after the issue of a Notice of Default (as hereunder defined), the Pledgee may act alone without the consent of the Pledgors even on the above matters.

## **8. RESPONSIBILITY FOR COMMERCIAL OPERATIONS**

### **8.1 Pledgors' Duties**

It is agreed that until such time as there is an Event of Default (as hereunder defined) and a Notice of Default (as hereunder defined) is sent by the Pledgee to the Pledgors, as well as after such events, the Pledgor A shall be fully responsible for the continuing commercial operations of the Company and shall ensure that all agreements and laws binding the Company shall be fully and faithfully observed through the Board of Directors of the Company. Without prejudice to its rights hereunder, the Pledgee shall under no condition be responsible for the commercial operations of the Company.

### **8.2 Pledgee's Duties**

The powers conferred on the Pledgee hereunder are solely to protect its interest in the Pledged Shares in its capacity as trustee of the Borgo Trust, and shall not impose any duty upon it to exercise any such powers. Except for the accounting for moneys actually received by it hereunder, the Pledgee shall have no duty as to any Pledged Shares, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters in connection with any Pledged Shares (whether or not the Pledgee, has or is deemed to have knowledge of such matters), or as to the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any Pledged Shares.

## **9. REMEDIES**

9.1 On notice (by judicial act or otherwise as required or permitted by Maltese law), being sent by the Pledgee to the Pledgors stating that an Event of Default (as defined below) has occurred and setting out the Event of Default (hereinafter referred to as the “Notice of Default”), the Pledgee may exercise in relation to any and all of the Pledged Shares all the rights and remedies possessed by it under this Agreement, the Company Admission Document, the Borgo Trust or granted to it by law or otherwise for the benefit of the Bondholders, and in particular, may:

(i) exercise all rights relating to the Pledged Shares without limitation including appointing proxies, calling meetings, removing directors by dating the letters of resignation, approving or otherwise accounts, increasing or reducing capital, purchasing or selling assets, declaring dividends, undertaking or repaying loans or other indebtedness and other actions which in its sole and absolute discretion is deemed necessary to preserve the value of the Pledged Shares;

(ii) appoint directors and officers of the Company;

(iii) dispose of or appropriate and acquire the Pledged Shares in accordance with the provisions of the Merchant Shipping Regulations; and/or

(iv) apply to the Courts for the judicial auction of the Pledged Shares in accordance with the applicable law.

These remedies are in addition to the remedies granted to the Pledgee under Maltese law and in so far as it is necessary to do so the Pledgors authorise the Pledgee to avail itself of all and any of the above remedies in protection of its rights and the rights and interests of the Bondholders.

9.2 The Pledgors shall vote, in any applicable case, to ensure that the Company observes all formalities and other time limits set by the Merchant Shipping Regulations.

9.3 It is agreed that, in the event that the Pledgee decides to exercise the rights specified in Regulation 37(6)(a) and (b) of the Merchant Shipping Regulations, for the “fair value” to be established in terms of the proviso to subregulation (7) of Regulation 37 of the said Regulations, the following rules shall be observed in order to achieve a fair and reasonable position for the Parties, unless otherwise directed by the Court:

- (i) the Parties shall, within five business days of the Notice of Default, meet to determine by agreement the value of the Pledged Shares or, if this is not possible, the method and time frame for the final determination of such value. The Pledgors are to produce and make available all relevant information to the Pledgee or to such other person entrusted with the determination of the value of the Pledged Shares;
- (ii) it is agreed that the value of the Pledged Shares, whether by private calculation or by the court-appointed certified public accountant or auditor, shall be established on the basis of commonly used methods (as at the time of the establishment of the value);
- (iii) the auditors shall then take into consideration any material events which have, in the view of either the Pledgee or the Pledgors, an impact on the valuation;

- (iv) in the event that the previous year's audited accounts have not been maintained according to law, the Pledgors agree that the auditors are authorised to base themselves on the most recent drafts and management accounts available;
  - (v) in the event that such drafts and management accounts are not available, the Pledgors agree that the appointed auditors shall not be obliged to create accounts and audit them according to law but shall be entitled to receive evidence from the Pledgors and the Pledgee or such other person as they deem necessary on the value of assets in the Company and to reach a reasonable conclusion as to the value of the Pledged Shares within 15 business days of appointment of the certified public accountant or auditor by the Court;
  - (vi) the non-co-operation of the Pledgors shall not hinder the court-appointed certified public accountant or auditor from making their report to the Court in accordance with this Agreement;
  - (vii) it is agreed that any valuation should be made within 15 business days of appointment of the auditor by the Court in view of the provisions of Regulation 37(8) of the Merchant Shipping Regulations and it is acknowledged that if more than 30 days elapse from the Notice of Default, there may be fluctuations in the value of shares which may prejudice the Parties hereto;
  - (viii) If the Pledgee applies to the Court for a valuation to be made pursuant to Regulation 37 of the Merchant Shipping Regulations, the Pledgee shall be entitled to present as evidence to the Court appointed valuer any documents in its possession relating to the Company and all workings carried out until such date in connection with the valuation of the Pledged Shares.
- 9.5 Following the issue of a Notice of Default, but notwithstanding anything else stated above and notwithstanding any action taken by the Pledgee to exercise its rights to sell or appropriate the Pledged Shares privately, the Pledgee shall be entitled at any time to apply to the Court for the judicial sale of the Pledged Shares.
- 9.6 If and to the extent that the Pledgee opts to sell or appropriate the Pledged Shares in accordance with the remedies set out in Regulation 37 of the Merchant Shipping Regulations, the Pledgors hereby agree that in the event that the sale or appropriation of the Pledged Shares in terms of paragraphs (iii) and (iv) of Clause 9.1 only makes commercial sense (in the reasonable opinion of the Pledgee acting for the benefit of the Bondholders) if so sold or appropriated in their entirety, then the Pledged Shares will be so sold and appropriated, notwithstanding the fact that the proceeds or value thereof will exceed the value of the Secured Obligations recovered by the Pledgee in the case of a sale or any excess value appropriated by the Pledgee shall be released or reimbursed in favour of the Pledgors pro rata. In the event of such sale and for the avoidance of any doubt, the Pledgors hereby irrevocably appoint the Pledgee, who declares to have an interest in this mandate and accepts the same as part of its security, as their attorney (with full power of substitution) in relation to the sale of the Pledged Shares, and the Pledgors ratify and confirm and agree to ratify and confirm any agreement, instrument, act or thing which such attorney or substitute may execute or do in pursuance hereof.
- 9.7 If and to the extent that the Pledgee exercises its rights under this Agreement and the law and proceeds with the disposal of the Pledged Shares (or part of the Pledged Shares) or with their appropriation and acquisition by it of the Pledged Shares (or part of the Pledged Shares) in settlement of the Secured Obligations, the Pledgors waive any right of pre-emption in relation to such shares arising in the Memorandum or Articles of Association of the Company or otherwise (including the rights emanating from Regulation 37(10) of the Merchant Shipping Regulations).
- 9.8 The Pledgors shall make no claim against the Pledgee in respect of any loss arising out of any such sale or appropriation in terms of paragraphs (iii) and (vi) of Clause 9.1 or any postponement thereof howsoever caused and whether or not a better price could or might have been obtained upon the sale of the Pledged Shares or any of them by deferring or advancing the date of such sale or appropriation or otherwise howsoever, provided there is no gross negligence or wilful misconduct on the part of the Pledgee.

- 9.9 Upon any disposal by the Pledgee of the Pledged Shares, the purchaser shall not be bound to see or enquire whether the power of the sale of the Pledgee has arisen; the sale shall be deemed for all purposes hereof to be within the power of the Pledgee and the receipt of the Pledgee for the purchase money shall effectively discharge the purchaser who shall not be concerned with the manner of application of the proceeds of the sale or be in any way answerable therefor.
- 9.10 The Pledgee shall be entitled, at any time and as often as the Pledgee may deem appropriate, to delegate all or any of the rights, powers, remedies and discretions vested in it under and pursuant to this Agreement in such manner, upon such terms, and to such person or persons as the Pledgee may deem appropriate.
- 9.11 The remedies set out in this Clause 9 are in addition to the remedies granted to the Pledgee under Maltese law and, in so far as it is necessary to do, the Pledgor hereby irrevocably and unconditionally authorises the Pledgee by way of security, who accepts, to avail itself of all and any of the said remedies in protection of its rights.

## **10. IRREGULARITIES IN OTHER SECURITIES - INCAPACITY- INDEMNITY.**

- 10.1 This Agreement shall not be extinguished, discharged or otherwise effected by the total or partial invalidity or unenforceability or any irregularity or defect in any security (whether by way of mortgage, hypothec, pledge, guarantee, indemnity or otherwise) the Pledgee may now or at any time hold in respect of all or any of the Secured Obligations, and Pledgor A hereby agree to indemnify the Pledgee against all loss, damages, interest and expenses arising from the Company's failure to perform any obligation/s towards the Pledgee or occasioned by or arising from any invalidity, unenforceability, non-provability, non-liability, legal limitation, disability or want of capacity of or affecting the Company or any person acting or purporting to act on behalf of the Company (including the want of authority in such person) for any reason whatsoever in respect of all or any of the Secured Obligations, provided the Pledgors are not acting on the instructions of the Pledgee.

## **11. COSTS, CHARGES FEES AND EXPENSES**

- 11.1 Pledgor A shall on demand pay, on a full indemnity basis, all costs, charges, fees and expenses in any way incurred by the Pledgee in or incidental to the preservation or enforcement of this Agreement (including the costs of any proceedings in relation to this Agreement or the Secured Obligations).

## **12. SUSPENSE ACCOUNT**

- 12.1 Without prejudice to the terms of the Borgo Trust, all monies received, recovered or realised by the Pledgee under this Agreement may, at the discretion of the Pledgee, be credited to a suspense or impersonal account and shall bear interest at such rate, if any, as may be agreed in writing between the Pledgee and the Pledgors (and in default of agreement shall bear simple interest at the daily rate paid by the Pledgee on deposit accounts subject to 7 days' notice of withdrawal from time to time). The monies may be held in such account for as long as the Pledgee may deem fit pending the application from time to time (as the Pledgee shall be entitled to do as it may think fit) of such monies and any accrued interest thereon in or towards the discharge of any of the Secured Obligations.



### 13. APPLICATION OF PROCEEDS

- 13.1 All payments arising in relation to the Pledged Shares received by the Pledgee by way of dividends, capital distributions or otherwise as well as the proceeds of any sale of all or any part of the Pledged Shares and received by the Pledgee under this Agreement shall be administered and applied in accordance with the terms of the Borgo Trust and the surplus, if any, after the Secured Obligations have been finally and fully repaid, shall be paid to the Pledgors or such other person as may for the time being be entitled thereto.

### 14. EVENTS OF DEFAULT

- 14.1 An Event of Default shall *ipso jure* occur under this Agreement, without the need of any authorisation and/or confirmation from a competent court, upon one or more of the “Events of Default” being declared and outstanding under the Company Admission Document. For the avoidance of any doubt, an Event of Default occurs in the following circumstances:

- (i) the Pledgor A shall fail to pay any interest on any Bond when due and such failure shall continue for thirty (30) days after written notice thereof shall have been given to Pledgor A by any Bond Holder; or
- (ii) Pledgor A shall fail duly to perform or shall otherwise be in breach of any other material obligation contained in the Terms and Conditions (as defined in the Company Admission Document) of the Bonds and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Pledgor A by any Bond Holder; or
- (iii) an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of Pledgor A and/or the Company; or
- (iv) Pledgor A stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or ceases or threatens to cease to carry on its business or a substantial part of its business; or
- (v) the Company fails to maintain a valid insurance policy providing for the replacement value of the Vessel;
- (vi) Pledgor A is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent; or
- (vii) there shall have been entered against Pledgor A and/or the Company a final judgement by a court of competent jurisdiction from which no appeal may be or is made for the payment of money in excess of one million Euro (€1,000,000) or its equivalent and ninety (90) days shall have passed since the date of entry of such judgement without its having been satisfied or stayed; or

- (viii) any default occurs and continues for ninety (90) days under any contract or document relating to any Financial Indebtedness (as defined in the Company Admission Document) of Pledgor A in excess of one million Euro (€1,000,000) or its equivalent at any time.

## **15. ATTORNEY**

- 15.1 Subject to any limitations expressed elsewhere in this Agreement, the Pledgee is hereby irrevocably appointed the true and lawful Attorney of the Pledgors for the purpose of carrying out the provisions of this Agreement and taking any action or executing any instruments which the Pledgee may deem necessary to accomplish the purposes hereof. This appointment as Attorney is being given as part of this security and is being accepted by the Pledgee;

PROVIDED THAT the Pledgee shall have the option but not an obligation to utilise such power of attorney and the Pledgee shall in no way be responsible for not utilising the said power of attorney nor shall the Pledgee be in any way responsible for anything done in virtue of the said power of attorney.

## **16. FURTHER ASSURANCES AND AGREEMENTS**

- 16.1 The Pledgors agree that at any time and from time to time upon the written request of the Pledgee, they will promptly and duly execute and deliver to the Pledgee any and all such further instruments and documents as the Pledgee may deem necessary for obtaining the full benefit of this Agreement and of the rights and powers herein granted.
- 16.2 In the event that the Pledgee exercises its rights under this Agreement and the law and proceeds with the disposal of the Pledged Shares or with their appropriation and acquisition by it in settlement of the Secured Obligations due to it or part thereof, the Pledgors waive any right of pre-emption in relation to such shares arising in the Memorandum or Articles of Association of the Company or otherwise (including the rights emanating from Regulation 37(10) of the Merchant Shipping Regulations.

## **17. SET-OFF & WAIVER OF RIGHTS**

- 17.1 In addition to the rights conferred by law, the Pledgee shall be entitled, in terms of the provisions of the Set-Off and Netting on Insolvency Act (Cap. 459 of the laws of Malta), to set-off against monies due to it under this Agreement all or any monies from time to time standing to the credit of the Pledgors (whether sole or joint with any other person(s)) with the Pledgee, whether on current or any other account, including those subject to a term whatsoever and any sums standing in a suspense or impersonal account.

For the purposes of the foregoing:

- (a) the Pledgee shall be entitled (as well before as after demand) to combine or consolidate all monies now or hereafter standing to the credit of the Pledgors on any account with the Pledgee and in any currency;
- (b) if the obligations are in different currencies, the Pledgee may convert either obligation at a market rate of exchange in its usual course of business for the purposes of the set-off; and
- (c) if either obligation is unliquidated or unascertained, the Pledgee may set-off in an amount estimated by it in good faith to be the amount of that obligation.

17.2 However, it is expressly agreed that the liability of the Pledgors under this Agreement shall in no way be extinguished, discharged or reduced or in any way affected by any right of set-off or counter-claim or any right whatsoever against the Pledgee and the Pledgor is hereby expressly waiving all rights (including any and all rights of action) the Pledgors may have against the Pledgee until after settlement in full of the Secured Obligations to the satisfaction of the Pledgee.

## **18. INSTRUCTIONS**

18.1 It is agreed and declared that Pledgor A shall procure that the Company shall act according to all and any instructions reasonably issued by the Pledgee in accordance with this Agreement without the necessity or obligation to verify whether the facts stated by the Pledgee, particularly whether an Event of Default has or has not taken place, are correct and shall not lose the benefit of this Agreement even if the Pledgors make any claims to the effect that the statements of the Pledgee on which the Company is relying are incorrect.

## **19. CERTIFICATION OF SUMS DUE**

19.1 Any certification or determination by the Pledgee of a rate or amount under this Agreement will be, in the absence of manifest error, conclusive evidence of the matters to which it relates.

## **20. NOTICES**

20.1 Notices may be sent by registered mail, fax or electronic mail. Where notice is sent by registered mail, it shall be deemed to have been served five (5) days following the date on which it was posted and in the case of notice sent by fax or electronic mail, on the day of transmission. In providing such service it shall be sufficient to prove that the notice was addressed properly and posted or transmitted to such fax or electronic mail address as may be notified to the other party for this purpose.

For the purposes of this Agreement, the proper addresses (including electronic mail addresses) of the Parties are:

To Pledgor A:

Name: Borgo Lifestyle Finance Plc

Attention: [-]

Address: [-] Malta

Email: [-]

To Pledgor B:

Name: EMD Trust Limited

Attention: [-]

Address: [-] Malta

Email: [-]

To the Pledgee:

Name: GVZH Trustees Limited

Attention: Luca Vella / Katia Cachia

Address: 192, Old Bakery Street, Valletta VLT 1455, Malta

Email: [luca.vella@gvzh.com.mt](mailto:luca.vella@gvzh.com.mt) / [katia.cachia@gvzh.com.mt](mailto:katia.cachia@gvzh.com.mt)

To the Company:

Name: Big Blue Cruising Limited

Attention: [-]

Address: [-] Malta

Email: [-]

Provided that each Party may at any time change such address or fax number by giving five (5) days prior written notice to the other party.

## **21. NOTIFICATION TO, AND ACKNOWLEDGEMENT OF PLEDGE BY, THE COMPANY**

21.1 In accordance with the requirements of Regulation 37(2) of the Merchant Shipping Regulations, the Pledgors hereby notify the Company of the Pledge constituted by this Agreement, and hereby requests the Company to register such pledge in the Company's register of members and on any share

certificates which the Company may issue throughout the duration of this Pledge. The Pledgors hereby inform the Company that the Pledgors have agreed to pledge any future shares subscribed by them in the Company.

- 21.2 The Company appears on and signs this Agreement *inter alia* in order to, and does hereby through the execution by it of this Agreement, acknowledge receipt without reservation of the notice of Pledge effected by the Pledgors to it by means of Clause 21.1 hereof.
- 21.3 The acknowledgement referred to in Clause 21.2 is granted by the Company for the benefit of the Pledgors and the Pledgee.
- 21.4 By signing this Agreement, the Company also:
  - 21.4.1 confirms that it is concurrently with execution of this Agreement making a note of the Pledge in its Register of Members;
  - 21.4.2 binds itself for the benefit of the Pledgee to act in accordance with the terms of the Pledge;
  - 21.4.3 acknowledges that the share certificates in respect of the Pledged Shares have been delivered to the Pledgee upon execution hereof;
  - 21.4.4 undertakes for the benefit of the Pledgee not to pay out any monies relating to the Pledged Shares other than in accordance with this Agreement, and whenever the Company is required to carry out any act which has been imposed on the Pledgors in this Agreement, the Company shall carry out such act in accordance with the Agreement;
  - 21.4.5 recognises that the Pledgee may carry out acts against the wishes of the Pledgors and confirms that the Pledgee shall be treated as a member of the Company in terms of this Agreement;
  - 21.4.6 undertakes for the benefit of the Pledgee to inform any person requesting information relating to the Company of the Pledge.
- 21.5 The Pledgors and the Company declare that the Pledge notification and acknowledgement referred to in Clauses 21.1 and 21.2 hereof shall be deemed to have been given in full satisfaction of the procedural requirements of Regulation 37(2) of the Merchant Shipping Regulations, and each of them agree that no further action is necessary on the part of the others in order to comply with the said legislative requirements.

## **22. SEVERANCE AND MODIFICATION OF CLAUSES**

- 22.1 If any of the clauses or part thereof of this Agreement is or becomes invalid or unenforceable for any reason whatsoever, the validity of the remaining clauses or part thereof will not in any way be affected or impaired.
- 22.2 If any invalid or unenforceable clause or part thereof of this Agreement would be valid or enforceable if its form or effect were modified in any way, it shall be deemed to have the modified form or effect provided that the Pledgee gives its consent.

## **23. JOINT & SEVERAL OBLIGATIONS**

Pledgor A shall be jointly and severally bound with Pledgor B for the performance of Pledgor B's obligations in terms of this Agreement. On the other hand, Pledgor B shall not be jointly and severally responsible nor liable for the performance of Pledgor A's obligations. Where an obligation is addressed to both Pledgors, Pledgor B shall only be responsible for its own compliance with such obligation and shall not be responsible to ensure Pledgor A's compliance. The Parties agree that this limitation is reasonable in view of the fact that Pledgor B only holds one (1) Ordinary B share which has no voting rights nor economic rights.

## **24. GOVERNING LAW & JURISDICTION**

- 24.1 This Agreement shall be governed by and construed in accordance with the laws of Malta.
- 24.2 For the benefit of the Pledgee, the Pledgors agree that the Courts of Malta have jurisdiction to settle any disputes in connection herewith and accordingly submit to the jurisdiction of such Courts. The Pledgors waive any objection to the Maltese Courts on grounds of inconvenient forum or otherwise as regards proceedings in connection herewith and agree that a judgement or order of such a Court shall be conclusive and binding on them and may be enforced against them in the Courts of any other jurisdiction.
- 24.3 Nothing in this Agreement limits the right of the Pledgee to bring proceedings against the Pledgors in any other Court of competent jurisdiction or concurrently in more than one jurisdiction.

## **25. COUNTER-PARTS**

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts (including fax or electronic copies) were on a single copy of this Agreement.

IN WITNESS whereof the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

EXECUTION PAGE

**Pledgor A:**

in the presence of:

---

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**Pledgor B:**

in the presence of:

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---

**The Pledgee**

in the presence of:

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---

**The Company**

in the presence of:

---

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**ANNEX 1**

**Form G**

No. of Company C 66386

**MERCHANT SHIPPING (Shipping Organisations – Private Companies)  
REGULATIONS, 2004**

**Notice of a pledge of securities**

**Pursuant to Regulation 37 (2)**

Name of Company **Big Blue Cruising Limited**

Delivered by .....

To the **Registrar of Companies:**

I hereby give notice in accordance with Regulation 37(2) of the Merchant Shipping (Shipping Organisations - Private Companies) Regulations, 2004 that with effect from [-] 2019 the undermentioned securities have been pledged as follows:

Pledgor (Name and Address)	Pledgee (Name and Address)	Securities		
		Number	Type	Nominal Value
Borgo Lifestyle Finance p.l.c. (C 88245) [-], Malta	GVZH Trustees Limited (C 23095) 192, Old Bakery Street, Valletta VLT 1455, Malta, in its capacity as trustee of the Borgo Trust	10,000	Ordinary A	€1
EMD Trust Limited (C 32231) [-]	GVZH Trustees Limited (C 23095) 192, Old Bakery Street, Valletta VLT 1455, Malta, in its capacity as trustee of the Borgo Trust	1	Ordinary B	€1



Signature .....

***Pledgor/Pledgee\****

Dated this [-] day of [-] of the year 2019.

---

***This form must be completed in typed form.***

**\* Delete as necessary.**

## ANNEX 2

### ANNOTATION TO PLEDGE IN THE SHARE CERTIFICATES

*"These ten thousand, (10,000) Ordinary A shares of one Euro (€1) each, fully paid up, have been pledged in favour of GVZH Trustees Limited, in its capacity as trustee of the Borgo Trust, in terms of a pledge of shares agreement dated [-] 2019, pursuant to and in accordance with the terms of a Company Admission Document dated 25<sup>th</sup> January 2019 in connection with the issue by Borgo Lifestyle Finance p.l.c. (C 88245 ) of €5,000,000 worth of 5% secured callable bonds 2029 of a nominal value of €100 per bond on the Prospects MTF market operated by the Malta Stock Exchange."*

*"This one (1) Ordinary B share of one Euro (€1), fully paid up, has been pledged in favour of GVZH Trustees Limited, in its capacity as trustee of the Borgo Trust, in terms of a pledge of shares agreement dated [-] 2019, pursuant to and in accordance with the terms of a Company Admission Document dated 25<sup>th</sup> January 2019 in connection with the issue by Borgo Lifestyle Finance p.l.c. (C 88245) of €5,000,000 worth of 5% secured callable bonds 2029 of a nominal value of €100 per bond on the Prospects MTF market operated by the Malta Stock Exchange."*

### ANNEX 3

To: The Board of Directors  
Big Blue Cruising Limited  
114, The Strand  
Gzira GZR 1027  
Malta

I the undersigned in my capacity as director of Big Blue Cruising Limited do hereby resign with immediate effect and I hereby acknowledge and confirm that I have no claims against the Company for compensation for loss of office or in any respect, and that I have received all outstanding directors' fees or other remuneration due to me to date.

This the .

-----

name

## ANNEX 4

### SHARE TRANSFER INSTRUMENT

This the ..... day of ....., 20...

By virtue of this private instrument, Borgo Lifestyle Finance p.l.c., a public limited liability company incorporated under the laws of Malta, having its registered address situated at Vaults 14, Level 2, Valletta Waterfront, Floriana FRN 1914, Malta, and bearing company registration number C 88245 (hereinafter referred to as the “Transferor”) sells and transfers to GVZH Trustees Limited, a limited liability company registered under the laws of Malta, bearing company registration number C23095, and having its registered office situated at 192, Old Bakery Street, Valletta VLT 1455, Malta, in its capacity as trustee of the Borgo Trust (hereinafter referred to as the “Transferee”) which accepts and purchases and acquires ..... Shares of ... each in **Big Blue Cruising Limited**, a limited liability company registered under the laws of Malta, bearing company registration number C 66386, and having its registered office situated at 114, The Strand, Gzira GZR 1027 for the price of ....., for which price the Transferor hereby tenders due receipt.

Signed:

---

For and on behalf of

TRANSFEROR

---

For and on behalf of

TRANSFEE

## ANNEX 5

### SHARE TRANSFER INSTRUMENT

This the ..... day of ....., 20...

By virtue of this private instrument, EMD Trust Limited., a private limited liability company incorporated under the laws of Malta, having its registered address situated at Vaults 13-15, Valletta Waterfront, Floriana FRN1914, Malta and bearing company registration number C 32231 (hereinafter referred to as the “Transferor”) sells and transfers to GVZH Trustees Limited, a limited liability company registered under the laws of Malta, bearing company registration number C23095, and having its registered office situated at 192, Old Bakery Street, Valletta VLT 1455, Malta, in its capacity as trustee of the Borgo Trust (hereinafter referred to as the “Transferee”) which accepts and purchases and acquires ..... Shares of ... each in **Big Blue Cruising Limited**, a limited liability company registered under the laws of Malta, bearing company registration number C 66386, and having its registered office situated at 114, The Strand, Gzira GZR 1027 for the price of ....., for which price the Transferor hereby tenders due receipt.

Signed:

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For and on behalf of

TRANSFEROR

---

For and on behalf of

TRANSFEE

## ANNEX 6

### ADDITIONAL PLEDGE

ADDITIONAL SHARE PLEDGE AGREEMENT (the “**Additional Pledge**”) entered into this ....., 20.... between:

**Borgo Lifestyle Finance p.l.c.**, a public limited liability company incorporated under the laws of Malta, having its registered address situated at Vaults 14, Level 2, Valletta Waterfront, Floriana FRN 1914, Malta and bearing company registration number C 66811 (hereinafter referred to as the “**Pledgor A**”);

And / OR

**EMD Trust Services Limited**, a limited liability company registered under the laws of Malta, bearing company registration number C32231, and having its registered office situated at Vaults 13-15, Valletta Waterfront, Floriana FRN 1914, Malta (hereinafter referred to as the “**Pledgor B**”);

(Pledgor A and Pledgor B shall hereinafter be jointly referred to as the “**Pledgors**”)

and

**GVZH Trustees Limited as trustee of the Borgo Trust**, a limited liability company registered under the laws of Malta, bearing company registration number C23095, and having its registered office situated at 192, Old Bakery Street, Valletta VLT 1455, Malta, (hereinafter referred to as the “**Pledgee**”);

and

**Big Blue Cruising Limited**, a limited liability company registered under the laws of Malta, bearing company registration number C66386, and having its registered office situated at 114, The Strand, Gzira GZR 1027, Malta (hereinafter referred to as the “**Company**”);

WHEREBY

1. The Pledgor/s hereby pledge to the Pledgee, which accepts such pledge, the following additional shares in the Company:

.....

(the "Additional Pledged Shares")

as a continuing security for the due and punctual settlement of the Secured Obligations as defined in the pledge of shares agreement between the parties hereto dated \_\_\_\_\_, (hereinafter the "Pledge of Shares Agreement");

2. In constitution of the said pledge:

(a) the Company hereby acknowledges the pledge of the Additional Pledged Shares and binds itself to enter such an annotation in the Register of Members; and

(b) the Pledgor/s is contemporaneously delivering to the Pledgee documents evidencing the registration of the Additional Pledged Shares in the name of the Pledgor/s. It is agreed that the statutory notice will be delivered by the Pledgor/s or the Pledgee to the Registrar of Companies in Malta.

3. This Additional Pledge is a transaction contemplated by and subject to all the terms and conditions of the Pledge of Shares Agreement and it is being specifically agreed that the Pledge of Shares Agreement is being incorporated *in toto*, including the recitals thereto, into this Additional Pledge and shall apply to and form an integral part of this Additional Pledge. Provided that any reference to Pledged Shares in the Pledge of Shares Agreement shall, unless the context otherwise requires, be deemed to refer to Additional Pledged Shares. The Pledgee shall enjoy all the rights, discretions, privileges and powers granted to it in the Pledge of Shares Agreement in relation to the Additional Pledged Shares.

IN WITNESS whereof the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

Signed:

The Pledgor A / The Pledgor B

The Pledgee

The Company

## ANNEX J – Insurance Policy



### RAMO TRASPORTI MARINE DEPARTMENT

Appendice N. 1  
Endorsement No. 1

alla polizza N. **IMY0016109**  
to policy

Broker S&T Broker  
Agency

Assured

**Big Blue Cruising Ltd**  
**Vault 14 Level 2 VALLETTA WATERFRONT**  
**FLORIANA MALTA**

Vessel

"Satori"

By the present endorsement to be attached and forming part of the above policy it is noted the Assured Big Blue Cruising LTD assigned to **GVZH Trustees Limited** bearing company registration number C23095, and having its registered office situated at 192, Old Bakery Street, Valletta VLT 1455, Malta, in its capacity as Trustee of the Borgo Security Trust (the "Mortgagee"), this policy and all benefit hereof including all claims of whatsoever nature hereunder. Claims hereunder payable in respect of an actual or constructive or agreed or arranged or compromised total loss or requisition for title or other compulsory acquisition of the Vessel and claims hereunder payable in respect of any casualty shall be payable to the Mortgagee.

All other terms unchanged.

Issued in Milan on December 18<sup>th</sup> 2018

THE ASSURED

**AIG EUROPE S.A.**  
Rappresentanza Generale per l'Italia

**AIG Europe S.A. Rappresentanza Generale per l'Italia - Via della Chiusa, 2 - 20123 Milano**  
Tel: +39 02 36901, Fax: +39 02 3690222, [www.aig.co.it](http://www.aig.co.it) - Registro Imprese Milano / C.F. 97819940152 - P.I. 10479610961 - REA Milano n. 2530954

Sede Secondaria di AIG Europe S.A. - Registrata in Lussemburgo con il numero R.C.S. B 218806.  
Sede Sociale: Avenue John F. Kennedy n. 350 I - 1855 Lussemburgo - Capitale Sociale Euro 47.176.225





**INSURANCE POLICY**

**SailGuard**

**Y a c h t**

**Policy no. IMY0016109**

**Release 01/2016**



**AIG Europe Limited Rappresentanza Generale per l'Italia - Via della Chiesa, 2 - 20123 Milano**  
Tel: +39 02 36901, Fax: +39 02 3690222, [www.aig.co.it](http://www.aig.co.it) - Registro Imprese Milano / C.F. / P.I. 06037550962 - REA Milano n. 1960051

Sede Secondaria di AIG Europe Limited - Registrata in Inghilterra e nel Galles con il numero 01480260  
Sede legale: The AIG Building, 58 Fenchurch Street, Londra EC3M 4AB, Regno Unito - Capitale Sociale Sterline 107.116.479



SCHEDA RIEPILOGATIVA	Polizza n.	IMY0016109	Sostituisce la polizza n.
Codice	9405	Broker/Agente	S&T BROKER S.R.L.

Alle Condizioni Generali allegate ed alle Condizioni Particolari che seguono, assicura

<b>CONTRAENTE</b>	
Cognome Nome/Ragione Sociale	BIG BLUE CRUISING LTD
Indirizzo	114, THE STRAND - GZIRA GZR 1027
C.A.P. - Città - Prov. - Nazione	MALTA
Cod. Fiscale o P. IVA	

Effetto dalle ore 24 del	Scadenza alle ore 24 del	<b>DURATA</b> Giorni	Rateazione	Prossima Quietanza
08/05/2018	08/05/2019	365	ANNUALE	08/05/2019

<b>PREMIO in Euro</b>	<b>NETTO</b>	<b>ASSISTENZA</b>	<b>ACCESSORI</b>	<b>IMPONIBILE</b>	<b>IMPOSTE</b>	<b>PREMIO TOTALE</b>
<b>Alla Firma</b>	€ 24.885,00	€ 25,00	€ 0,00	€ 24.885,00	€ 0,00	€ 24.885,00
<b>Rate Successive</b>	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0

<b>DATI DELL'UNITA' DA DIPORTO</b>					
Tipo Unità	Nome	N. Iscrizione/N. Velocità	Matr. Scafo	Bandiera	
A VELA CON MOTORE AUSILIARIO	SATORI	17370		MALTA	
Scafo:	Costruttore e Modello	Materiale	Anno di Costruzione	L.F.T.	T.S.L.
	MUT YILLICI - CAVUSOGLU YAT IMALATHI	LEGNO	2017	41,50 mt.	191,00
Motore: N.Motori	Costruttore e Modello	Numero di Matricola	Anno di Costruzione	HP Eff.	KW
2	VOLVO PENTA D13 MH/MG	1013522083 - 1013522214	2016		808
Uso: NOLEGGIO CON EQUIPAGGIO / Uso Commerciale Velocità Massima (in nodi): 15 Scadenza Periodo Preventiva: 2022					
<b>SOMMA ASSICURATA TOTALE</b> (comprese dotazioni extra e tender)			<b>Somma Assicurata per Dotazioni e Strumentazioni Extra</b>		
€ 9.000.000,00			<b>Somma Assicurata per Effetti Personali</b>		€ 100.000,00

CONDIZIONI PARTICOLARI. Le Condizioni Generali di Assicurazione si intendono integrate dalle riavcole riportate nelle allegato Condizioni Particolari - sotto specificate - da considerarsi come integralmente trascritte e pertanto accettate dalle parti.

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<b>Franchigia Fissa</b>	€ 18.000,00	salvo quanto diversamente specificato nelle Condizioni Contrattuali
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Condizioni Aggiuntive Allegate

POLICY\_SATORI\_IMY0016109.PDF; AMERICAN YACHT FORM 12\_2014\_AIG.PDF;  
2.I.Y.C. MACHINERY DAMAGE EXTENSION CLAUSE.PDF; EMERGENCY TOWING EXTENSION.PDF;

Emessa in Milano, il 18/05/2018

IL CONTRAENTE

AIG Europe Limited  
Rappresentanza Generale per l'Italia



AIG Europe Limited Rappresentanza Generale per l'Italia - Via della Chiusa, 2 - 20123 Milano  
Tel: +39 02 36991, Fax: +39 02 3699222, www.aig.co.it - Registro Imprese Milano / C.F. / P.I. 08037550962 - REA Milano n. 1999051  
Sede Secondaria di AIG Europe Limited - Registrata in Inghilterra e nel Galles con il numero 01486260  
Sede legale: The AIG Building, 56 Fenchurch Street, Londra EC3M 4AB, Regno Unito - Capitale Sociale Sterline 197.115.479



POLICY No. IMY0016109

**UNDERWRITING YEAR 2018**

**BIG BLUE CRUISING LTD**  
114, The Strand Gzira ,

for the period, amounts, at the conditions and rates as indicated hereinafter, the Sailing yacht named:

Yard: UMUT YILLIKCI – CAVUSOGLU YAT IMALATHA-NESI

MUGLA – Turchia – Mod.: Goletta

Flag: Malta - Official Number: 17370

L.O.A.: 41.50 mt. – Beam: 7.55 mt. – G.T.: 191 Tons - Material: Wood

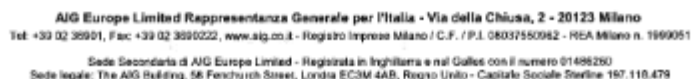
Engines: 2 Volvo Penta D13 MH/MG 808 KW

Serial Number: 1013522083 – 1013522214

Mast 2 x Bermudiana

**Period:** **TWELVE CALENDAR MONTHS** from 24.00 hrs (Greenwich Mean Time) of May 8<sup>th</sup> 2018 to 24.00 hrs (Greenwich Mean Time) of May 8<sup>th</sup> 2019.

(called at 90.00% of the annual rates as per Deferred Premium Call Clause of Additional Conditions).





## ADDITIONAL CONDITIONS

Policy n. IMY0016109

### Conditions of Cover

In partial derogation to General Conditions of Cover, and in compliance of "Camogli Policy Edition 1988" this insurance is granted at the terms and conditions of the enclosed American Yacht Form R12, with the following additions and/or deletions:

- Section 1 – Hull & Machinery etc...
- The following Clauses are deemed to be cancelled at every effect:
  - o Section "A" – Hull Insurance – Running Down Clause Deleted in full and Exclusion 2, 3, 5 and 7 deleted and Notice of Cancellation deleted;
  - o Section "B" – Protection and Indemnity Insurance Clause – deleted;
  - o Section "C" – Omnibus Clause – deleted;
  - o Section "D" – Medical Payments Insurance Clause limited up to Eur 100,00= each and every person and every accident limited up to Eur 500,00= in aggregate;
  - o Section "E" – Federal Longshoremen's and Harbour Worker's compensation Insurance - deleted;

This insurance does not cover any liability cost or expense arising in respect of fines penalties punitive or exemplary damages, however described but agreed to pay any fine or penalty assessed by any government or agency thereof for damage to marine environment or pollution to marine environment subject to a maximum limit of 10 per cent of the sum insured under interest (2).

American Institute 6Z-4 Deliberate Damage – Pollution Hazard (Hull) (February 1, 1976) as attached.

American Hull Insurance Syndicate Deliberate Damage Clause (Pollution Hazard) 1.2.76 as attached.

American Institute Increased Value and Excess Liabilities Clauses (November 3, 1977) 129-P CL A/175 with Excess Liabilities deleted and with Coverage (1) extended to include the settlement of a claim for Total Loss under American Yacht Form R12.

Agreed provide cover for the act of any Governmental Authority, or State Authority done for the purpose of saving the Yacht.

Noted and agreed cover hereunder automatically includes small craft and/or tenders and/or toys. Items over Eur 100,000 any one item to be declared within 60 days of attachment / purchase. Agreed such boats and/or craft and/or tenders and/or jet skis covered whilst used in conjunction with or independently of parent and/or shadow vessel.

In addition in the event of a loss of tenders and/or toys etc. agreed to cover the cost of hiring and/or chartering/replacement equipment for a period of up to 60 days, in addition to repair/replacement costs.

**Uninsured Boater** Wording with the term yacht deemed to include the vessel's tenders, dinghies, personal watercraft, windsurfers and any such similar items including whilst being towed by any such items.

**Uninsured Boater Clause** as attached limited up to Eur 3,000,00=.

**Institute Machinery Damage Extension Clause** as CL332 I.Y.C. ed. 1/11/85 as attached.



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Sede legale: The AIG Building, 50 Fenchurch Street, Londra EC3M 4AB, Regno Unito - Capitale Sociale Sterline 197.116.479



# ADDITIONAL CONDITIONS

Policy n. IMY0016109

## **War Risks:**

American Institute Hull War Risks and Strikes Clauses (including Automatic Termination and Cancellation Provisions) December 1, 1977, extended to include claims for loss, damage or expense caused by or resulting from any terrorist or any person acting maliciously or from a political motive.

American Hull Insurance Syndicate Addendum to American Institute Hull War Risks and Strikes Clause – December 1, 1977 (April 1984) extended to include Confiscation and Expropriation.

Noted and agreed that, notwithstanding anything contained herein to the contrary this War Risks Insurance covers loss or damage to the insured yacht caused by piracy of a political nature or related war.

London Blocking and Trapping Addendum (for the use of Institute War and Strikes Clauses – Hulls 1/10/83 LPO 444) – amended to 6 months.

Including Vandalism and Sabotage and Malicious mischief related to war or of a political nature.

Institute Notice of Cancellation Automatic Termination of Cover and War and Nuclear Clause (clause n° 359 dated 01.01.1995) with paragraph 3.2 deleted and replaced by Institute Radioactive Contamination, Chemical, Biological, Bio-Chemical and Electromagnetic Weapon Exclusion Clause 370 (10.11.2003) as attached.

Navigation Limitations for Hull War, Strikes, Terrorism and Related Perils Endorsement (JW2005/001A) as attached.

Hull Automatic Termination of Cover Clause Cl.359 (1/1/95) as attached;

Hull War, Strikes, Terrorism and Related Perils Notice of Cancellation Administration Clause (JW2005B/001B) as attached.

Subject to attached London Market War Risks Listed Areas 10<sup>th</sup> December 2015 as attached or as may be subsequently amended by underwriters or held covered at rates to be agreed.

## **Emergency Towing Extension:**

Agreed to provide additional protection in the event there is an emergency situation where the Assured and the Insured Vessel are not in imminent danger. Agreed to reimburse reasonable costs incurred, not to exceed a total of EUR 200,000 resulting from the following services to the Insured Vessel if help is not available and commercial assistance must be obtained:

- a. towing to the nearest place where necessary repairs can be made;
- b. delivery of gas, oil, parts or loaned battery (excluding the cost of these items themselves) or emergency labour, while away from safe harbour.

The policy deductible does not apply to this coverage.



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Sede Secondaria di AIG Europe Limited - Registrata in Inghilterra e nel Galles con il numero 01456203  
Sede legale: The AIG Building, 58 Fenchurch Street, Londra EC3M 4AB, Regno Unito - Capitale Sociale Sterlina 197.118.429





# ADDITIONAL CONDITIONS

Policy n. IMY0016109

## Personal Effects:

Personal Effects Clause extended to include personal effects belonging to the beneficial owner of the Assured, his family and guests subject to any single article valued at Eur 100,000 or more being specifically declared and valued and extended to include crews personal effects subject to a maximum total value insured of Eur 15,000 per capita and any single article valued at Eur 10,000,00 or more being specifically declared and valued.

Cover under this clause shall be in respect of clothing, personal effects, fishing gear, freezer(s) contents (limited to Eur 25,000 in all and excess of 48 hours) and sports equipment, cases of wine and stores on-board the yacht against all risks of whatsoever nature but excluding claims arising from:

1. Damp, mould, mildew, moth, vermin, wear, tear and gradual deterioration.
  2. Breakage of articles of a brittle nature unless such breakage is caused by burglars, thieves, fire, stress of weather, stranding, sinking or collision.
  3. Loss of cash, currency or bank notes.
- This cover only to operate from the time the Assured leaves his and/or her place of residence and/or occupation, whilst in transit to and from, on board, or used in connection with the insured vessel, and until return to place of residence and/or occupation.

## Cash On Board

At and from ports and/ or places worldwide to ports and/ or places worldwide, via any route including storage and/or temporary storage on route or after arrival at owned / non-owned premises, and including delivery to vessel by the insured or the agents and whilst in safe(s) on board the vessel Institute Cargo Clauses 'A' Cl.252 (1/1/82) as attached.  
Institute War Clauses (Cargo) Cl.255 (1/1/82) as attached.  
Institute Strikes Clause (Cargo) Cl.256 (1/1/82) as attached.  
Including vandalism and sabotage.  
Including theft, larceny etc. Subject to Hull Automatic Termination of Cover Clause Cl. 359 (1/1/95) as attached.  
Excluding mysterious disappearance.  
Including Sanctions Limitations and Exclusion Clause (JW2010/004).

## Fixtures, Furnishing and Fittings Clause:

The following items are deemed to be included within the definition Fixtures, Furnishing and Fittings: wall coverings (panels), wardrobes, chests, tables, non navigational electrics, beds, chairs, sofas, bathroom equipment, carpets, soft furnishing, glasses, chinaware, dinner services, cutlery, galley tools and equipment, laundry, linen, lighting, candelabra, glassware, clocks, barometers, awnings, umbrellas and all other similar items.

## Non-Contribution Clause

This insurance does not cover any loss or damage which at the time of that happening of such loss or damage is insured by or would, but for the existence of this Policy, be insured by any other existing policy or policies except in respect of any excess beyond the amount which would have been payable under such other policy or policies had this insurance not been effected.

## Bottom Inspection

Agreed to pay the reasonable cost of inspecting the bottom of the vessel after grounding even if no damage be found without application of any deductible.

## Moped extension:

Noted that mopeds are only covered whilst on board the vessel and/or her tenders including whilst loading and unloading or whilst parked alongside the vessel whilst berthed.



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Sede Secondaria di AIG Europe Limited - Registrata in Inghilterra e nel Galles con il numero 01485260  
Sede legale: The AIG Building, 68 Fenchurch Street, Londra EC3M 4AS, Regno Unito - Capitale Sociale Sterline 197.118.479



#### ADDITIONAL CONDITIONS

Policy n. IMY0016109

##### **Breach of Warranty Clause**

Agree to pay for loss or damage to the yacht when caused by the breach of any warranty contained in this policy by a paid captain and/or paid crew members or a charterer providing the breach of such warranty does not constitute a violation of the laws of the country that has jurisdiction over the yacht at the time the breach occurred or such breach is not committed with the consent, approval or knowledge of the assured.

##### **Laid up Clause**

Agreed cover hereon continues whilst vessel laid-up, afloat and/or ashore.

##### **Institute Radioactive Contamination, Chemical, Biological, Bio-Chemical and Electromagnetic Weapons Exclusion Clause (10.11.03) Cl 370.**

##### **Institute Cyber Attack Exclusion Clause (10.11.03) Cl. 380. Radioactive Contamination Exclusion Clause (U.S.A. Endorsement).**

Chemical, Biological, Bio-Chemical, Electromagnetic Exclusion Clause 1, March 2003 War6.

Electronic Date Recognition Clause.  
Including Loss Payable and Notice of Assignment as required.

Sanctions Limitations and Exclusions Clause – JH010/009.  
Notice of Cancellation as per American Yacht Form R12 Notice of Cancellation Clause.  
Sanctions Limitations and Exclusions Clause – JW2010/004.

Excluding crew medical and liability absolutely..

Noted that the vessel is 12 months in commission.

##### **Jurisdiction**

This insurance shall be governed by and construed in accordance with the Italian Law and each party agrees to submit to the exclusive jurisdiction of the Courts of Italy.

##### **Navigating Limit**

- o **Mediterranean Sea** within the Straits excluding Lybia, Lebanon, Syria and Israel and European Waters or held covered at rates and terms to be agreed subject to notice to be given to Underwriters as soon as practicable..  
Subject to Institute Warranties CL.26 (1/7/76) as attached and War Risks subject to attached London Market War Risks Listed Areas 10<sup>th</sup> December 2015.

##### **Warranties**

Warranted Permission to Charter with professional captain and crew always in charge of the vessel and vessel not to be left unmanned at any time.

The vessel shall be classed without overdue or outstanding, if there are any outstanding or overdue conditions/recommendations of Underwriters shall be informed as soon as possible.

Warranted STCW license to be in accordance with registered flag.  
Secured marina and safe berth or anchored at sea with professional crew in charge.

Minimum manning/crew to be in accordance with IMO Resolution A890(21) Principles of safe manning including its amendments.

Warranted that fire fighting and safety equipment on board shall be maintained in accordance with good shipboard practice and/or the equipment manufacturers recommendations.



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# **ADDITIONAL CONDITIONS**

Policy n. IMY0016109

Warranted that all necessary or required licenses, permits and certificates pertaining to the use and operation of the yacht are in full force and effects as to the effective date of coverage and will be so during the period of the policy and that during all such times the insured will comply with all laws, rules and regulations that apply to the uses to which the assured employs the yacht.

Warranted tenders not towed.

Warranted that the Assured shall declare any change of vessel's flag as soon as possible.

Excluding crew medical and liability absolutely.

## **Insured Amount**

The sums insured by the present policy are the following:

### **Hull & Machinery:**

(agreed value) including

**Eur 7.000.000=**

- tenders, mt. 5,65 con chiglia in P.R.F.V. Engine DIESEL JET 180 CV.
- dinghies, outboards, jet skies or similar craft up to:

Eur 70.000=;

- Contents up to:

Eur 100.000=;

- Personal Effects up to (per Item):

Eur 100.000=;

- Fixtures and Fittings:

Eur 50.000=;

- Cash on Board:

Eur 75.000=;

### **Increased Value**

**Eur 2.000.000=**

### **Uninsured Boater Coverage**

**Eur 3.000.000=**

### **War Risks**

**Eur 9.000.000=**

## **Deductible – Excess – Compensation Limits**

Underwriters hereon only to be liable for the excess of a fixed deductible of Eur 18.000,00= which shall be applied to all damages and for each single events (total loss or constructive total loss excluded), except for the express abrogation stated herein below:

- any compensation for damage to service boats and/or other means used for a collective rescue such as lifeboats will be paid upon prior application of a deductible of Eur 250,00=;
- any compensation for damage to Electronic, Communications and Navigation Equipment will be paid upon prior application of a deductible of Eur 2.500,00=;
- any damage falling within the Personal Effects Clause, indemnify n compliance with the policy, will be paid upon prior application of a deductible of Eur 250,00= for all damages. All items in the aggregate each separate accident or occurrence except total loss of an individual item which payable in full.
- any compensation for damage to Fixtures and fittings will be paid upon prior application of a deductible of Eur 5.000,00=.

## **Premium Calculation**

H&M Value EUR 7.000.000,00 @ 0,335%	EUR 23.450,00=
Increased Value EUR 2.000.000,00 @ 0,165%	EUR 3.300,00=
WR Value EUR 9.000.000,00 @ 0,001%	EUR 900,00=
Total Net Premium	EUR 27.650,00=
No Claims Bonus in Advance 10%	(EUR 2.765,00)=
Taxes 00,00 %	EUR 00,00=
<b>Total Premium to be Paid</b>	<b>EUR 24.885,00=</b>



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# ADDITIONAL CONDITIONS

Policy n. IMY0016109

## Payable in four installments as below:

1 <sup>st</sup> by cash at inception of the risks	EUR 2.488,50=;
2 <sup>nd</sup> on June 30 <sup>th</sup> 2018	EUR 7.465,50=;
3 <sup>rd</sup> on July 31 <sup>st</sup> 2018	EUR 7.465,50=;
4 <sup>th</sup> on August 31 <sup>st</sup> 2018	EUR 7.465,50=.

## Deferred Premium Call (Collecting Premium Clause)

At inception of risks only 90% of the H&M total gross premium (€ 27.651,00=) will be paid to the Underwriters hereon.

The remaining 10% (Eur 2.765,00=) will be paid at expiry if a claim will occur during the Underwriting Year 2018 - 2019.

**BROKER CLAUSE** - The Assured declares to appoint Messrs. **S&T BROKER** V.le Emilia, 142 Grosseto Italy as broker of the present contract and all matters concerning the present contract will be dealt with, on Assured account, by the above mentioned brokers.

Payable to "AIG Europe Limited" through Messrs S&T Broker S.r.l..

Issued in three copies.

Milan, May 18<sup>th</sup> 2018

THE ASSURED

THE INSURANCE COMPANY

AIG EUROPE LIMITED



**AIG Europe Limited Rappresentanza Generale per l'Italia - Via della Chiusa, 2 - 20123 Milano**  
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**ADDITIONAL CONDITIONS**
**Policy n. IMY0016109**

Condizioni da approvare specificatamente per iscritto:  
 Agli effetti degli art. 1341 e 1342 del Codice Civile il sottoscritto dichiara di approvare specificatamente le seguenti disposizioni:

- art.3: Giurisdizione e foro competente;
- art.7: Fallimento dell'Assicurato;
- art.11: Inchiesta sul sinistro;
- le clausole "Termination" ed "Assignment" delle allegato condizioni dell'"Institute of London Underwriters"

Conditions to be specifically approved in writing:  
 In respect of art. 1341 and art. 1342 of the Civil Law, the undersigned declares to give his specific approval to the following provisions:

- art.3: Jurisdiction and Competent Court;
- art.7: Bankruptcy of the Assured;
- art.11: Casualty enquiry;
- the Clauses "Termination" and "Assignment" of the attached conditions of the "Institute of London Underwriters"

(In case of discrepancy between the Italian and English wording of the policy, the Italian wording shall prevail)

THE ASSURED

Il Contraente dichiara altresì di aver ricevuto la Nota informativa prevista dall'Art. 123 D. Lgs. n. 175/95.

THE ASSURED



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**POLIZZA DI ASSICURAZIONE MARITTIMA SU CORPO E MACCHINE DI NAVI A SCAFO METALLICO O SU ALTRI INTERESSI ARMATORI.**  
(alle Condizioni delle Clausole dell'Institute of London Underwriters).

#### **POLIZZA CAMOGLI 1988**

##### **CONDIZIONI GENERALI**

###### **Art. 1 - Condizioni di assicurazione.**

L'assicurazione è prestata alle condizioni delle alleghe clausole dell'Institute of London Underwriters, indicate all'art. 1 delle Condizioni Aggiuntive, nelle quali le espressioni «For use only with the new marine policy form» e «This insurance is subject to English law and practice» riportate sul frontespizio si intendono cancellate.

###### **Art. 2 - Legge regolatrice del contratto e interpretazione delle clausole inglesi.**

Il presente contratto è regolato dalla legge italiana. Le clausole inglesi alleghe alla presente polizza dovranno tuttavia essere interpretate e applicate così come sono interpretate ed applicate in Inghilterra.

###### **Art. 3 - Giurisdizione e foro competente.**

Tutte le controversie relative al presente contratto sono soggette esclusivamente alla giurisdizione italiana. Foro competente, a scelta della parte attrice, è esclusivamente quello del luogo ove ha sede la Direzione della Società, ovvero l'Agenzia cui è assegnato o presso la quale è stato concluso il contratto.

###### **Art. 4 - Valutazione della nave.**

Il valore attribuito alla nave nella polizza in conformità all'art. 515 del Codice della Navigazione equivale a stima e salvo patto contrario comprende:

- a. lo scafo con tutte le sue pertinenze ed accessori;
- b. l'apparato motore con i suoi organi ausiliari e dotazioni di riserva; e, se di proprietà dell'Assicurato;
- c. gli impianti radioelettrici e radiotelefonici;
- d. le vettoverie, il combustibile ed ogni altra provvista.

###### **Art. 5 - Premio.**

Il premio è annuo ed unico: è dovuto per intero anche se ne è convenuto il frazionamento in rate, salvo eventuali restituzioni di premio previste dalle alleghe clausole dell'Institute of London Underwriters.

In caso di indennizzo per perdita totale (effettiva, costruttiva o transale) della nave conseguente ad un sinistro avvenuto nel corso di polizza di durata inferiore all'anno, ovvero verificatosi nel tempo per il quale la polizza risulta prorogata (sia automaticamente, sia per accordo) oltre la scadenza originaria, la Società avrà diritto al pagamento di un premio complementare pari alla differenza fra l'intero premio annuo e quanto pagato per la copertura inferiore all'anno o per la proroga.

###### **Art. 6 - Pagamento del premio.**

Il premio o le rate di premio, gli accessori e le imposte devono essere pagati in contanti presso la Direzione della Società o l'Agenzia cui è assegnato o presso la quale è stato concluso il contratto.

###### **Art. 7 - Fallimento dell'assicurato.**

Fatto salvo le previsioni di cessazione automatica della copertura per cambiamento di gestione o altro, contenute nelle clausole dell'Institute of London Underwriters alleghe, in caso di fallimento o concordato preventivo o amministrazione controllata o amministrazione straordinaria o liquidazione coatta amministrativa dell'Assicurato, la Società ha facoltà di recedere dal contratto dandone avviso mediante lettera raccomandata.

Il recesso avrà effetto dalle ore 24 del quindicesimo giorno dalla data di ricezione della raccomandata; a richiesta dell'Assicurato, qualora la nave sia in viaggio al momento di ricezione della raccomandata, il recesso avrà effetto dall'arrivo della nave nel porto di destino, se la nave viaggia in zavorra, o all'arrivo nell'ultimo porto di scarico se la nave viaggia con carico.

Il recesso implica rinuncia da parte della Società al residuo premio dalla data di cessazione della copertura.

###### **Art. 8 - Notifica del danno.**

Il riferimento al Lloyd's Agent contenuto nelle alleghe clausole inglesi si intende annullato e pertanto la denuncia del danno dovrà essere notificata per iscritto alla Direzione della Società o all'Agenzia cui è assegnato o presso la quale è stato concluso il contratto.

###### **Art. 9 - Abbandono.**

L'Assicurato può abbandonare alla Società la nave ed esigere l'indennità per perdita totale nei seguenti casi:

1. quando ricorrano gli estremi previsti dall'art. 540 lett. a e b Cod. Nav.;
2. quando ricorrano gli estremi previsti dalla clausola «Constructive Total Loss» delle condizioni inglesi alleghe;
3. quando l'Assicurato, per il verificarsi di un rischio coperto, è privato del possesso della nave sia definitivamente, sia per un periodo di 12 mesi al termine del quale non è prevedibile un imminente recupero.



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**POLICY OF MARINE INSURANCE ON HULL AND MACHINERY OF VESSELS AND OTHER SHIP-OWNERS INTERESTS.**

(At the Conditions of the Institute of London Underwriters Clauses).

#### **CAMOGLI POLICY - Edition 1988**

##### **GENERAL CONDITIONS**

###### **Art. 1 - Conditions of insurance.**

The insurance is granted at the conditions of the attached Clauses of the Institute of London Underwriters, as indicated in art.1 of the «Additional Conditions» where the expressions «For use only with the new marine policy form» and «This insurance is subject to English law and practice» referred to in the heading are deemed to be cancelled.

###### **Art. 2 - Law governing the contract and interpretation of the English Clauses.**

This contract is governed by Italian Law. The English Clauses attached to this Policy must nevertheless be interpreted and applied as they are interpreted and applied in England.

###### **Art. 3 - Jurisdiction and competent Court.**

Any dispute in connection with this Contract is solely subject to Italian jurisdiction. Competent Court at plaintiff's option is solely the one of the place of residence of the Head Office of the Company or the Agency having in charge this contract or where this contract has been concluded.

###### **Art. 4 - Value of the vessel.**

The value of the vessel fixed by this Policy in accordance with art. 515 of the Code of Navigation is deemed to be the agreed value and in the absence of any agreement to the contrary it includes:

- a. the Hull with all its outfits and accessories;
- b. the Main Engine with all its auxiliaries and spare parts; and, if the property of the Assured;
- c. radiotelegraphic, radiotelephoning equipments;
- d. victuals, bunkers and all other provisions.

###### **Art. 5 - Premium.**

The premium is annual and due in full even if made payable by instalments, except for any return of premium provisions contained in the attached Clauses of the Institute of London Underwriters.

In case of indemnity for total loss (whether actual, constructive or compromised) of the vessel in consequence of a casualty which occurred under a policy covering a period of less than 12 months, or which took place during the continuation of a policy (whether by agreement or automatic) beyond the original expiry date, the Underwriters shall be entitled to the payment of a supplementary premium equal to the difference between the full annual premium and the premium paid for the period of less than one year, or for the continuation.

###### **Art. 6 - Payment of premium.**

The premium or the premium instalments, the additional charges and the taxes must be paid in cash at the Underwriters Head Office or at the Agency having in charge this contract or where this contract has been concluded.

###### **Art. 7 - Bankruptcy of the Assured.**

Except for the provisions in respect of the automatic termination of the cover at the time of change of management etc., contained in the attached Clauses of the Institute of London Underwriters, in case of bankruptcy or deed of arrangement or controlled administration or compulsory liquidation of the Assured, the Underwriters shall be entitled to cancel the contract giving notice thereof by registered letter. The cancellation will take effect as from midnight

of the 15th day from the date of receipt of the registered letter; on request of the Assured, should the vessel be at sea, the cancellation will take effect from arrival at the port of destination if the vessel is in ballast, or from arrival at the first port of discharge if the vessel has cargo on board. The cancellation implies waiver by the Underwriters of the residual premium from the date of termination of the cover.

###### **Art. 8 - Notice of claims.**

Reference to Lloyd's Agent made in the attached English Clauses is deemed to be void: notice of claims must be given in writing to the Underwriters at their Head Office or to the Agency having in charge this contract or where this contract has been concluded.

###### **Art. 9 - Abandonment.**

The Assured may abandon the vessel to Underwriters and claim the total loss indemnity in the following cases:

1. where the circumstances as provided by art. 540 letters a and b of the Code of Navigation apply;
2. where the circumstances as provided by the «Constructive Total Loss» Clause of the attached English Clauses apply;
3. where the Assured in consequence of an insured peril is deprived of the vessel either definitely or for a period of 12 months on expiry of which an



quando, decorati 12 mesi di spossamento, il costo di recupero ecceda il valore assicurato.  
L'abbandono deve essere notificato alla Società nella forma prevista dalla legge italiana.

**Art. 10 - Pagamento delle indennità.**

La Società pagherà le indennità a suo carico 30 giorni dal completamento della liquidazione di avaria, salvo i casi di sospensione della liquidazione e del pagamento previsti dalla presente polizza o dalla legge.  
All'atto del pagamento dell'indennità relativa ad una perdita od avaria, la Società avrà facoltà di compensare le rate di premio non scadute sulla polizza per la quale paga il danno.

**Art. 11 - Inchiesta sul sinistro.**

Nel caso che l'Autorità proceda ad inchiesta per l'accertamento della responsabilità personale dell'Assicurato relativa ad un sinistro, il pagamento dell'indennità assicurativa eventualmente dovuta in dipendenza del sinistro stesso resta sospeso fino alla chiusura dell'inchiesta; se gli atti dell'inchiesta vengono trasmessi all'Autorità giudiziaria, o se comunque viene iniziata un'istruttoria penale a carico dell'Assicurato in relazione al sinistro, il pagamento dell'indennità resta sospeso fino alla pronuncia del magistrato penale.

**Art. 12 - Coassicurazione e delega.**

Qualora l'assicurazione prestata con la presente polizza sia ripartita in coassicurazione fra più Assicuratori per quote determinate, tutti i rapporti inerenti al contratto sono svolti unicamente con la Società cui è affidata la delega, la quale ne darà a sua volta comunicazione agli altri Assicuratori. Questi sono tenuti a riconoscere come validi ed efficaci, anche nei propri confronti, tutti gli atti di ordinaria gestione compiuti dalla Società delegataria per conto comune.  
Ciascuna Società è tenuta al pagamento delle indennità liquidate soltanto in proporzione della quota rispettivamente assunta ed è responsabile solo per essa, non implicando il rapporto di coassicurazione alcuna responsabilità solidale.

**Art. 13 - Imposte.**

Le imposte e tutti gli altri oneri stabiliti per legge, presenti e futuri, relativi al premio, al contratto ed agli atti da esso dipendenti, sono a carico del Contraente anche se il pagamento ne sia stato anticipato dalla Società.

imminent recovery is not foreseeable, or where the 12 months period having elapsed the cost of recovering the ship would exceed her insured value, when recovered.

The abandonment must be served to the the Underwriters in the form proscribed by Italian Law.

**Art. 10 - Payment of indemnities.**

The Underwriters shall pay the indemnities due by them within 30 days from the completion of the «Average Adjustment» except in cases of suspension of the adjustment and of the payment as provided for by this Policy or by law. Upon payment of an indemnity the Underwriters shall be entitled to compensate premium instalments not yet due under the policy.

**Art. 11 - Casualty enquiry.**

In the event of Authorities conducting an enquiry to ascertain personal liability of the Assured in relation to a casualty, payment by the Underwriters of the insurance indemnity which might be due in relation to the same casualty, is suspended until the closing of the said enquiry. If the findings of the enquiry are remitted to the judicial authority or if criminal proceedings against the Assured are commenced in relation to the casualty, payment of the indemnity is suspended until the decision of the criminal judge.

**Art. 12 - Coinsurance and leadership.**

Should this policy be shared in coinsurance with other Insurers, all matters concerning the policy will be dealt with only with the Leading Underwriters who shall in turn advise Coinsurers.  
The Coinsurers are to accept as valid and binding all ordinary acts made by the Leading Underwriters for common interest.  
Each of the Coinsurers is bound to the payment of indemnities in proportion to the share underwritten and is liable only for such share, the coinsurance not implying any joint and several liability whatever.

**Art. 13 - Taxes.**

Taxes and any other dues present or future as provided by Law relative to the premium, this contract and all that is connected therewith shall be for the account of the Assured even if payment thereof has been advanced by the Underwriters.



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Policy Wording attaching to and forming part of the contract:

## AMERICAN YACHT FORM R12

### WARRANTIES AND GENERAL CONDITIONS (Applicable to all coverages unless otherwise indicated)

#### PRIVILEGES

In port and at sea, under power or sail, in docks and graving docks, in hauling and launching, on ways, gridirons, pontoons, and on shore. With leave to sail with or without pilots to tow and assist vessels or craft in all situations and to be towed and to go on trial trips.

#### PRIVATE PLEASURE WARRANTY

Warranted to be used solely for private pleasure purposes and not to be hired or chartered unless approved and permission endorsed hereon.

#### CONTINUATION CLAUSE

If the vessel insured hereunder is at sea, at the expiration of this policy, the risk may be continued until the arrival of the vessel at her port of destination and her being moored therein twenty-four (24) hours in good safety, provided notice be given to the Assurers and additional premium paid as required.

#### TRANSFER OF INTEREST

This insurance shall be void in case this Policy or the interest insured thereby shall be sold, assigned, transferred or pledged without the previous consent in writing of these Assurers.

#### PERSONAL NEGLIGENCE

Personal negligence or fault of the Owner or Assured in the navigation of the yacht or privity or knowledge in respect thereto (excepting loss, damage or liability wilfully or intentionally caused by the Owner or Assured) shall not relieve the Assurers of liability under this policy.

#### OTHER INSURANCE

If a named Assured has other insurance against a loss covered by any section of this Policy, the Assurers shall not be liable under this Policy for a greater proportion of such loss than the applicable amount stated bears to the total amount of all valid and collectible insurance against such loss. If an Assured other than a named Assured has other insurance against a loss covered by any section of this Policy, this insurance shall be excess over other such insurance.

#### NOTICE OF LOSS AND FILING OF PROOF

It is agreed by the Assured to report immediately to the Assurers or to their representative who shall have issued this Policy every occurrence which may become a claim under this Policy, and shall also file with the Assurers or their representative, a detailed sworn proof of loss and proof of interest and/or receipted bills in case of a partial loss, within ninety (90) days from date of loss.

#### PAYMENT OF LOSS

In case of loss payable under this Policy, such loss to be paid within ninety (90) days after satisfactory proof of loss and proof of interest in the property insured, all indebtedness of the Assured being first deducted.

#### SUBROGATION

It is agreed that upon payment of any loss, damage, or expense the Assurers are to be subrogated to all the rights of the Assured to the extent of such payment.



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#### TIME FOR SUIT AGAINST THE ASSURERS

No suit or action on this Policy for the recovery of any claim shall be sustainable in any court of law or equity unless the Assured shall have fully complied with all the requirements of this Policy, nor unless commenced within one (1) year from the date of the happening or the occurrence out of which the claim arose, provided that where such limitation of time is prohibited by the laws of the state wherein this Policy is issued, then, and in that event, no suit or action under this Policy shall be sustainable unless commenced within the shortest limitation permitted under the laws of such state.

#### ACTION AGAINST THE ASSURERS

Any person or organization or the legal representative thereof who has secured judgement against the Assured shall be entitled to recover under this Policy to the extent of the insurance afforded by this Policy. Bankruptcy or insolvency of the Assured or of the Assured's estate shall not relieve the Assurers of any of their obligations thereunder.

#### LEGAL REPRESENTATION AND CO-OPERATION CLAUSE

The Assured shall co-operate with the Assurers and shall not assume any obligation, admit any liability or incur any expense for which the Assurers may be liable, without the written approval of the Assurers, except as may be necessary and permitted to safeguard the Yacht under the "SUE AND LABOR" clause in Section "A" of this Policy. In case the liability of the Assured shall be contested with the written approval of the Assurers first obtained, the Assurers will pay the cost and expense of such defense, in which event the Assurers shall have the option of naming the attorneys who shall represent the Assured in said defense, and, if such option is exercised, shall have the direction and control thereof. The Assured shall whenever required, attend hearings and trial and shall assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses, and in the conduct of suits and limitations proceedings.

#### EXAMINATION UNDER OATH

The Assured, as often as may be reasonably required, shall exhibit to any person designated by the Assurers all that remains of any property herein described and shall submit, and in so far as is within his or their power cause his or their employees, members of the household and others to submit to examinations under oath by any person named by the Assurers and subscribe the same; and as often as may be reasonably required, shall produce for examination all writings, books of account, bills, invoices and other vouchers, or certified copied thereof if originals be lost, at such reasonable time and place as may be designated by the Assurers or their representative, and shall permit extracts and copies thereof to be made. No such examinations under oath or examination of books or documents, nor any other act of the Assurers or any of their employees or representatives in connection with the investigation of any loss or claim hereunder, shall be deemed a waiver of any defense which the Assurers might otherwise have with respect to any loss or claim, but all such examinations and acts shall be deemed to have been made or done without prejudice to the Assurers' liability.

#### MISREPRESENTATION OR FRAUD

This entire Policy shall be void if the Assured or their representative has concealed or misrepresented any material fact or circumstance concerning this insurance or the subject thereof, or the interest of the Assured therein, or in case of fraud or false swearing by the Assured touching any matter relating to this insurance or the subject thereof whether before or after a loss.

#### NOTICE OF CANCELLATION AND RETURN PREMIUMS FOR CANCELLATION

This Policy may be cancelled by the Assured by surrender thereof to the Assurers or their representative by mailing to the Assurers or their representative written notice stating when thereafter such cancellation shall be effective. This Policy may be cancelled by the Assurers or their representative by mailing to the Assured at the address shown in this Policy or last known address, written notice stating when not less than ten (10) days thereafter such cancellation shall be effective. The mailing of notice as aforesaid shall be sufficient proof of notice. The time of surrender or the effective date of the cancellation stated in the notice shall



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become the end of the Policy period. Delivery of such written notice either by the Assured or by the Assurers or their representative shall be equivalent to mailing.

If the Assured cancels, earned premiums shall be computed in accordance with the customary short rate table and procedure.

If the Assurer cancels, earned premium shall be computed pro-rata.

Premium adjustment may be made at the time cancellation is effected and, if not then made, shall be made as soon as practicable after cancellation becomes effective. The Assurers or their representatives check mailed or delivered as aforesaid shall be sufficient tender of any refund of premium due to the Assured.

#### **PREMIUM FULLY EARNED**

There shall be no return of premium under any section of this policy if the insured yacht is a total or constructive total loss by a peril insured against.

#### **PARAMOUNT EXCLUSIONS**

Any claim for loss, damage or expense caused by or resulting from capture, seizure, arrest, restraint or detention or the consequences thereof or of any attempt threat or any taking of the vessel, by requisition or otherwise, whether in time of peace or war and whether lawful or otherwise; also from all consequences of hostilities or warlike operations (Whether there be a declaration of war or not) but the foregoing shall not exclude collision or contact with aircraft, rockets or similar missiles, or with any fixed or floating object (other than a mine or torpedo), stranding, heavy weather, fire or explosion unless caused directly (and independently of the nature of the voyage or service which the vessel concerned or, in the case of a collision, any other vessel involved therein is performing) by a hostile act by or against a belligerent power, and for the purpose of this warranty "power" includes any authority maintaining naval,

military or air forces in association with a power; also warranted free, whether in time of peace or war, from all loss, damage or expense caused by any weapon of war employing atomic or nuclear fission and/or other fusion or other reaction or radioactive force of matter.

Further warranted free from the consequences of civil war, revolution, rebellion, insurrection, or civil strife arising there from, or piracy.

This Policy is made and accepted subject to the foregoing stipulations and conditions, and to the conditions on the following pages which are hereby specially referred to and made a part of this Policy, it being understood and agreed that in the case of any conflict or inconsistency the foregoing provisions shall prevail over those which follow; provided, however, that with respect to any insurance under Section "E" of this policy the liability of the Assurers for the term above stated shall be in all respects as provided in such Section "E", unaffected by any other condition or provision of this Policy.

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### **SECTION "A" - HULL INSURANCE**

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#### **PROPERTY COVERED**

Upon the Hull, Spars, Sails, Fittings, Gear and Equipment, Apparel, Provisions, Stores, Machinery, Boats and other Furniture and Furnishings of and in the yacht hereby insured, subject to all of the terms and conditions (including the Running Down Clause) of this Policy.

The foregoing does not include fishing tackle, moorings or personal property.



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#### **COVERAGE**

The insurance provided by this Section covers, subject to the exclusions and limitations of this Policy, against ALL RISKS of physical loss or damage to the property covered from any external cause, as well as physical loss or damage directly caused by fire, explosions, bursting of boilers, breakage of shafts, or any latent defect in the machinery or hull (excluding the cost and expense of repairing or replacing any defective part), provided such loss or damage has not resulted from want of due diligence or intentional damage by the owners of the Yacht or by the Assured; provided always that the amount recoverable hereunder shall not exceed the amount of insurance.

#### **DEDUCTIBLE CLAUSE**

When a deductible amount is stated on this Policy, each claim for loss or damage covered under Section "A" shall be adjusted separately and from the aggregate amount of the adjusted claim, the sum so stated shall be deducted. Such deduction shall not apply in the event of Total Loss or Constructive Total Loss of the vessel covered nor shall it apply with respect to claims under the Running Down Clause.

#### **EQUIPMENT SEPARATED AND ON SHORE**

It is also agreed that should any part of the furniture, boats or other property of the said yacht be separated and laid up on shore during the life of this policy, then this Policy shall cover the same to an amount not exceeding 50% of the sum stated under the heading "Amount of Insurance". The amount attaching on the said yacht shall be decreased by the amount so covered.

#### **VALUATION CLAUSE**

The said yacht, for so much as concerns the Assured by agreement between the Assured and the Assurers is and shall be valued at the amount stated under the heading "Agreed Valuation".

#### **NEW FOR OLD**

In the event of loss or damage, cost of repairs to be paid without deduction, new for old, except with respect to sails and covers of canvas or other like materials, the Assurers shall be liable for no more than the cost of repair or a reasonable value.

#### **CONSTRUCTIVE TOTAL LOSS**

No recovery for a constructive total loss shall be had hereunder unless the expense of recovering and repairing the vessel shall exceed the amount of insurance on hull and machinery.

#### **UNREPAIRED DAMAGE**

In no case shall the Assurers be liable for unrepaired damage in addition to a subsequent total loss sustained during the term covered by this Policy.

#### **PROPORTION OF LOSS COVERED**

Where the amount of insurance as set forth is less than the agreed valuation stated herein, the Assurers shall be liable only for such proportion of any loss recoverable under this Section as the said amount of insurance bears to the said agreed valuation.

#### **STRIKES CLAUSE**

This insurance also covers loss of or damage to the property hereby insured caused by strikers, locked out workmen or persons taking part in labor disturbances, riots or civil commotions or caused by vandalism or persons acting maliciously.

#### **BOATS AND LAUNCHES**

The boats and launches of the yacht are insured also while afloat, whether underway or not, subject to all of the terms and conditions, including the Running Down Clause of this Policy.



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#### **RUNNING DOWN CLAUSE**

And it is further agreed that if the yacht hereby insured shall come into collision with any other ship or vessel, and the Assured shall, in consequence thereof, become liable to pay, and shall pay by way of damages to any other person or persons, any sum or sums not exceeding in respect of any one such collision the value of the yacht hereby insured, we, the Assurers, will pay the Assured such sum or sums so paid up to the amount hereby insured. And in cases where the liability of the Assured has been contested, with the consent, in writing, of the Assurers, we will also pay the costs thereby incurred or paid; but when both vessels are to blame, then unless the liability of the owners of one or both of such vessels becomes limited by law, claims under the Collision Clause shall be settled on the principle of CROSS LIABILITIES, as if the owners of each vessel had been compelled to pay to the owners of the other of such vessels such one-half or other proportion of the latter's damages as may have been properly allowed in ascertaining the balance or sum payable by or to the Assured in consequence of such collision; and it is further agreed that the principles involved in this clause shall apply to the case where both vessels are the property, in part or in whole, of the same owners, all questions of responsibility and amount of liability as between the two vessels being left to the decision of a single Arbitrator, if the parties agree upon a single Arbitrator, or failing such agreement, to the decision of the Arbitrators, one to be appointed by the managing owners of both vessels, and one to be appointed by the majority in amount of the Underwriters interested in each vessel; the two Arbitrators chosen to choose a third Arbitrator before entering upon the reference, and the decision of such single, or of any two of such three Arbitrators, appointed as above, to be final and binding.

Provided always that the foregoing clause shall in no case extend to any sum which the Assured may become liable to pay, or shall pay for removal of obstructions under statutory powers, for injury to harbours, wharves, piers, stages and similar structures, consequent on such collisions, or in respect of the cargo or engagements of the insured yacht, or for loss of life, or personal injury.

#### **MEMBER OF THE ASSURED'S FAMILY**

It is understood and agreed that the word "Assured" whenever used in the Running Down Clause in this Section shall include, in addition to the named Assured hereunder, irrespective of interest in the insured yacht, the members of the immediate family of the Assured, domiciled with the Assured, who may, at the time liability was incurred, be operating the yacht with the prior permission of the Assured.

#### **SUE AND LABOR CLAUSE**

And in case of any loss or misfortune, it shall be lawful and necessary for the Assured, their factors, servants and assigns, to sue, labor and travel for, in and about the defense, safeguard and recovery of the said yacht or any part thereof, without prejudice to this insurance; the charges whereof we, the Assurers, will pay. And it is especially declared and agreed that no acts of the Assurer or Assured in recovery, saving or preserving the property insured shall be considered as a waiver or acceptance of abandonment.

#### **EXCLUSIONS**

##### **THIS INSURANCE DOES NOT COVER**

1. Any loss or damage directly or indirectly caused by or resulting from wear and tear, gradual deterioration, inherent vice, marine borers, vermin or electrolysis.
2. Theft or mysterious disappearance of equipment or accessories, other than boats and launches and their motors, unless occurring in conjunction with theft of the entire yacht or unless there be visible evidence of forcible entry.
3. Any loss, damage or expense caused by or in consequence of ice and/or freezing.
4. Any loss, damage or expense directly or indirectly caused by or in consequence of faulty construction and/or improper design.
5. Any loss, or damage to electrical apparatus, including wiring, directly or indirectly caused by electricity, other than lightning unless fire ensues and then only for loss or damage by such ensuing fire.
6. Wages and/or provisions whether the average be particular or general.
7. Mechanical breakdown or derangement of machinery.
8. Any loss of use, demurrage or charter hire to the yacht insured hereunder.



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## SECTION "B" - PROTECTION AND INDEMNITY INSURANCE

If the Assured shall by reason of his interest in the insured yacht become liable to pay and shall pay any sum or sums in respect of any responsibility, claim, demand, damages, and/or expense or shall become liable for any other loss arising from or occasioned by any of the following matters or things during the currency of this Policy in respect of the yacht hereby insured, that is to say:-

### Property Damage

(I) Loss of or damage to any other ship or boat or goods, merchandise, freight or other things or interest whatsoever, on board such other ship or boat, caused proximately or otherwise by the yacht insured in so far as the same would not be covered by the Running Down Clause in Section "A" of this Policy.

Loss of or damage to any goods, merchandise, freight or other things of interest whatsoever other than as aforesaid, whether on board said yacht or not, which may arise from any cause whatsoever;

Loss or damage to any harbor, dock (graving or otherwise), slipway, way, gridiron, pontoon, pier, quay, jetty, stage, buoy, telegraph cable, or other fixed or movable thing whatsoever, or to any goods or property in or on the same, however caused;

Any attempted or actual raising, removal or destruction of the wreck of the insured ship or the cargo thereof, or any neglect or failure to raise, remove or destroy the same;

The Assurers will pay the Assured such sum or sums so paid, or which may be required to indemnify the Assured for such loss; PROVIDED always that the amount recoverable hereunder in respect to any one accident or series of accidents arising out of the same event shall not exceed the sum stated under Limit of Protection and Indemnity Insurance.

### Bodily Injury

(II) Loss of life, illness, or bodily injury and payments made on account of life salvage;

The assurers will pay the Assured such sum or sums so paid or which may be required to indemnify the Assured for such loss; PROVIDED always that the liability of these Assurers is limited to the sum stated under Limit of Protection and Indemnity Insurance, and subject to the same limit for each person. it being understood that this limit applies to any one accident or series of accidents arising out of the same event.

### Costs

(III) And in case the liability of the Assured shall be contested in any suit or action with the consent in writing of these Assurers, we will also pay such ensuing costs as the Assured may incur as a result of such suit or action.

### AGGREGATE LIMIT

The total amount recoverable under the Protection and Indemnity Insurance coverage of this Policy, for all losses, including property damage, personal injury, loss of life, payments made on account of life salvage, and costs, resulting from any accident or series of accidents arising out of the same event, shall not exceed, in the aggregate, the sum stated under Limit of Protection and Indemnity Insurance.

### POLLUTION

This policy does not insure against any loss, damage, cost, liability, or expense, imposed on the Assured, arising out of the discharge, dispersal, release, or escape of oil, fuel, chemicals: waste materials, or other pollutants, but this exclusion does not apply if such discharge, dispersal, release or escape is sudden and accidental.

### MEMBERS OF ASSURED'S FAMILY

It is understood and agreed that the word "Assured" whenever used in this Section shall include, in addition to the named Assured hereunder, irrespective of interest in the insured yacht, the members of the immediate



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family of the Assured, domiciled with the Assured, who may, at the time liability was incurred, be operating the yacht with the prior permission of the Assured.

#### PROPORTION OF LOSSES COVERED

Where the amount of insurance as set forth is less than the agreed valuation stated therein, the Assurers shall be liable only for such proportion of any loss recoverable under this Section as the said amount of insurance bears to the said agreed valuation.

#### EXCLUSIONS:

##### THE ASSURERS WILL NOT BE LIABLE FOR:

Any fine, or penalty or assessment against the Assured or yacht named herein, by any national, state or local government;

Liability of any charterer of the yacht named herein;

Any liability assumed by the Assured under any contract or agreement unless specifically endorsed hereon.

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#### SECTION "C" - OMNIBUS CLAUSE

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It is understood and agreed that the word "Assured" whenever used in the Running Down Clause in Section "A" - Hull Insurance, of this policy, and whenever used in Section "B" - Protection and Indemnity Insurance of this Policy, includes in addition to the named Assured any person, firm, corporation or other legal entity who may be operating the vessel with the prior permission of the named Assured, but does not include a charterer or a paid Master or a paid member of the crew of the insured vessel or a person, firm, corporation or other legal entity, or any agent or employee thereof, operating a shipyard, boat repair yard, marina, yacht club, sales agency, boat service station, or similar organization. Notwithstanding anything contained herein, the insurance provided by this clause does not cover liability of such additional Assureds to the Assured and/or Assureds named in this Policy. This insurance is conditioned upon compliance by an Assured with all the terms, conditions and warranties applicable to the named Assured. Nothing contained herein shall be construed to increase the limits of the Assurers' liability as stated in this policy.

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#### SECTION "D" - MEDICAL PAYMENTS INSURANCE

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The Assurers agree to pay to or for each person who sustains bodily injury caused by accident occurring during the Policy period, while in or upon, boarding or leaving the yacht insured hereunder, the reasonable expense of necessary medical, surgical, ambulance, hospital and professional nursing services and, in the event of death resulting from such injury, the reasonable funeral expense, all incurred within one (1) year from the date of accident, subject to the following conditions:

#### LIMIT OF LIABILITY

Notwithstanding the foregoing, the Assurers shall not be liable hereunder for any expense or combined expense incurred in excess of that stated, as a result of any one accident or series of accidents arising out of the same event.

#### EXCLUSIONS

##### THE COVERAGE AFFORDED SHALL NOT APPLY

1. To bodily injury to or death of any person;
  - (a) To or for whom benefits are payable under any Workmen's Compensation or under the Federal Longshoremen's and Harbor Workers' Compensation Act;
  - (b) Who is a trespasser in or upon or boarding or leaving the insured yacht;



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- (c) Who is an employee of the Assured while engaged in the employment of the Assured except those in domestic service for whom no benefits are payable or required to be provided under any Workmen's Compensation Law.
2. To liability assumed by the Assured under any contract or agreement.
  3. While the yacht is being used for other than private pleasure purposes.
  4. To death of the Assured or registered owner of the yacht.
  5. To bodily injury to the Assured or registered owner of the yacht, unless in excess of any other medical payments insurance collectible.

#### **MEDICAL REPORTS; PROOF AND PAYMENT OF CLAIM**

As soon as practicable, the injured person or someone on his behalf shall give the Assurers written proof of claim, under oath if required, and shall, after each request from the Assurers, execute authorisation to enable the Assurers to obtain medical reports and copies of records. The injured person shall submit to physical examination by physicians selected by the Assurers when and as often as the Assurers may reasonably require.

The Assurers may pay the injured person or any persons or organizations rendering the services and such payment shall reduce the amount payable hereunder for such injury: Payment hereunder shall not constitute admission of liability of the Assured, or, except hereunder, of the Assurers.

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#### **SECTION "E" - FEDERAL LONGSHOREMEN'S AND HARBOR WORKERS' COMPENSATION INSURANCE**

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The Assurers agree to insure under this Section for the term of the policy as stated, any liability of the Assured in respect of the insured yacht which shall arise under the United States Longshoremen's and Harbor Workers' Compensation Act U.S. Code (1946) Title 33, Sections 901-49, and all laws amendatory thereof or supplementary thereto which may be or become effective while this Section of the Policy is in force.

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#### **AMERICAN HULL INSURANCE SYNDICATE DELIBERATE DAMAGE CLAUSE (POLLUTION HAZARD) 1ST AUGUST 1973**

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It is understood and agreed that, subject to the terms and conditions of this policy, this insurance also covers loss of or damage to the vessel directly caused by governmental authorities acting for the public welfare to prevent or mitigate a pollution hazard, or threat thereof, resulting directly from damage to the vessel for which the Underwriters are liable under this policy, provided such act of governmental authorities has not resulted from want of due diligence by the Assured, the Owners, or Managers of the vessel or any of them to prevent or mitigate such hazard or threat. Masters, Officers, Crew or Pilots are not to be considered Owners within the meaning of this clause should they hold shares in the vessel.



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**American Institute**  
**INCREASED VALUE AND EXCESS LIABILITIES CLAUSES**  
**(November 3, 1977)**

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The terms and conditions of the following clauses are to be regarded as substituted for those of the policy form to which they are attached, the latter being hereby waived, except provisions required by law to be inserted in the policy. All captions are inserted only for purposes of reference and shall not be used to interpret the clauses to which they apply.

**ASSURED**

This policy insures as policy schedule hereinafter referred to as the Assured.

If claim is made under this policy by anyone other than the Owner of the vessel, such person shall not be entitled to recover to a greater extent than would the Owner, had claim been made by the Owner as an Assured named in this policy.

Underwriters waive any right of subrogation against affiliated, subsidiary or interrelated companies of the Assured, provided that such waiver shall not apply in the event of a collision between the vessel and any vessel owned, demise chartered or otherwise controlled by any of the aforesaid companies, or with respect to any loss, damage or expense against which such companies are insured.

This insurance shall not be prejudiced by reason of any contract limiting in whole or in part the liability of pilots, tugs, towboats, or their owners when the Assured or the Agent of the Assured accepts such contract in accordance with established local practice.

**LOSS PAYEE**

Loss, if any, payable to {Response} or order.

Provided, however, Underwriters shall pay claims to others as set forth in the Collision Liability clause and may make direct payment to persons providing security for the release of the vessel in Salvage cases.

On INCREASED VALUE AND EXCESS LIABILITIES of the vessel called the as policy schedule (or by whatsoever name or names the said vessel is or shall be called).

**AMOUNT INSURED HEREUNDER**

As policy schedule.

**DURATION OF RISK**

From the as policy schedule

to the as policy schedule.

Should the vessel at the expiration of this policy be at sea, or in distress, or at a port of refuge or of call, she shall, provided previous notice be given to the Underwriters, be held covered at a pro rata monthly premium to her port of destination.



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In the event of payment by the Underwriters for Total Loss of the vessel this policy shall thereupon automatically terminate.

#### PREMIUM

The Underwriters to be paid in consideration of this insurance as policy schedule being at the annual rate of {Response} per cent., which premium shall be due on attachment. If the vessel is insured under this policy for a period of less than one year at pro rata of the annual rate, full annual premium shall be considered earned and immediately due and payable in the event of Total Loss of the vessel.

#### RETURNS OF PREMIUMS

Premium returnable as follows:

Pro rata daily net in the event of termination under the Change of Ownership clause;

Pro rata monthly net for each uncommenced month if it be mutually agreed to cancel this policy;

For each period of 30 consecutive days the vessel may be laid up in port for account of the Assured,

{Response} cents per cent. net not under repair, or

{Response} cents per cent. net under repair,

provided always that:

- (a) A Total Loss of the vessel has not occurred during the currency of this policy;
- (b) In no case shall a return for lay-up be allowed when the vessel is lying in exposed or unprotected waters or in any location not approved by the Underwriters;
- (c) In the event of any amendment of the annual rate, the above rates of return shall be adjusted accordingly;
- (d) In no case shall a return be allowed when the vessel is used as a storage ship or for lightering purposes.

If the vessel is laid up for a period of 30 consecutive days, a part only of which attaches under this policy, the Underwriters shall pay such proportion of the return due in respect of a full period of 30 days as the number of days attaching hereto bears to 30. Should the lay-up period exceed 30 consecutive days, the Assured shall have the option to elect the period of 30 consecutive days for which a return is recoverable.

#### NON-PAYMENT OF PREMIUM

In event of non-payment of premium 30 days after attachment, or of any additional premium when due, this policy may be cancelled by the Underwriters upon 10 days written or telegraphic notice sent to the Assured at his last known address or in care of the broker who negotiated this policy. Such proportion of the premium, however, as shall have been earned up to the time of cancellation shall be payable. In the event of Total Loss of the vessel occurring prior to any cancellation or termination of this policy full annual premium shall be considered earned.



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## ADVENTURE

Beginning the adventure upon the vessel, as above, and so shall continue and endure during the period aforesaid, as employment may offer, in port or at sea, in docks and graving docks, and on ways, gridirons and pontoons, at all times, in all places, and on all occasions, services and trades; with leave to sail or navigate with or without pilots, to go on trial trips and to assist and tow vessels or craft in distress, but the vessel may not be towed, except as is customary or when in need of assistance, nor shall the vessel render assistance or undertake towage or salvage services under contract previously arranged by the Assured, the Owners, the Managers or the Charterers of the vessel, nor shall the vessel, in the course of trading operations, engage in loading or discharging cargo at sea, from or into another vessel other than a barge, lighter or similar craft used principally in harbors or inland waters. The phrase "engage in loading or discharging cargo at sea" shall include while approaching, leaving or alongside, or while another vessel is approaching, leaving or alongside the vessel.

The vessel is held covered in case of any breach of conditions as to cargo, trade, locality, towage or salvage activities, date of sailing, or loading or discharging cargo at sea, provided (a) notice is given to the Underwriters immediately following receipt of knowledge thereof by the Assured, and (b) any amended terms of cover and any additional premium required by the Underwriters are agreed to by the Assured.

## COVERAGE

This insurance covers only:

1. **TOTAL LOSS (ACTUAL OR CONSTRUCTIVE) OF THE VESSEL** directly caused by Perils of the Seas, Men-of-War, Fire, Lightning, Earthquake, Enemies, Pirates, Rovers, Assailing Thieves, Jettisons, Letters of Mart and Counter-Mart, Surprisals, Takings at Sea, Arrests, Restraints and Detainments of all Kings, Princes and Peoples, of what nation, condition or quality soever, Barratry of the Master and Mariners and of all other like Perils, Losses and Misfortunes that have or shall come to the Hurt, Detriment or Damage of the vessel, or any part thereof, excepting, however, such of the foregoing perils as may be excluded by provisions elsewhere in the policy or by endorsement thereon. It shall also cover Total Loss (actual or constructive) directly caused by the following:-

Accidents in loading, discharging or handling cargo, or in bunkering;

Accidents in going on or off, or while on drydocks, graving docks, ways, gridirons or pontoons;

Explosions on shipboard or elsewhere;

Breakdown of motor generators or other electrical machinery and electrical connections thereto, bursting of boilers, breakage of shafts, or any latent defect in the machinery or hull, (excluding the cost and expense of replacing or repairing the defective part);

Breakdown of or accidents to nuclear installations or reactors not on board the insured vessel;

Contact with aircraft, rockets or similar missiles, or with any land conveyance;

Negligence of Charterers and/or Repairers, provided such Charterers and/or Repairers are not an Assured hereunder;

Negligence of Masters, Officers, Crew or Pilots;



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provided such loss or damage has not resulted from want of due diligence by the Assured, the Owners or Managers of the vessel, or any of them. Masters, Officers, Crew or Pilots are not to be considered Owners within the meaning of this clause should they hold shares in the vessel.

Subject to the conditions of this policy, this insurance also covers Total Loss (actual or constructive) of the vessel directly caused by governmental authorities acting for the public welfare to prevent or mitigate a pollution hazard, or threat thereof, resulting directly from damage to the vessel for which the Underwriters are liable under this policy, provided such act of governmental authorities has not resulted from want of due diligence by the Assured, the Owners, or Managers of the vessel or any of them to prevent or mitigate such hazard or threat. Masters, Officers, Crew or Pilots are not to be considered Owners within the meaning of this clause should they hold shares in the vessel.

In ascertaining whether the vessel is a constructive Total Loss the Agreed Value in the policies on Hull and Machinery shall be taken as the repaired value and nothing in respect of the damaged or break-up value of the vessel or wreck shall be taken into account.

There shall be no recovery for a constructive Total Loss hereunder unless the expense of recovering and repairing the vessel would exceed the Agreed Value in policies on Hull and Machinery. In making this determination, only expenses incurred or to be incurred by reason of a single accident or a sequence of damages arising from the same accident shall be taken into account, but expenses incurred prior to tender of abandonment shall not be considered if such are to be claimed separately under the Sue and Labor clause in said policies.

Provided that the policies on Hull and Machinery contain the above clauses with respect to the method of ascertaining whether the vessel is a constructive Total Loss (or clauses having a similar effect), the settlement of a claim for Total Loss under the policies on Hull and Machinery shall be accepted as proof of the Total Loss of the vessel under this policy; and in the event of a claim for Total Loss being settled under the policies on Hull and Machinery as a compromised total loss, the amount payable hereunder shall be the same percentage of the amount hereby insured as the percentage paid on the amount insured under said policies.

Should the vessel be a constructive Total Loss but the claim on the policies on Hull and Machinery be settled as a claim for partial loss, no payment shall be due under this Section (1).

Full interest admitted; the policy being deemed sufficient proof of interest.

In the event of Total Loss, the Underwriters waive interest in any proceeds from the sale or other disposition of the vessel or wreck.

2. GENERAL AVERAGE AND SALVAGE not recoverable in full under the policies on Hull and Machinery by reason of the difference between the Agreed Value of the vessel as stated therein (or any reduced value arising from the deduction therefrom in process of adjustment of any claim which law or practice or the terms of the policies covering Hull and Machinery may have required) and the value of the vessel adopted for the purpose of contribution to General Average or Salvage, the liability under this policy being for such proportion of the amount not recoverable as the amount insured hereunder bears to the said difference or to the total amount insured against excess liabilities if it exceed such difference.



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3. SUE AND LABOR CHARGES not recoverable in full under the policies on Hull and Machinery by reason of the difference between the Agreed Value of the vessel as stated therein (or any reduced value arising from the deduction therefrom of any claim which the terms of the policies covering Hull and Machinery may have required) and the value of the vessel adopted for the purpose of ascertaining the amount recoverable under the policies on Hull and Machinery, the liability under this policy being for such proportion of the amount not recoverable as the amount insured hereunder bears to the said difference or to the total amount insured against excess liabilities if it exceed such difference.
4. COLLISION LIABILITY (Including Costs) not recoverable in full under the Collision Liability clause (including the Pilotage and Towage extension) in the policies on Hull and Machinery by reason of such liability exceeding the Agreed Value of the vessel as stated therein, in which case the amount recoverable under this policy shall be such proportion of the difference so arising as the amount hereby insured bears to the total amount insured against excess liabilities.

Underwriters' liability under 1, 2, 3 and 4 is separate and shall not exceed the amount insured hereunder in any one section in respect of any one claim.

#### NOTICE OF CLAIM

When it becomes evident that any accident or occurrence could give rise to a claim under this policy, prompt notice thereof shall be given to the Underwriters.

#### CHANGE OF OWNERSHIP

In the event of any change, voluntary or otherwise, in the ownership or flag of the vessel, or if the vessel be placed under new management, or be chartered on a bareboat basis or requisitioned on that basis, or if the Classification Society of the vessel or her class therein be changed, cancelled or withdrawn, then, unless the Underwriters agree thereto in writing, this policy shall automatically terminate at the time of such change of ownership, flag, management, charter, requisition or classification; provided however, that:

- (a) if the vessel has cargo on board and has already sailed from her loading port, or is at sea in ballast, such automatic termination shall, if required, be deferred until arrival at final port of discharge if with cargo, or at port of destination if in ballast;
- (b) in the event of an involuntary temporary transfer by requisition or otherwise, without the prior execution of a written agreement by the Assured, such automatic termination shall occur fifteen days after such transfer.

This insurance shall not inure to the benefit of any transferee or charterer of the vessel and, if a loss payable hereunder should occur between the time of change or transfer and any deferred automatic termination, the Underwriters shall be subrogated to all of the rights of the Assured against the transferee or charterer in respect of all or part of such loss as is recoverable from the transferee or charterer, and in the proportion which the amount insured hereunder bears to the Agreed Value.

The term "new management" as used above refers only to the transfer of the management of the vessel from one firm or corporation to another, and it shall not apply to any internal changes within the offices of the Assured.



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#### WAR, STRIKES AND RELATED EXCLUSIONS

The following conditions shall be paramount and shall supersede and nullify any contrary provisions of the policy.

This policy does not cover any loss, damage or expense caused by, resulting from, or incurred as a consequence of:

- (a) Capture, seizure, arrest, restraint or detention, or any attempt thereof; or
- (b) Any taking of the vessel, by requisition or otherwise, whether in time of peace or war and whether lawful or otherwise; or
- (c) Any mine, bomb or torpedo not carried as cargo on board the vessel; or
- (d) Any weapon of war employing atomic or nuclear fission and or fusion or other like reaction or radioactive force or matter; or
- (e) Civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, or piracy; or
- (f) Strikes, lockouts, political or labor disturbances, civil commotions, riots, martial law, military or usurped power; or
- (g) Malicious acts or vandalism, unless committed by the Master or Mariners and not excluded elsewhere under this War Strikes and Related Exclusions clause; or
- (h) Hostilities or warlike operations (whether there be a declaration of war or not) but this subparagraph (h) not to exclude collision or contact with aircraft, rocket or similar missiles, or with any fixed or floating object, or stranding, heavy weather, fire or explosion unless caused directly by a hostile act by or against a belligerent power which act is independent of the nature of the voyage or service which the vessel concerned or, in the case of a collision, any other vessel involved therein, is performing. As used herein "power" includes any authority maintaining naval, military or air forces in association with a power.

If war risks or other risks excluded by this clause are hereafter insured by endorsement on this policy, such endorsement shall supersede the above conditions only to the extent that the terms of such endorsement are inconsistent therewith and only while such endorsement remains in force.



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## **UNINSURED BOATER CLAUSE**

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### **PERILS INSURED AGAINST**

Underwriters will pay the damages which, because of bodily injury received aboard your yacht, you are legally entitled to recover from the uninsured owner or operator of another yacht.

"Uninsured boater" and "uninsured owner or operator" mean an owner or operator of a yacht other than the yacht named in this policy who is legally responsible for the accident, and:

- a. to whom no liability policy applies; or
- b. who cannot be identified (such as a hit and run operator).

### **EXCLUSION**

Underwriters do not provide uninsured boater coverage:

- a. for claims settled without our written consent;
- b. if the yacht is owned by governmental agency or unit;
- c. for yachts owned by or furnished for the regular use of you, a member of your immediate family, or any person insured by this policy;
- d. for an insured using a yacht without permission; or
- e. when the yacht named in this policy is being chartered;
- f. where no evidence of physical contact exists between your yacht and an unidentified yacht or where no evidence of physical contact exists between your yacht and an uninsured yacht.

This coverage will not apply directly or indirectly to the benefit of any insurer under any state or federal compensation law or act.

Payment made for this coverage to or for an insured person will reduce the amount that person is entitled to recover from the liability coverage of this policy.

### **AMOUNT OF INSURANCE**

The amount shown for the Uninsured Boater coverage on the policy schedule is the most Underwriters will pay under this insurance, regardless of the number of insured persons, claims made, or yachts involved in any one accident or series of accidents arising out of the same event.





#### **INSTITUTE RADIOACTIVE CONTAMINATION, CHEMICAL, BIOLOGICAL, BIO-CHEMICAL AND ELECTROMAGNETIC WEAPONS EXCLUSION CLAUSE**

This clause shall be paramount and shall override anything contained in this insurance inconsistent therewith.

1. In no case shall this insurance cover loss damage liability or expense directly or indirectly caused by or contributed to by or arising from:
  - 1.1. Ionising radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel.
  - 1.2. The radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof.
  - 1.3. Any weapon or device employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter.
  - 1.4. The radioactive, toxic, explosive or other hazardous or contaminating properties of any radioactive matter. The exclusion in this sub-clause does not extend to radioactive isotopes, other than nuclear fuel, when such isotopes are being prepared, carried, stored, or used for commercial, agricultural, medical, scientific or other similar peaceful purposes.
  - 1.5. Any chemical, biological, bio-chemical or electromagnetic weapon.

10/11/03  
CL370

#### **INSTITUTE CYBER ATTACK EXCLUSION CLAUSE**

- 1.1. Subject only to clause 1.2 below, in no case shall this insurance cover loss damage liability or expense directly or indirectly caused by or contributed to by or arising from the use or operation, as a mean for inflicting harm, of any computer, computer system, computer software programme, malicious code, computer virus or process or any other electronic system.
- 1.2. Where this clause is endorsed on policies covering risks of war, civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, or any hostile act by or against a belligerent power, or terrorism or any person acting from a political motive, Clause 1.1 shall not operate to exclude losses (which would otherwise be covered) arising from the use of any computer, computer system or computer software programme or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile.

10/11/03  
CL380





**Emergency Towing Extension:**

Agreed to provide additional protection in the event there is an emergency situation where the Assured and the Insured Vessel are not in imminent danger. Agreed to reimburse reasonable costs incurred, not to exceed a total of EUR 100,000 resulting from the following services to the Insured Vessel if help is not available and commercial assistance must be obtained:

- a. towing to the nearest place where necessary repairs can be made;
- b. delivery of gas, oil, parts or loaned battery (excluding the cost of these items themselves) or emergency labour, while away from safe harbour.

The policy deductible does not apply to this coverage.



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1/11/85

(FOR USE ONLY WITH THE NEW MARINE POLICY FORM)

**INSTITUTE YACHT CLAUSES  
MACHINERY DAMAGE EXTENSION CLAUSE**

Notwithstanding the provisions of Clauses 9.2.2.1, 9.2.2.2 and 10.10 of the Institute Yacht Clauses 1/11/85, but subject always to the other terms and conditions of this insurance, cover is extended to include loss of or damage to motor and connections electrical equipment and batteries and connections caused by:

- (1) latent defects in hull or machinery, breakage of shafts or bursting of boilers (excluding the cost and expense of replacing or repairing the defective part, broken shaft or burst boiler)
- (2) the negligence of any person whatsoever, but excluding the cost of making good any defect resulting from either negligence or breach of contract in respect of any repair or alteration work carried out for the account of the Assured and/or the Owners or in respect of the maintenance of the Vessel
- (3) heavy weather.

1/11/85  
CL332



**AIG Europe Limited Rappresentanza Generale per l'Italia - Via della Chiusa, 2 - 20123 Milano**  
Tel: +39 02 38901, Fax: +39 02 3893222, [www.aig.it](http://www.aig.it) - Registro Imprese Milano / C.F. / P.I. 06037550902 - REA Milano n. 1999051  
Sede Secondaria di AIG Europe Limited - Registrata in Inghilterra e nel Galles con il numero 01482250  
Sede legale: The AIG Building, 68 Fenchurch Street, Londra EC3M 4AB, Regno Unito - Capitale Sociale Sterlina 197.118.478



MS Amlin Marine N.V.



**CERTIFICATE OF INSURANCE**

Reference Number: 50012218/2018

This is to certify that we the Undersigned have effected an insurance for your account as follows:

<b>Assured(s)</b>	BIG Blue Cruising Limited 114, The Strand, GZIRA 1027 MALTA	
<b>Type Insurance</b>	Protection & Indemnity for Shipowners - Class 1	
<b>Security</b>	As bound by: MS Amlin Marine N.V., P.O. Box 8910, 3009 AX Rotterdam, The Netherlands, acting as Agent for Certain Underwriters at Lloyd's (100% MS AMLIN Syndicate AML/2001) One Lime Street, London EC3M 7HA, United Kingdom under Binding Authority Reference: B1019 MA 000902 E.	
<b>Object Details</b>	<b>Name</b>	Satori
	<b>Type</b>	Yacht
	<b>IMO Number</b>	-
	<b>Class</b>	-
	<b>GR/GRT</b>	191
	<b>Built</b>	2017
	<b>Flag</b>	MALTA
	<b>Port Of Registry</b>	VALLETTA
<b>Period of Insurance</b>	12 months as from 24h00 (Italian time) the 8th May 2018	
<b>Maximum Amount Insured</b>	EUR 100,000,000.00 Any one accident or occurrence, combined single limit as detailed under the heading Security above.	
<b>Trading Limits</b>	No trading to and from U.S.A., its dependencies and/or territories, Syria, Libya, Iran, Sudan, Yemen and Democratic People's Republic of Korea.  No Trans Atlantic and/or Trans Pacific voyages.  Mediterranean Sea, but excluding Syria and Libya always within International Navigating Conditions (01/11/2003) and limitations of the Classification Society of the vessel and/or applicable Statutory Regulations, whichever is the lesser.	
<b>Class Warranty</b>	Warranted all vessels classed and class maintained with a Classification Society approved by the Insurer.	
<b>Conditions</b>	As per Yacht P&I Policy Wording 1/2014, as attached.	

Phone: +31-10-242 5000 - Fax: +31-10-452 8219 - Email: [marineinfo@msamlin.com](mailto:marineinfo@msamlin.com) - Website: [www.msamlin.com](http://www.msamlin.com)  
MS Amlin Marine N.V. (no. 2448058) (MSAM), MSAM is part of the MS Amlin group. MSAM is registered in the Netherlands and its registered office is Fisonale Boulevard 622, 2909 VA Capelle aan den IJssel. MSAM is licensed and regulated by the Autoriteit Financiële Markten.

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**MS Amlin Marine N.V.**

<b>Conditions</b>	<p>Cancelling returns only.</p> <p>No lay up returns.</p> <p>Including 4/4th RDC (Collision Liability) and including 4/4th FFO (Fixed and Floating Objects).</p> <p>Part 5, Section 48 amended to include commercial use but excluding fare-paying passengers</p> <p>Including War Risk P&amp;I as per Part 3, of the applicable Marine Liability Policy for Shipowners, but excluding Iran and Breach Areas / Joint War Committee (JWC) Listed Areas. No (re)insurer shall be deemed to provide cover and no (re)insurer shall be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose that (re)insurer to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union, United Kingdom or United States of America.</p> <p>Including Several Liability Notice LSW 1001 as per General Terms and Conditions of the policy wording.</p>
<b>Warranties</b>	<p>Warranted no American nationals and/or residents to be employed on board.</p> <p>Warranted license guest capacity is not exceeded.</p>
<b>Survey Warranty</b>	<p><b>NO ENTRY SURVEY REQUIRED</b></p> <p>Vessels in excess of 10 years of age may be subject to an annual, biennial or triennial condition survey upon request of the Insurer, at Owner's expense by a MS Amlin Marine N.V. approved surveyor, in accordance with our condition survey guidelines and all recommendations arising therefrom must be complied with.</p>
<b>Deductible(s)</b>	<p>EUR 1,000.00 Each claim, any one accident or occurrence.</p>
<b>Premium Warranty</b>	<p>Warranted annual premium is payable in two (2) equal instalments. First instalment to be paid prior to inception. Second instalment to be paid within 180 days of inception.</p>

Phone: +31-10-242 5000 - Fax: +31-10-452 6219 - Email: [marineinfo@msaamlin.com](mailto:marineinfo@msaamlin.com) - Website: [www.msamlin.com](http://www.msamlin.com)  
MS Amlin Marine N.V. (no. 24448058) ("MSAM"), MSAM is part of the MS Amlin group. MSAM is registered in the Netherlands and its registered office is Fascinatio Boulevard 622, 2909 VA Capelle aan den IJssel. MSAM is licensed and regulated by the Autoriteit Financiële Markten.




**MS Amlin Marine N.V.**

	The premium mentioned is due to the insurer. Any local taxes and/or stamp duties must be added to the amount and paid separately. They may not be deducted from the premium due to the insurer. Breach of premium warranty may lead to rejection of all claims whether arising before or after the breach.
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Any alteration in the information given above must be reported to MS Amlin Marine N.V. immediately with full details of the alteration(s).

<b>Dated,</b>	17 May 2018
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<b>Signed by</b>	Thomas Hus
	
	As bound by MS Amlin Marine N.V. on behalf of Insurers detailed under the Leading Security above.

E. & O.E.

Phone: +31-10-242 5000 - Fax: +31-10-452 8219 - Email: [marineinfo@msamlin.com](mailto:marineinfo@msamlin.com) - Website: [www.msamlin.com](http://www.msamlin.com)  
MS Amlin Marine N.V. (no. 24448056) ("MSAM"). MSAM is part of the MS Amlin group. MSAM is registered in the Netherlands and its registered office is Fascinatio Boulevard 622, 2909 VA Capelle aan den IJssel. MSAM is licensed and regulated by the Autoriteit Financiële Markten.

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**Corporate Advisor  
Placement Agent and Manager**



**Reporting Accountants**

**Deloitte.**

**Security Trustee**

