

## BONDHOLDER CIRCULAR

4 March 2024

This Circular is being issued by GILLIERU INVESTMENTS P.L.C (C 86682), with its registered office situated at the Gillieru Harbour Hotel, Church Street, St. Paul's Bay, Malta (the "**Company**") in connection with the proposed change in the limitation on Interest Cover Ratio as stipulated in the Company Admission Document, dated 21 November 2018, published by the Company in respect of the €5,000,000 4.75% Secured Bonds 2028 (ISIN: MT0002071208) issued by the Company, admitted to and trading on the Prospects MTF List.



### IMPORTANT INFORMATION

THIS IS AN IMPORTANT DOCUMENT. THE DIRECTORS OF THE COMPANY HAVE AGREED ON THE ISSUES AND MATTERS DESCRIBED HEREIN BY MEANS OF A RESOLUTION IN WRITING. IN THE EVENT THAT BONDHOLDERS RECEIVING THIS DOCUMENT ARE IN ANY DOUBT AS TO THE IMPORT OF THIS DOCUMENT OR AS TO ANY OF THE CONTENT HEREIN, THEY ARE URGED TO CONSULT THEIR INDEPENDENT PROFESSIONAL ADVISERS.

All the Directors of the Company, whose names appear on page 5 of this Circular, accept responsibility for the information contained in this Circular. 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 Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

## INTRODUCTION

This circular (the “**Circular**”) contains information about the resolution of the Directors of the Company that was taken by the said Directors on 15 February 2024 (the “**Directors’ Resolution**”). By means of the Directors’ Resolution, the Directors resolved to convene a bondholder meeting for the purposes of providing an update on its operations and for the purposes of approving and ratifying the Historic Facilities (as hereinafter defined) and separately approving a Change in the ICR (as hereinafter defined).

This Circular is being dispatched to all holders of the Gillieru Bonds (as defined in section 1 below) appearing on the applicable register of bondholders held at the Malta Stock Exchange Central Securities Depository as at 13<sup>th</sup> March 2024 (trading session of 11<sup>th</sup> March 2024), to enable them to understand better the nature of the proposed change, and to provide other necessary information about the Historic Facilities (as hereinafter defined) and the Change in the ICR to the holders of the Gillieru Bonds.

A copy of this Circular has been provided to the Malta Stock Exchange in terms of Prospects MTF Rule 6.00.41.

## 1 DEFINITIONS

For the purposes of this Circular, the following capitalised terms shall have the meaning attributed thereto hereunder:

<b>Gillieru Bonds</b>	the €5,000,000 4.75% Secured Bonds 2028 (ISIN: MT0002071208) issued by the Issuer and admitted and trading on the Prospects MTF List of the Malta Stock Exchange pursuant to and in accordance with the terms and conditions set out in the Company Admission Document issued by the Company on the 21 November 2018;
<b>CET</b>	Central European Time;
<b>Company or Issuer</b>	Gillieru Investments plc, a public limited liability company registered and existing under the laws of Malta with company registration number C 86682 and having its registered office at The Gillieru Harbour Hotel, Church Street, St. Paul's Bay, Malta;
<b>Companies Act</b>	the Companies Act, Chapter 386 of the laws of Malta;
<b>Company Admission Document</b>	the company admission document dated 21 November 2018 setting out the terms and conditions of the Gillieru Bonds issued by the Company;
<b>Group</b>	Gillieru Investments plc and its subsidiary companies, which as at the date hereof consist of Gillieru Holdings Limited and Gillieru Catering Company Limited;
<b>Prospects MTF Market</b>	the market regulated as a multilateral trading facility operated by the MSE providing a venue for start-up and growth for small to medium-sized enterprises to float their capital (including equity or debt) on the market;
<b>Prospects MTF List</b>	the list prepared and published by the Malta Stock Exchange as the list indicating the companies admitted to the Prospects MTF Market in accordance with the Prospects MTF Rules; and
<b>Prospects MTF 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 (Chapter 345 of the laws of Malta), regulating the Prospects MTF Market.

Unless the context otherwise requires, words and expressions not otherwise defined in this Circular shall bear the same meanings as in the Company Admission Document.

## 2 RESPONSIBILITY STATEMENT

All of the Directors of the Company, as at the date of this Circular being Karl Cremona, Stephanie Cremona Busuttil, Stephen Cremona, Alfred Grech and Karmenu Vella, accept responsibility for the information contained in this Circular. To the best of their knowledge and belief (after having taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

### 3 INFORMATION ABOUT THE COMPANY

Full legal and commercial name of the Company:	Gillieru Investments Plc
Registered address:	The Gillieru Harbour Hotel, Church Street, St. Paul's Bay, Malta
Place of registration and domicile:	Malta
Registration number:	C86682
Date of registration:	14 June 2018
Legal form:	The Company is lawfully existing and registered as a public limited liability company in terms of the Act
Legal Entity Identifier:	391200DISJCILGAJQT75
Telephone number:	+356 22266200
E-mail address:	cosec@gillieruhotel.com
Website:	www.gillieru.com

The Company has an authorised and issued share capital of two hundred thousand Euro (€200,000) divided into two hundred thousand Ordinary shares of one Euro (€1.00) each, fully paid up, which are subscribed and held by Stephen Cremona Holdings Limited (registration number C86681) as to 199,995 Ordinary shares of €1.00 each and by Stephen Cremona as to 5 Ordinary shares of €1.00 each.

Since its incorporation, the Company issued one bond which is currently admitted to and traded on the Prospects MTF List.

Specifically, in 2018, the Company issued to the public in Malta on the Prospects MTF List €5,000,000 Secured Bonds 2028 (ISIN: MT0002071208) of a nominal value of €100 per bond bearing an interest rate of 4.75% *per annum*, issued at par pursuant to a company admission document dated 21 November 2018. The said Gillieru Bonds were admitted to the Prospects MTF List with effect from 5 December 2018 and trading in the bonds commenced on 6 December 2018. Interest is payable in arrears on 30 November of each year.

The said issue of the Gillieru Bonds is regulated by the terms and conditions set out in the Company Admission Document.

### 4 PURPOSE OF THIS CIRCULAR

On 21 November 2018, Gillieru Investments plc, as the Issuer, issued €5,000,000 Secured Bonds maturing in 2028, to provide financing to Gillieru Holdings Limited for the following purposes: (i) €4.25 million to settle all amounts due in respect of the acquisition of the Gillieru Harbour Hotel and the Gillieru Restaurant situated at Church Square, St. Paul's Bay SPB 3256, Malta (referred to as the "Property") and the ancillary business from the original ownership structure (including interim bank facilities taken out to finance such acquisitions); and (ii) €0.65 million were used to part finance the general upgrading of the Property.

The Gillieru Bonds are issued as Secured, which security includes the following:

- a pledge by the Issuer over all of its shares held in Gillieru Holdings Limited, from time to time, in virtue of the Pledge Agreement, in favour of the Security Trustee in its capacity as trustee of the Gillieru Security Trust pursuant to the terms of the Security Trust Deed. Gillieru Holdings Limited owns the Property (as defined above); and
- a pledge over the proceeds from the Insurance Policy in favour of the Security Trustee in its capacity as trustee of the Gillieru Security Trust pursuant to the terms of the Security Trust Deed.

In addition, as per Section 20.4 (*'Ranking of the Bonds'*) of the Company Admission Document, Gillieru Investments plc, Josephine Gatt Holdings Limited, Anna Grech Holdings Limited and Gillieru Holdings Limited undertook to not create or permit to subsist any privilege, hypothec, pledge, lien, charge or other encumbrance or real right which grants rights of preference to a creditor over the Property, without the express prior written consent of the Security Trustee, and provided that, alternative suitable collateral is provided. Reference is also made to the negative pledge clause included in Section 20.5 of the Company Admission Document.

The covenants described above are further supported by the limitation on incurring debt imposed by Section 20.6 of the Company Admission Document, which reads as follows:

*"The Issuer will not, and will not permit any Group company to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any debt; provided, however, that the Issuer and the Group companies may incur debt if:*

- a) at the time of such incurrence the Interest Coverage Ratio for the Group's most recently ended four full fiscal quarters for which internal consolidated financial statements are available immediately preceding the incurrence of such debt, taken as one period, would have been at least 2.50x, determined on a pro forma basis after giving effect to the incurrence of such Debt and the application of the net proceeds therefrom; and*
- b) Such debt would be incurred to finance any of the following:*
  - The Group's capital expenditure;*
  - The Group's working capital; and / or*
  - The buy-out of the minority shareholders"*

Until the fortuitous and calamitous outbreak of the COVID-19 pandemic, in April 2020, an event beyond the Company's and anyone's control, the Gillieru Harbour Hotel and the Gillieru Restaurant were generating positive results. However, following the calamitous outbreak of the pandemic, and as a measure to curb the outbreak, the Government of Malta issued instructions on a National level which led to closure of non-essential shops and services (including hotels and restaurants) between 22 March 2020 and 5 June 2020, closed borders between 21 March 2020 till 1 July 2020 and introduced social distancing measures. As the catastrophic pandemic lingered, the Gillieru Harbour Hotel and Gillieru Restaurant were unable to operate for an extended period of time. As a result, the Group's performance, consisting of Gillieru Investments p.l.c. and its subsidiaries was also severely adversely impacted, given that the pandemic led to an unprecedented and unimaginable decrease in tourism levels, both at a national and international level.

To support companies survive through such catastrophic pandemic, the Government of Malta introduced various schemes including the COVID-19 Wage Supplement Scheme, the Electricity Refund Scheme made available by Malta Enterprise and the Malta Development Bank ("**MDB**") COVID-19 Guarantee Scheme, the latter providing much needed liquidity to companies.

To finance cash shortfalls encountered by the Group as a result of the downturn in revenues brought about by the crisis, the Group had no option but to avail itself of all the aforementioned Government schemes for an opportunity to continue its operations in a longer-term in the interest of the Group itself and all its stakeholders, including bondholders. The Group received €900,000 through the BOV MDB COVID-19 Guarantee Scheme ("**the BOV MDB COVID-19 Loan**") as well as an additional €200,000 loan from a third party (secured by a property owned by the ultimate shareholder) (the BOV MDB COVID-19 Loan and the €200,000 loan from third party shall be collectively referred to as the "**Historic Facilities**") to relieve the Group in its liquidity position and allow it to continue operating. This ensured that the Group could continue to meet its obligations and preserve its business in the best interest of all stakeholders, including bondholders.

It is imperative to note that even though such Historic Facilities were sought by the Group, the Group remained in compliance with the restrictions imposed by the Negative Pledge clause noted in Section 20.5 of the Company Admission Document. Furthermore, as the BOV MDB COVID-19 Loan was secured

through a general hypothec over the assets of Gillieru Catering Company Ltd, the Group remained in compliance with the covenant included in Section 20.4 (*'Ranking of the Bonds'*).

The Limitation on Debt as defined in Section 20.6 of the Company Admission Document precluded the Group from raising any additional debt unless the Group's Interest Coverage Ratio ("ICR") exceeded 2.5x. In consequence of the Historic Facilities taken out by the Group, the Group's interest coverage ratio, computed inclusive of interest accrued on the Historic Facilities, was less than the threshold of 2.5x. Whilst the recovery of the Group's financials is ongoing and approaching the current respective threshold as operations slowly return to "normal", the Directors of the Company are seeking to rectify its position and obtain the necessary ratification and approval of the Historic Facilities taken out by the Group by the holders of the Gillieru Bonds.

#### Proposed ICR

Separately however, the Directors of the Company and the Group's Finance Manager has re-assessed the situation in respect of the Group's Interest Coverage Ratio limitation and concluded that the current ratio limitation is hindering the Group's ability to take financial decisions and measures to improve its current arrangements with banks, raise additional capital for growth, and fund future capital investments.

As a matter of fact, and in relation to the above BOV MDB COVID-19 Loan, the Group is currently paying a significant amount of monthly instalments at a high cost when compared to the current finance options available. As the current situation stands, whilst the Group has feasible options available for re-financing the above-mentioned BOV MDB COVID-19 Loan, an alternative, more advantageous option cannot be considered as the Group cannot maneuver due to the current 2.5x Interest Coverage Ratio. This continues to impact the Group negatively as it continues to re-pay at a relatively costlier rate, impacting the Group's current profitability and cashflow negatively.

By easing the ICR limitation, the Group will be in a position to refinance the above-mentioned BOV MDB COVID-19 Loan with a more advantageous and longer-term finance arrangement, in turn having a positive impact on cashflow and profitability, whilst unlocking further potential of the Group through development within the operating units, impacting revenue streams positively and creating more value for all stakeholders, including Bondholders. It is anticipated that with the authorisation to lower the ICR, the Group can be in a better position to introduce improvements within the Gillieru Harbour Hotel to be in a better position to welcome guests in 2024 with an improved reflection on room rates achieved and total revenue derived from the hotel. To this end, the Group is convening this bondholder meeting for the purpose of updating the bondholders on the improvements achieved to date since 2018, the tangible prospects of the business and explain the aforementioned in further detail, ask for a ratification on the decisions adopted during the fortuitous and calamitous pandemic, including the Historic Facilities, as well as proceed to request that the limitation on ICR contained in Section 20.6 of the Company Admission Document be changed from 2.5x to 1.5x (the "**Change in the ICR**") as this will lead to an easing on the Group's cashflow commitments as a result of re-financing and give the Group better prospects in achieving the desired growth.

## 5 MEETING OF BONDHOLDERS

In terms of the Company Admission Document, a meeting of the holders of the Gillieru Bonds for the purpose of approving and ratifying the Historic Facilities and approving of the Change in the ICR, is called by the Directors of the Company by giving all holders of the Gillieru Bonds listed on the register of bondholders as at a date being not more than 30 days preceding the date scheduled for the Bondholders Meeting, not less than 14 days' notice in writing.

The notice itself has been announced to the market via company announcement dated 4<sup>th</sup> March 2024 and is available for viewing on the Company's website. The results of the Bondholders Meeting shall, similarly, be communicated to the market via company announcement.

The quorum at the Bondholders Meeting is at least 2 holders of the Gillieru Bonds present, in person or by proxy, representing not less than 50% in nominal value of the Gillieru Bonds then outstanding. If a quorum

is not present within 30 minutes from the time scheduled for the commencement of the Bondholders Meeting as indicated in the notice convening same, the Bondholders Meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to holders of the Gillieru Bonds present at that Bondholders Meeting and the Company shall within 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 – the adjourned meeting shall be held not earlier than 7 days, and not later than 15 days, following the original meeting and at the adjourned meeting the number holders of the Gillieru Bonds 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.

The proposed approval and ratification of the Historic Facilities and the Change in the ICR placed before the Bondholders Meeting shall only be considered approved if at least 60% in nominal value of the holders of the Gillieru Bonds present at the Bondholders Meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.

In the event of the required majority of the holders of the Gillieru Bonds voting in favour of the aforesaid proposal during the Bondholders Meeting, thereby signaling the obtaining of holders of the Gillieru Bonds consent to the approval and ratification of the Historic Facilities and the Change in the ICR, all holders of the Gillieru Bonds will be afforded an amount equivalent to three tenths of a per cent (0.3%) of the aggregate nominal value of the Gillieru Bonds held by the bondholder (the “**Consent Fee**”) (regardless if such bondholder has participated in the Bondholder Meeting or voted for or against the approval and ratification of the Historic Facilities and the Change in the ICR). The Consent Fee shall be paid to the holders of the Gillieru Bonds registered at the Malta Stock Exchange Central Securities Depository as at close of business on 13 March 2024 and will be paid no later than twenty (20) calendar days after the date of approval of the request.

**The Bondholders Meeting for the purpose of obtaining the approval and ratification of the Historic Facilities and the Change in the ICR has been called by the Company on 28<sup>th</sup> March 2024 and the formal notice calling said Bondholders Meeting has been issued on the date of this Circular.**

## **6 TAXATION OF CONSENT FEE**

Holders of the Gillieru Bonds 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 receipt by them of the Consent Fee.

## **7 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for download from the Company’s website [www.gillieru.com](http://www.gillieru.com) and for inspection at the Company’s registered office:

- a) the Memorandum and Articles of Association of the Company;
- b) the audited financial statements of the Company for the year ended 31 December 2022 and preceding years; and
- c) the interim unaudited consolidated financial statements for the period ended 30 June 2023.