



# ISLAND HOTELS

GROUP HOLDINGS PLC

## **BONDHOLDERS' CIRCULAR**

DATED 7 SEPTEMBER 2017

This circular is being issued by Island Hotels Group Holdings p.l.c. (C 44855) with registered office at 22, Europa Centre, John Lopez Street, Floriana, FRN 1400, Malta (the “**Company**”) pursuant to the requirements of the provisions of Chapter 6 of the Listing Rules in connection with the Merger proposed and approved in virtue of a Directors’ resolution taken by the Directors of the Company on 14 August 2017.

**IMPORTANT INFORMATION**

**THIS IS AN IMPORTANT DOCUMENT.**

**THE DIRECTORS 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 7, 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 the Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

## 1. INTRODUCTION

This circular (the “**Circular**”) contains information about the resolution of the Directors (the “**Directors Resolution**”) that was taken by the Directors on 14 August 2017. By means of the Directors Resolution, the Directors resolved to merge the Company with International Hotel Investments p.l.c. (“**IHI**”), with Company Registration number C 26136 and having its registered office at 22, Europe Centre, John Lopez Street, Floriana FRN 1400, Malta (the “**Merger**”). IHI currently holds all the shares but one in the Company and the Merger is being made for the purpose of retaining only one entity listed on the Malta Stock Exchange, that being IHI.

The Circular is being dispatched to all Bondholders of the Company, as at 30 August 2017, to enable them to understand better the nature of the Merger, and principal commercial terms thereof, and to provide other necessary information about the Merger to the Bondholders. It also intends on setting out any potential effects on the earnings, assets, liabilities and trading prospects of the Company, once the Merger is executed, pursuant to that resolved by the Directors, and the provisions of the Draft Terms of Merger.

This Circular is being dispatched in compliance with the requirements of Listing Rule 6.2 of the Listing Authority (the “**Listing Rules**”), and complies therewith in respect of content and form.

Where any or all of the Bonds have been sold or transferred by the recipients of this Circular, then the Circular and any other relevant documents should be passed on to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

## 2. COMMERCIAL TERMS

On 14 August 2017, the Directors of the Company resolved to approve the Merger, with the intention of retaining only one entity listed on the Malta Stock Exchange, this being IHI.

No cash payment will be made to IHI or the shareholders of IHI.

## 3. LEGAL CONSIDERATIONS

- 3.1 Provided that all commercial and legal conditions are met, the Merger shall become effective upon the lapse of a three (3) month period from the date of publication, by the Registrar of Companies (the “**ROC**”), of the applicable shareholders’ resolutions.
- 3.2 Creditor(s) of both the Company, and IHI, including Bondholders, whose debt existed prior to such publication as outlined above, shall benefit from the rights referred to in Article 351 of the Companies Act (Cap 386 of the Laws of Malta).
- 3.3 There are no legal or arbitration proceedings which may have a significant effect on the Merger or on the financial position of IHI and its group.

#### 4. FINANCIAL CONSIDERATIONS

4.1 The key figures that follow summarise the financial condition of IHGH and cover a period of three financial years and also show the comparative interim positions as at 30 June 2016 and 2017. Additional information and explanatory notes relating to the content of the financial information presented below may be accessed at <http://www.islandhotels.com/investor-information/financial-statements/>.

##### *Historical financial information*

##### **Consolidated statements of financial position**

	31 Oct 14	31 Dec 15	31 Dec 16
	€	€	€
<b>Assets</b>			
Non-current	84,260,356	127,371,409	127,815,881
Current	35,966,981	17,768,383	16,187,376
<b>Total assets</b>	<b>120,227,337</b>	<b>145,139,792</b>	<b>144,003,257</b>
<b>Equity and liabilities</b>			
<b>Total equity</b>	<b>40,372,697</b>	<b>54,053,132</b>	<b>52,994,290</b>
<b>Liabilities</b>			
Non-current	67,170,644	69,578,720	67,741,668
Current	12,683,996	21,507,940	23,267,299
<b>Total liabilities</b>	<b>79,854,640</b>	<b>91,086,660</b>	<b>91,008,967</b>
<b>Total equity and liabilities</b>	<b>120,227,337</b>	<b>145,139,792</b>	<b>144,003,257</b>

##### **Consolidated statements of comprehensive income**

	31 Oct 14	31 Dec 15	31 Dec 16
	12 months	14 months	12 months
	€	€	€
<b>Continuing operations</b>			
Revenue	15,835,762	24,411,507	33,813,096
Direct costs	(10,199,101)	(16,927,192)	(24,452,736)
<b>Gross profit</b>	<b>5,636,661</b>	<b>7,484,315</b>	<b>9,360,360</b>
Other operating costs	(3,100,515)	(5,145,848)	(5,950,967)
<b>EBITDA</b>	<b>2,536,146</b>	<b>2,338,467</b>	<b>3,409,393</b>
Depreciation and amortisation	(1,174,997)	(2,680,041)	(4,731,006)
Property, plant and equipment written off	–	(897,977)	–
<b>Results from operating activities</b>	<b>1,361,149</b>	<b>(1,239,551)</b>	<b>(1,321,613)</b>
Investment income	322,786	5,304,422	249,373
Finance costs	(2,897,650)	(4,284,630)	(3,735,280)
Other expenses	–	(288,701)	–
Share of profits from joint ventures	2,802,158	3,442,875	4,159,060
<b>Profit/(loss) before taxation</b>	<b>1,588,443</b>	<b>2,934,415</b>	<b>(648,460)</b>
Income tax (expense)/credit	(58,372)	490,653	90,460
<b>Profit/(loss) for the period/year from continuing operations</b>	<b>1,530,071</b>	<b>3,425,068</b>	<b>(558,000)</b>
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	1,202,385	–	–
<b>Profit/(loss) for the period/year</b>	<b>2,732,456</b>	<b>3,425,068</b>	<b>(558,000)</b>

## Other comprehensive income

Items that will not be reclassified subsequently to profit or loss:

Gain arising on revaluation of leasehold property	–	10,542,188	4,283,880
Movement in the deferred tax on revaluation	–	(3,689,766)	(1,499,358)
	–	6,852,422	2,784,522

Items that may be reclassified subsequently to profit or loss:

Exchange differences on translating foreign operations	1,437,025	1,402,945	(3,285,364)
<b>Total comprehensive income/(expense) for the period/year</b>	<b>1,437,025</b>	<b>8,255,367</b>	<b>(500,842)</b>

**Total comprehensive income/(expense) for the period/year attributable to the owners of the company**

<b>4,169,481</b>	<b>11,680,435</b>	<b>(1,058,842)</b>
------------------	-------------------	--------------------

## Consolidated cash flow statements

	<b>31 Oct 14</b>	<b>31 Dec 15</b>	<b>31 Dec 16</b>
	<b>12 months</b>	<b>14 months</b>	<b>12 months</b>
	€	€	€
Net cash from operating activities	(1,308,912)	11,159,281	300,035
Net cash from investing activities	4,264,740	(4,208,368)	4,053,392
Net cash from financing activities	22,852,392	(27,703,777)	(4,515,516)
<b>Net movement in cash and cash equivalents</b>	<b>25,808,220</b>	<b>(20,752,864)</b>	<b>(162,089)</b>
Opening cash and cash equivalents	(6,524,879)	19,283,341	(1,469,523)
<b>Closing cash and cash equivalents</b>	<b>19,283,341</b>	<b>(1,469,523)</b>	<b>(1,631,612)</b>

## Interim financial information

### Interim consolidated statement of financial position

	<b>30 Jun 16</b>	<b>30 Jun 17</b>
	<b>Total</b>	<b>Total</b>
	€	€
<b>ASSETS</b>		
Non-current assets	127,815,881	126,239,044
Total current assets	16,187,376	13,571,077
<b>Total assets</b>	<b>144,003,257</b>	<b>139,810,121</b>
<b>EQUITY</b>		
<b>Total equity</b>	<b>52,994,290</b>	<b>51,234,180</b>
<b>LIABILITIES</b>		
Non-current liabilities	67,741,668	67,168,970
Current liabilities	23,267,299	21,406,971
<b>Total liabilities</b>	<b>91,008,967</b>	<b>88,575,941</b>
<b>Total equity and liabilities</b>	<b>144,003,257</b>	<b>139,810,121</b>

## Interim consolidated statements of comprehensive income

	<b>30 Jun 16</b> <b>6 months</b> €	<b>30 Jun 17</b> <b>6 months</b> €
Revenue	14,831,926	17,680,235
Direct costs	(10,832,969)	(13,098,338)
Gross profit	3,998,957	4,581,897
Other operating costs	(3,452,477)	(2,814,218)
EBITDA	546,480	1,767,679
Depreciation and amortisation	(1,887,948)	(1,977,557)
<b>Results from operating activities</b>	<b>(1,341,468)</b>	<b>(209,878)</b>
Investment income	150,532	34,181
Finance costs	(1,904,807)	(1,752,972)
Share of profits from joint ventures	2,038,502	957,378
<b>Loss before taxation</b>	<b>(1,057,241)</b>	<b>(971,291)</b>
Taxation	464,742	(251,538)
<b>Loss for the period</b>	<b>(592,499)</b>	<b>(1,222,829)</b>
<b>Other comprehensive expense:</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(2,574,275)	(537,281)
<b>Total comprehensive expense for the period attributable to the owners of the holding company</b>	<b>(3,166,774)</b>	<b>(1,760,110)</b>

## Interim consolidated cash flow statements

	<b>30 Jun 16</b> <b>6 months</b> €	<b>30 Jun 17</b> <b>6 months</b> €
Net cash from operating activities	1,664,703	2,223,750
Net cash from investing activities	(2,219,558)	(2,042)
Net cash from financing activities	(1,567,032)	(3,739,970)
<b>Net movement in cash and cash equivalents</b>	<b>(2,121,887)</b>	<b>(1,518,262)</b>
Opening cash and cash equivalents	(1,469,523)	(1,631,612)
<b>Closing cash and cash equivalents</b>	<b>(3,591,410)</b>	<b>(3,149,874)</b>

- 4.2 The execution of the Merger will not bring about any significant changes to the financial or trading position of the Company as it stood at the end of the last financial year for which audited financial statements have been published, nor to the interim statements.

## 5. OTHER PRACTICAL CONSIDERATIONS

- 5.1 As previously affirmed in Section 1 of this Circular, IHI currently holds over 99.9% of the issued share capital of the Company. The other shareholder of the Company, i.e. Five Star Hotels Limited (“**FSH Ltd**”), a limited liability company registered under the laws of Malta with Company Registration number C 4848 and having its registered office at 22, Europa Centre, John Lopez Street, Floriana, FRN 1400, Malta, which is also a wholly owned subsidiary of IHI save for one share, has renounced to any consideration, whether in kind or in cash.
- 5.2 There is no person who currently owns 5% or more of the capital of the Company. As a result of the Merger, no person will own 5% or more of the capital of IHI.
- 5.3 The execution of the Merger will not result in the procurement of any interest or the enjoyment of any advantage, including any shares that may be issued, in favour of any Director within the IHI Group, or any person connected thereto who may have an interest in the merger.
- 5.4 The intention of the Company and IHI, as well as the long term commercial justification thereof, as previously affirmed in Section 1 of this Circular, is solely to retain one entity listed on the Malta Stock Exchange, that being IHI. Furthermore, IHI does not intend on introducing any major changes to the running of the Company subsequent to the Merger and shall ensure the continued employment of the existing employees of both the Company and IHI.

## 6. EFFECTS OF THE MERGER

- 6.1 As from 1 July 2015, the performance of the Company has been consolidated in the IHI Consolidated Financial Statements and, therefore, the Merger is not expected to have any significant impact on the consolidated position of the IHI group.
- 6.2 There will be no changes to the Terms and Conditions of the Bonds of the Company from those Terms and Conditions set out in the Prospectus dated 6 May 2014 of the Company. Once the Merger becomes effective, IHI will take over all obligations, risks and rewards attached to the said Bonds and trading activity in the Bonds will persist under IHI.
- 6.3 The total emoluments receivable by the Directors, whose names appear hereunder, are expected to cease once the Merger becomes effective.

## 7. DOCUMENTS AVAILABLE FOR INSPECTION

- 7.1 The Memorandum and Articles of Association of the Company, as well as the last Annual Financial Report and the half-yearly financial report of the Company, will be available for inspection at the Company’s registered office, being at 22, Europa Centre, John Lopez Street, Floriana, FRN 1400, Malta, for fourteen (14) days from the date of publication of this Circular.

The Directors of the Company are:

1. Joseph Fenech;
2. Simon Naudi;
3. Frank Xerri De Caro;
4. Winston V. Zahra;
5. Winston J. Zahra.



ISLAND HOTELS

GROUP HOLDINGS PLC

[www.islandhotels.com](http://www.islandhotels.com)