REGISTRATION DOCUMENT

dated 23 July 2021

VBL Group

This Registration Document is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, as amended, (the "**Prospectus Regulation**") and in accordance with the provisions of Commission Delegated Regulation 2019/979 and Commission Delegated Regulation 2019/980 issued thereunder.

This document is issued by:

VBL P.L.C.

(a public limited liability Company registered under the laws of Malta with Company registration number C 56012)

Legal Counsel	Sponsor, Manager & Registrar
CAMILLERI PREZIOSI ADVOCATES	RIZZO FARRUGIA YOUR INVESTMENT CONSULTANTS

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

Approved by the Directors

Andrei Imbroll **Geza Szephalmi**

in their capacity as Directors of the Company
and for and on behalf of: Julian Tzvetkov, Artur Haze, David Galea Souchet, Csaba Bato and Isabella Vella.

IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION IN RELATION TO VBL P.L.C. (THE "**COMPANY**") AND ITS BUSINESS. IT IS DRAWN UP IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES ISSUED BY THE LISTING AUTHORITY, THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA) AND THE PROSPECTUS REGULATION.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE COMPANY OR ITS DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE COMPANY OTHER THAN THOSE CONTAINED IN THIS REGISTRATION 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 COMPANY, ITS DIRECTORS OR ADVISERS.

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IT IS THE RESPONSIBILITY OF ANY PERSON IN POSSESSION OF THIS DOCUMENT AND ANY PERSON WISHING TO ACQUIRE SECURITIES OF THE COMPANY TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE INVESTORS SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF ACQUIRING SECURITIES ISSUED BY THE COMPANY AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND FISCAL OBLIGATIONS IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

THE PROSPECTUS OF WHICH THIS REGISTRATION DOCUMENT FORMS A PART DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES ISSUED BY THE COMPANY: (I) BY ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR (II) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. WITHOUT PREJUDICE TO THE GENERALITY OF THE AFORESAID, SECURITIES ISSUED PURSUANT TO THE PROSPECTUS OF WHICH THIS REGISTRATION DOCUMENT FORMS A PART HAVE NOT BEEN, NOR WILL THEY BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT, 1933 AS AMENDED, OR UNDER ANY FEDERAL OR STATE SECURITIES LAW AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR ANY AREA SUBJECT TO ITS JURISDICTION (THE "U.S.") OR TO OR FOR THE BENEFIT OF, DIRECTLY OR INDIRECTLY, ANY U.S. PERSON (AS DEFINED IN REGULATION "S" OF THE SAID ACT). FURTHERMORE, THE COMPANY WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT, 1940, AS AMENDED, AND INVESTORS WILL NOT BE ENTITLED TO THE BENEFITS SET OUT THEREIN.

THE CONTENTS OF THE COMPANY'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE COMPANY'S WEBSITE DO NOT FORM PART OF THIS 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 SECURITIES OF THE COMPANY.

ALL THE ADVISERS TO THE COMPANY HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE COMPANY IN RELATION TO THE PROSPECTUS OF WHICH THIS REGISTRATION DOCUMENT FORMS A PART AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION OR RESPONSIBILITY TOWARDS ANY OTHER PERSON. NONE OF THE ADVISERS ACCEPT ANY RESPONSIBILITY TOWARDS ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE CONTENTS OF AND ANY INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT, ITS COMPLETENESS OR ACCURACY OR ANY OTHER STATEMENT MADE IN CONNECTION THEREWITH.
THE DIRECTORS OF THE COMPANY CONFIRM THAT WHERE INFORMATION INCLUDED IN THIS REGISTRATION DOCUMENT HAS BEEN SOURCED FROM A THIRD PARTY, SUCH INFORMATION HAS BEEN ACCURATELY REPRODUCED AND AS FAR AS THE DIRECTORS OF THE COMPANY ARE AWARE AND ARE ABLE TO ASCERTAIN FROM INFORMATION PUBLISHED BY THAT THIRD PARTY, NO FACTS HAVE BEEN OMITTED WHICH WOULD RENDER THE REPRODUCED INFORMATION INACCURATE OR MISLEADING.

THE VALUE OF INVESTMENTS CAN RISE AS WELL AS FALL AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. INVESTORS MAY LOSE ALL OR PART OF THEIR CAPITAL INVESTED IN THE COMPANY'S SECURITIES. PROSPECTIVE INVESTORS ARE URGED TO CONSULT A LICENSED STOCKBROKER OR AN INVESTMENT ADVISER LICENCED UNDER THE INVESTMENT SERVICES ACT (CAP. 370 OF THE LAWS OF MALTA) PRIOR TO INVESTING IN SECURITIES ISSUED BY THE COMPANY.

STATEMENTS MADE IN THIS DOCUMENT ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THERETO. THIS REGISTRATION DOCUMENT IS VALID FOR A PERIOD OF TWELVE MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE COMPANY IS NOT OBLIGED TO SUPPLEMENT THE REGISTRATION DOCUMENT IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INNACURACIES.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES, THE MSE IN SATISFACTION OF THE MSE BYE-LAWS AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES IN ACCORDANCE WITH THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA).

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1. DEFINITIONS

In this Registration 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:

Act	the Companies Act, Cap. 386 of the laws of Malta;
Company or the **Issuer**	VBL p.l.c., a public limited liability company with company registration number C 56012 and having its registered office at 54, Marsamxett Road, Valletta VLT 1853, Malta;
Directors	the directors of the Company whose names are set out in section 3.1 of this Registration Document. Collectively, the Directors form the board of Directors of the Company (hereinafter, the "**Board**" or "**Board of Directors**");
Euro or **€**	the lawful currency of the Republic of Malta;
Executives	collectively, Geza Szephalmi (67571A), Andrei Imbroll (531778M), and Julian Tzvetkov (157717A);
GDPR	Regulation (EU) No. 2016 / 679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data;
Group or **VBL** or **VBL Group**	the group of companies of which the Company is the parent and the VBL Subsidiaries are the subsidiaries;
Group Restructuring	the restructuring of the Group, as set out in further detail in section 4.4 of this Registration Document;
Listing Authority	the Board of Governors of the MFSA acting as the Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta), which Listing Authority is established in terms of the Financial Markets Act (Cap. 345 of the laws of Malta);
Listing Rules	the listing rules issued by the Listing Authority as may be amended and/or supplemented from time to time;
Lock-In Agreement	shall have the meaning set out in section 4.2 of this Registration Document;
Locked-In Shareholders	collectively, the shareholders of the Company who are subject to the Lock-In Agreement and who are listed in Annex II to the Securities Note, each a "**Locked-In Shareholder**";
Memorandum and Articles of Association	the memorandum and articles of association of the Company in force at the date of the Registration Document, in the form as registered with the Registrar of Companies at the Malta Business Registry. The terms "**Memorandum**", "**Articles**" and "**Articles of Association**" shall be construed accordingly;
MFSA	the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 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;
New Share/s	up to 35,714,286 ordinary shares in the Company of a nominal value of €0.20 per share to be issued by the Company at the Offer Price pursuant to the New Shares Offer;
New Shares Offer	the offer of the New Shares at the Offer Price by the Company to the public in accordance with the terms of the Prospectus;
Offer Price	the price of €0.28 per Share;
Offers or **IPO**	collectively: i. the New Shares Offer (with priority at allocation); and ii. the Sale Shares Offer (in case of oversubscription of the New Shares Offer);
Official List	the list prepared and published by the MSE as its official list in accordance with the MSE bye-laws;
Property Valuation Report	the property valuation report, dated 23rd April 2021, prepared in accordance with Chapter 7 of the Listing Rules by Dr. Edwin Mintoff, Architect and Civil Engineer B.E.&.A (Hons), PhD (Newcastle) A.&.C.E;

Prospectus	collectively this Registration Document, the Securities Note and the Summary, all dated 23 July 2021, as such documents may be amended, updated, replaced and/or supplemented from time to time;
Raniark	Raniark Limited, a private limited liability company having company registration number C 83360 and registered office at MK Business Centre, 115A, Floor 2, Valley Road, Birkirkara BKR 9022, Malta;
Registration Document	this document in its entirety;
Sale Share/s	up to 35,714,286 ordinary shares in the Company of a nominal value of €0.20 per share to be offered for sale by the Selling Shareholders at the Offer Price pursuant to the Sale Shares Offer which, as at the date of this Securities Note, are held by the Selling Shareholders in the proportions as set out in Annex II of the Securities Note;
Sale Shares Offer	the offer of the Sale Shares to the public by the Selling Shareholders at the Offer Price, in case of oversubscription of the New Shares Offer;
Securities Note	the securities note dated 23 July 2021, forming part of the Prospectus;
Selling Shareholders	collectively, the shareholders of the Company who are participating in the Sale Share Offer and who are listed in Annex II to the Securities Notes, each a "Selling Shareholder";
Share/s	the ordinary share/s representing the issued share capital of the Company having a nominal value of €0.20 per share, including the Conversion Shares, the Sale Shares and, following the New Shares Offer, the New Shares;
Sqm	square meters;
Summary	the summary dated 23 July 2021, forming part of the Prospectus;
VBL Subsidiaries	each and all of the following : i. **VREM Ltd**, a private limited liability company having company registration number C 73954 and registered office at 54, Marsamxett Road, Valletta VLT 1853, Malta; ii. **Silver Horse Block Ltd**, a private limited liability company having company registration number C 81976 and registered office at 54, Marsamxett Road, Valletta VLT 1853, Malta; and iii. **Casa Rooms Ltd**, a private limited liability company having company registration number C 76985 and registered office at 54, Marsamxett Road, Valletta VLT 1853, Malta;
VBLH	VBLH Ltd, a private limited liability company registered and incorporated under the laws of Malta having company registration number C 60406 and having its registered office at 54, Marsamxett Road, Valletta VLT 1853, Malta; and
VBLM	VBLM Limited, a private limited liability company registered and incorporated under the laws of Malta having company registration number C 60381 and having its registered office at 54, Marsamxett Road, Valletta VLT 1853, Malta.

Unless it appears otherwise from the context:

a. the word "*may*" shall be construed as permissive and the word "*shall*" shall be construed as imperative;
b. all references in this Registration Document to "*Malta*" shall be construed as defined in Article 124 (1) of the Constitution of Malta;
c. 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; and
d. 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 Registration Document.

2. RISK FACTORS

2.1 INTRODUCTION

Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations, as well as all the other information contained in the Prospectus, before making any investment decision with respect to the Offers and the Company. Some of these risks are subject to contingencies which may or may not occur and the Company is not in a position to express any views on the likelihood of any such contingencies occurring.

The risk factors below have been categorised under four main categories, according to whether the risk factors relate to: (i) risks relating to the acquisition of immovable property; (ii) risks relating to construction and development of immovable property; (iii) risks relating to management and operation of immovable property; and (iv) risks relating to the general business and operations of the group. The latter category of risk factors is intended to encapsulate those risk factors that concern the day-to-day operations and activities of the Group, regardless of the line of operations concerned and are, therefore, considered to apply equally to each of the individual business lines referred to in categories (i) to (iii). In addition, the board of directors considers that in view of the concentration of the group's immovable properties in Valletta, it is appropriate to identify those specific risks that are identifiable as being attributable to, or associated with, the market for immovable property situated in Valletta, taking into account the unique characteristics of Valletta. Those risks relating specifically to the Valletta immovable property market that are identifiable at the date hereof have been included within the main categories referred to above, as appropriate.

The risk factor first appearing under each sub-category constitutes that risk factor which the Directors have assessed to be the most material risk factor under such sub-category as at the date of this Registration Document. Subsequent risk factors in the same sub-category are not ranked in order of materiality or probability of occurrence. In making their assessment of materiality, the Directors have evaluated the combination of: (i) the probability that the risk factor occurs; and (ii) the expected magnitude of the adverse effect on the financial condition and performance, operational performance, business and/or trading prospects of the Company, and/or the Group, if the risk factor were to materialise. Where a risk factor may be categorised in more than one category, such risk factor only appears once in the most relevant category or sub-category for such risk factor.

If any of the risks described below were to materialise, they could have a serious effect on the Company's and/or Group's financial results, financial condition, operational performance, business and/or trading prospects. The risks and uncertainties discussed below are those identified as such by the Directors as at the date of this Registration Document, but these risks and uncertainties may not be the only ones that the Company and/or Group faces or could face. Additional risks and uncertainties, including any which the Directors are not currently aware of, or that the Directors currently deem immaterial, individually or cumulatively, may well result in a material impact on the financial results, financial condition, operational performance, and/or trading of the Company and/or the Group.

The Prospectus, the documentation incorporated by reference herein, and/or any other information supplied in connection with securities issued by the Company (i) are not intended to constitute and should not be construed as constituting a recommendation by the Company, the advisers listed in section 5 of this Registration Document or any Financial Intermediary to purchase the Shares or any other securities issued by the Company; and, therefore (ii) prospective investors should make their own independent evaluation of all risk factors and should consider all other sections of the Prospectus.

2.2 FORWARD-LOOKING STATEMENTS

This document contains statements that are, or may be deemed to be, ''*forward-looking statements*''. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms ''*believes*'', ''*estimates*'', ''*anticipates*'', ''*expects*'', ''*intends*'', ''*may*'', ''*will*'' or ''*should*'' or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places within the Prospectus and include statements regarding the intentions, beliefs or current expectations of the Company and/ or the Directors concerning, amongst other things, the Company's strategy and business plans, results of operations, financial condition, liquidity, prospects, dividend policy of the Company and the market in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The Company's actual results of operations, financial condition, liquidity, dividend policy and the development of its strategy may differ materially from the impression created by the forward-looking statements contained in the Prospectus. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Company are consistent with the forward-looking statements contained in the Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to, changes in economic conditions, legislative and regulatory developments, changes in fiscal regimes and the availability of suitable financing.

Potential investors are advised to read the Prospectus in its entirety, and, in particular, all the risk factors set out in this Registration Document, for a description of the factors that could vary the Company's future performance. In the light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur. All forward-looking statements contained in this document are made only as at the date hereof. Subject to applicable legal and regulatory obligations, the Company and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

2.3 MATERIAL RISKS RELATING TO THE ACQUISITION OF IMMOVABLE PROPERTY

The Company and Group are exposed to risks relating to the acquisition of immovable property. These risks include, but are not limited to, the risks which are mentioned below.

2.3.1 Property title risk and risk of challenge to validity of title

The Company is exposed to property title risk and claims.

A number of the properties targeted and acquired by the Company may have had multiple owners, frequently through successive inheritances, and a complex root of title, which may not be fully or completely verified. This complexity is accentuated in the case of immovable property situated in Valletta, due to the increased likelihood of long lines of succession and greater uncertainty as to the root and validity of title in respect of properties that may be centuries old.

As to root of title searches, it is pertinent to note that: the Directors may not always be in a position to ascertain or provide assurance as to the validity of the root of title to any of the immovable properties acquired or held under title of ownership or temporary emphyteusis; it is not always the case that the searches procured by the Company reveal a clear and complete root of title; in respect of two of the immovable properties forming part of the Group's property portfolio (which two properties amount, in aggregate, to a value of €3,270,000 as per enclosed valuation report), the publishing notary was exempted from conducting root of title searches to the relevant immovable property.

In light of the aforesaid, there can be no guarantee as to the unqualified validity of the root of title to all of the immovable properties acquired or held by the Group under title of ownership or temporary emphytheusis. This uncertainty means that the Group is susceptible to the risk of claims made by third parties alleging title or other rights or interests over the immovable properties acquired from time to time. Resolving such claims may entail significant costs and time for the Company and may disrupt the operations of the Company undertaken at the immovable property/ies concerned, including disruptions that may arise if the Company were to be ordered by the competent judicial, arbitral or other competent authorities to cease operations thereat pending resolution of any such dispute. Furthermore, where a claimant is successful, the Company may be liable to payment of costs of legal proceedings, damages, or other compensation, or may be under an obligation to forfeit such immovable property altogether. The occurrence of these risks relating to proper title may, therefore, have a material adverse effect on the operations, financial performance and financial position of the Company.

2.3.2 Risks inherent in the real estate market.

The Company is exposed to risks inherent in the real estate market and particularly to changes in market conditions in the real estate market in Valletta and, indirectly, Malta, the European Union and the Mediterranean region. Such risks may lead to an oversupply of space or a reduction in tenant demand for a particular type of property. Risks inherent in the real estate market may also have an impact on: the quality of property available; the ability of the Company to maintain its service charges and other expenditure and to control the cost of these items; the Company being able to buy, sell, operate or lease existing or new properties on favourable terms; and / or the potential illiquidity of property investments, particularly in times of economic downturn. All of the aforesaid risks may have a material adverse impact on the revenues of the Company, its financial performance and its overall financial condition.

2.3.3 Risks relating to the potential inability to conclude real estate investments.

The Company operates in a very niche market, which by its very nature presents a highly competitive environment, given the limited supply of real estate situated in Valletta. The Company's financial performance and future growth is partly dependent on the ability to acquire, sell and operate its assets on attractive and sustainable commercial terms. There can be no assurance that the Company will continue to be able to identify and acquire target assets on attractive commercial terms or even at all.

Furthermore, there is a heightened risk that immovable property situated in Valletta is owned in fractional parts by multiple owners, or successors. The Company may thus be susceptible to more onerous, lengthy and / or complex negotiations relating to the acquisition of such properties, in contrast with the acquisition of those properties where the Company is required to negotiate with one, or only a limited number of, counterparties. The added complexities relating to acquisitions of this nature may have a material effect on the Company's acquisition activities and its ability to acquire immovable properties on commercially favourable terms, or at all.

All of the aforesaid risks may have a material adverse impact on the Company's future growth and prospects, as well as on its financial performance and its overall financial condition.

2.3.4 Risks relating to the disposal of real estate assets.

The Company may from time to time seek to dispose of real estate assets, to generate additional capital for investment, to improve its cashflows, to generate profits for distribution, or because an asset may be under-performing financial targets or be deemed suitable for disposal. There can be no assurance that real estate assets in the Company's portfolio will be transferred and disposed of at the carrying value held by the Company at the time or at their estimated value at any other time before a potential transaction. It may be difficult to dispose of the Company's properties at their carrying values on account of: (a) market conditions; (b) the size or value of the overall portfolio; (c) the specialised nature of the properties in question; (d) specific local market conditions or regulatory risks; or (e) other local or international economic factors influencing the Company's operations or assets. It may prove necessary to dispose of properties at values which the Directors consider are reasonable in the circumstances prevailing at the time, but which represent discounts to book values or earlier property valuation reports, in order to satisfy other commercial demands of the Company and deliver the long term strategy objectives set by the Company's management and the Directors. Such risks may have an adverse impact on the financial condition of the Company.

2.3.5 The Company may incur costs in connection with proposed property investments which are aborted.

The Company may incur significant costs in connection with the assessment of potential property acquisition, development and / or investment opportunities. These may involve costs associated with property surveys, valuation reports and title and environmental investigations or legal/transaction costs and similar costs. If a proposed acquisition, development and / or investment were not to proceed to completion, or where firm commitments entered in relation to such deals after such costs have been incurred and which are subsequently abandoned after costs and expenditure have been incurred or irreversibly committed to, the Company will be unable to recoup such sunk costs or may incur break-up costs, which could have a negative impact on its financial condition and performance.

Furthermore, the pursuit of, and the entering into commitments in relation to, a particular investment opportunity, including the commitment of financial and other resources, may result in the inability to pursue alternative and potentially more viable or commercially more attractive opportunities.

2.4 MATERIAL RISKS RELATING TO THE CONSTRUCTION AND DEVELOPMENT OF IMMOVABLE PROPERTY

The Company and Group are exposed to risks relating to the construction and development of immovable property. These risks include, but are not limited to, the risks which are mentioned below.

2.4.1 Risks associated with property development and the construction industry.

The Company undertakes conversion, renovation and development works on real estate assets it acquires or manages, or occasionally on properties owned by third parties. To the extent that the Company does so, it would be subject to the execution risks normally associated with property development. These risks include:

- the risk of cost overruns;
- the risk of insufficiency of resources to complete development projects as planned, in the manner or timeframe envisaged, or at all;
- the risk arising from the fact that the Company is dealing primarily with old, historic properties, which may have unknown structural conditions which cannot be explored or predicted in advance and which might have a significant impact on development time and cost of construction and occasionally jeopardise the planned development;
- the risk of rental or sales transactions not being effected at the prices and within the timeframes envisaged, which may lead to difficulty in obtaining payment from third parties as well as risk of ultimate unfeasibility of development projects;
- general industry trends, including the cyclical nature of the real estate market, economic contractions, change in market conditions including an oversupply of similar properties, a reduction in demand for real estate, changes in local preferences and tastes and increased competition in any of the markets or sectors in which the Company is undertaking real estate development;
- delays or refusals in obtaining all necessary zoning, land use, building, building development, modifications, occupancy or other required governmental permits and authorisations, including such permits or authorisations required from the planning, environmental and / or cultural heritage authorities, together with legal complexities and uncertainties regarding the rights of the Company to obtain legal title over certain properties, and inconsistencies and inaccuracies in the land registrations system;
- covenants, conditions, restrictions and easements relating to the properties or their use, whether arising out of law, contractual arrangement, or orders or other decisions of the competent judicial or government authorities;
- laws, rules and regulations, including in relation to financing, environmental matters, zoning ordinances, tax, fiscal policies, insurance and trade restrictions which may impact the development sector; although the local property development market has experienced high levels of activity in recent years, there can be no assurance that similar levels of growth or activity will be maintained, particularly in light of increased scrutiny and regulatory intervention; and / or
- high level of activity in the sector that may place a strain on the availability of human and other capital resources required to undertake and complete the development projects that the Company is committed to, or may wish to undertake, from time to time.

Government restrictions concerning the free movement of people and goods, which might result in delays or changes in terms of established trade supply routes, changes in macro-economic conditions, as well as market and regulatory changes affecting the construction and property development processes. Any of the above factors could have a material adverse effect on the Company's business, financial condition and results of operations, through increased projected costs and times for completion of ongoing development projects.

In addition, the risks relating to conversion, renovation, construction and development are accentuated owing to the added restrictions and requirements pertaining to the undertaking of such works on properties situated in Valletta – a historic and cultural centre that is protected and recognised by UNESCO[1] as a world heritage centre. Accordingly, the Company may be subject to additional requirements relating to proper conservation and restoration, with restrictions on internal structural and layout modifications, as well as applicable restrictions on permitted construction materials or techniques. These factors may increase

1 *United Nations Educational, Scientific and Cultural Organisation.*

the costs associated with construction and development of properties situated in Valletta, and the Company is susceptible to heightened risks of fines, penalties, or other sanctions for non-compliance with such requirements or restrictions.

Moreover, the Company may be required to cease or abandon works at its properties in Valletta where items of historical or cultural significance or importance are uncovered during construction and / or development works. Consequently, in the event that such discovery were to be made, and depending on the length of time that the competent authorities may take to properly investigate the discovery, the Company's plans for development and conversion of that particular asset will be delayed, which may have a material impact on the projected cash flows of the Company and its overall financial and operational performance, and have an overall negative impact on execution of the development projects.

Furthermore, given the nature of the historic properties in Valletta, such properties typically have multiple owners and a complex and often complicated root of title, together with poor structural or environmental conditions. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the financial condition and results of operations of the Company.

2.4.2 Risks associated with conversion of, and re-development works on, acquired real estate.

The Company's business contemplates the conversion of, and re-development works on, real estate assets, exposing it to occupational health and safety risks and environmental risks associated with such activities. The nature of the Company's business requires compliance with applicable health and safety legislation and regulations. The failure to comply with such requirements, as well as any other applicable industry or technical standards could expose the Company to sanctions including administrative penalties, and criminal proceedings, as well as from third party claims for, among others, death, personal injury, sickness or other adverse conditions. In addition, failure to adhere with the applicable health and safety legislation and regulations could result in the suspension or revocation of permits and other authorisations held by the Company generally speaking or in respect of individual projects, which suspension or revocation could materially adversely impact the ability of the Company to commence or complete construction and development works over its immovable properties. If any such risk were to materialise, the operations and financial performance of the Company could be materially adversely affected.

Furthermore, the Company may become liable for the costs of removal, investigation or remediation of any hazardous or toxic substances that may be located on or in, or which may have migrated from, a property owned or occupied by it, which costs may be substantial. The Company may also be required to remove or remediate any hazardous substances that it causes or knowingly permits at any property that it owns or may in future own. Laws and regulations, which may be amended over time, may also impose liability for the presence of certain materials or substances or the release of certain materials or substances into the air, land or water or the migration of certain materials or substances from a real estate investment, and such presence, release or migration could form the basis for liability to third parties for personal injury or other damages. These environmental liabilities, if realised, could have a material adverse effect on its business, financial condition and results of operations.

There is also a growing expectation on businesses to conduct their business in a sustainable and environmentally conscious manner, including by taking proactive measures to reduce their carbon footprint, maximise the use of recycled and recyclable or biodegradable materials, reduce use of plastic, and increase the use of alternative means of energy, such as solar power energy. This trend is not only drawn from a growing concern surrounding the depletion of the natural environment and natural resources, the adverse effects of climate change, and the consequential negative effects of unsustainable practices, but also induced by legal and regulatory requirements. The failure of the Group to ensure that it satisfies environmental and sustainability laws and regulations, or meet market pressures and consumer expectations concerning sustainability could, in future, in the event of the introduction of measures aimed at fostering increased sustainability and environmental protection, have a material adverse effect on the Group's business, financial condition and/or results of operations, including a loss of business or business retention, exposure to regulatory fines, and inability of the Group to obtain the necessary permits or other authorisations to carry out its planned investments.

2.5 MATERIAL RISKS RELATING TO THE MANAGEMENT AND OPERATION OF IMMOVABLE PROPERTY

The Company and Group are exposed to risks relating to the management and operation of immovable property. These risks include, but are not limited to, the risks which are mentioned below.

2.5.1. Risks relating to the Company's dependence on rental revenues, and indirectly on the tenants and operators of the Company's underlying real estate assets.

The Company is dependent on the income generated by the underlying property owned or operated. The receipt of any rental income due and payable in respect of the underlying property, and the possibility that tenants may default on their rental obligations, creates a consequential risk for the Company in that it could cause a decline in the Company's income, its general financial performance and its ability to sustain dividend payments to shareholders.

There can be no assurance that tenants will not fail to perform on their obligations, whether due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond the Company's control. Such failures may have a material adverse effect on the financial condition of the Company, the results of its operations, and its prospects.
In particular, the Company is susceptible to the risk that:

- tenants may terminate, or elect not to renew, their respective lease agreements, and, if so, that new tenants of equivalent standing (or at all) will not be found to take up replacement leases;

- tenants with the benefit of contractual break rights may also exercise these to bring the lease to an end before the contractual termination date;
- even if renewals are effected or replacement leases concluded, there can be no assurance that such renewals or replacement leases will be on terms as favourable as those which exist now or before such termination, nor that the financial strength of tenants who renew their leases or new tenants who replace them will be equivalent to those now existing or existing before such termination;
- a number of existing and/or future leases expire at the same time or within a short period of each other, either with respect to any particular property or across all or a large number of properties, thereby concentrating any such occupancy risk within a limited time period; and/or
- during periods while the property is not rented or leased out, the Group will not receive the related rental income and may incur additional expenses until the property is re-let.

While the Group aims at diversifying its rental incomes portfolio (residential, commercial, retail, office), VBL's current business is predominantly focused on short-let hospitality rentals and long-let rentals.

The Group is exposed to tenants and operators engaged in the entertainment sector, with rental income generated from the properties situated in Strait Street, Valletta and known as the 'The Gut', making up *circa* 20% of the rental income revenue generated in FY2019 and *circa* 32% of the rental income revenue generated in FY2020.

The health of the retail rental market may have a direct or indirect effect on the ability of the Company to grant concessions on commercially attractive terms, if at all. The health of the retail rental market may be affected by a number of factors, including, *inter alia*, consumer demand, tastes, shopping preferences, trends, inflation, fluctuation in interest rates, exchange rates, financing costs, direct and indirect taxation, other rules and/or regulations, energy and fuel costs, transport, unemployment, wage rates, availability of credit and financing, government spending and budget priorities, local or government developments, and other general market and economic conditions specific to Malta, the EU, or the Mediterranean region. These are particularly accentuated owing to the size of the Maltese market and could be further accentuated because of the concentration risk to Valletta. A significant downturn in the performance of the retail sector or the tenants could have a material adverse effect on the Company's business, financial position and results of operation.

Beyond the risks relating to the composition of the rental income portfolio of the Company, the Company is also susceptible to the risks relating to the concentration of the Company's property portfolio used for leasing and hospitality activities in Valletta. Consequently, the Company's management and operations activities are dependent, in part, on the competitive strength of the Valletta market relative to other areas in Malta and overseas, which is subject to fluctuations in demand for, and supply of, properties in Valletta, as well as general market conditions pertaining to Valletta from time to time. A deterioration in the market conditions prevailing in the market for property in Valletta could have a material impact on the operations and financial performance of the Company.

2.5.2 Risks relating to the hospitality and tourism industry.

The Group's hospitality operations and the results thereof are subject to a number of internal and external factors that could adversely affect its business, many of which are common to the hospitality and tourism industry and beyond the Group's control. The impact of any of these factors (or a combination of them) may adversely impact room rates and occupancy levels at the Company's and the Group's residential properties, or otherwise cause a reduction in its revenue or profitability, which could have a material adverse effect on the Company's and the Group's business, financial condition and results of operations.
The following factors may have a negative impact on the hospitality and residential sectors of the Company's and the Group's business:

- changes in travel patterns or seasonal variations, as well as consumer preferences concerning price, quality, location, and type of hospitality packages, any increase in or the imposition of new taxes or surcharges or other expenses relating to air travel and fuel, and cutbacks and stoppages on Malta-bound airline or sea travel routes, as well as the imposition of travel restrictions, bans or other measures by the relevant authorities which could have a bearing on the number of tourists coming to Malta;
- changes in laws and regulations, including those concerning the management and operations of hotels and other hospitality establishments, employment, the preparation and sale of foods and beverages, health and safety, alcohol licensing, environmental concerns, fiscal policies, zoning and development, and the related costs of compliance which could affect the operations, or viability thereof, of the Group and its tenants;
- changes in laws and regulations affecting directly or indirectly the tourism and hospitality industries;
- the impact of increased threats of terrorism or actual terrorist events, impediments to means of transportation (including airline strikes and border closures, or other travel restrictions), extreme weather conditions, natural disasters, travel-related accidents, outbreaks of diseases and health concerns, or other factors that may affect travel patterns or even reduce the number of business and leisure travellers;
- the ability of VBL to attract positive peer reviews and achieve and maintain industry awards and rankings;
- increases in operating costs due to general market conditions, inflation, employment costs, workers' compensation and healthcare related costs, utility costs, increased taxes and insurance costs which could impact margins and could therefore impact the viability (or otherwise) of the operations of VBL and its tenants;
- socio-demographical changes (ageing markets, family life-cycles and changing structures), and economical changes (recessions, increase in oil prices and exchange rates);
- changes in the sales terms and conditions of main sales channels, the respective fees and commissions payable to intermediate operators; the termination, non-renewal and/or the renewal on less favourable terms of agreements entered into with local or international intermediaries, including tour operators, or other material agreements such as management or operation agreements, services agreements, travel agent or platform booking agreements, and other distribution channel agreements; and

- increased competition from providers of alternative accommodation, including accommodation made available by private individuals or via online peer-to-peer platforms, which individuals or platforms may offer alternative accommodation at more competitive rates than those of VBL; and
- health-related economic or social restrictions, including unprecedented and unanticipated government actions, and international restrictions affecting free movement of people and goods, similar to those witnessed during the year 2020 because of COVID-19.

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

2.5.3 Risks relating to the Company and the Group's dependence on VBLM and the key executive personnel that it provides.

The operations and profitability of the Company are dependent on management's performance. Management and support services are provided by VBLM to the Company in terms of a management services agreement, which agreement is currently valid for a term of three years from the date of listing of the Company on the MSE, or by 31 December 2024, whichever comes earlier. The majority of the issued share capital of VBLM is owned by the Executives and VBLM is also the largest direct shareholder in the Company, rendering it a related party to the Company. The Executives are considered key for the Company's and the Group's future strategy as they are the executives who have developed the skills, experience, relationship and contacts on which the Company's and the Group's future strategy relies. Should either party terminate the said management services agreement prior to the expiry of its term, or, should VBLM decides not to renew the agreement following the lapse of the term thereof, the Company would need to seek a new provider of management support services, or engage individuals to occupy executive management roles within the Company. There is a risk that the Company may be unable to replace the services provided by VBLM within a short period of time or on equal or more favourable terms. This could have a material adverse effect on the Company's and the Group's business and results of the respective operations.

2.5.4 Changes to the food and beverage and retail trade industry may have a negative impact on the ability for the Company to secure third-party tenants for a number of its commercial properties

The Company owns and leases a number of properties in Valletta which are operated by third party tenants in the hospitality and retail trade industry, specifically in the food and beverage sector. Accordingly, the Company's hospitality business is also subject to a number of risk factors that affect the food and beverage industry in general, including:

- general economic conditions of the market and changes in consumer confidence, disposable income and discretionary spending patterns;
- competition with respect to price, service, location, food quality and consistency; changes in demographic trends, traffic patterns and the type, number and location of competing catering establishments;
- health concerns, disease and potential litigation in relation to sanitary issues arising within outlets operated in the food and beverage industry;
- changes to the regulatory framework setting out the requirements and obligations applicable to, *inter alia*, catering operators and employers in general; and
- government restrictions on international travel, free movement of people, other economic or social measures aimed at countering the spread of the COVID-19 pandemic or similar situations in the future.

Adverse changes in one or more of these factors could reduce income generated at the catering and/or retail establishments owned by the Company but operated by third party tenants, which may in turn, reduce the willingness or ability of such third party tenants to renew or maintain existing tenancy agreements or to enter into new tenancy agreements for the operation of such properties.

2.5.5 The Company's business may be affected by currency fluctuations and fluctuations in the reference currency of the Company's principal tourist markets

Fluctuations in international currencies may render Malta as a less attractive vacation destination, which could have an effect on the operating performance of the Company. The Company's main tourist markets are the EU, North America and increasingly the Far East. A major tourist market for the Company's hospitality accommodation is the EU, representing an average of 80% of the average number of the Company's hospitality guests annually, equivalent to an average of 80-85% of the revenue generated by the Company's hospitality accommodation properties. The USD and Sterling's position against the Euro and other major currencies has weakened over recent years, owing to a number of economic and political factors, including Brexit. A prolonged and weakened position, or a further weakening of the USD, Sterling, Japanese Yen, or other major currencies may negatively impact the ability of the Company's hospitality accommodation properties to attract customers from these strategically important target tourist market. Such risk is similarly applicable in the case of other currencies susceptible to significant fluctuation, such as the Russian Rouble or Turkish Lira.

2.5.6 Risks relating to the Company's reliance on I.T. systems and other technology arrangements

As the Company's hospitality division utilises, and is increasingly dependent on, the efficient and uninterrupted operations of its computer systems, software and telecommunications networks, access to the internet, as well as the systems and services of other third parties (collectively, the "**I.T. Systems**"), its activities may become subject to a failure, disruption or other interruption of its I.T. Systems. Such event may arise as a result of a variety of factors that may be out of the Company's control, as a result of (without limitation) natural disasters, electricity outages and / or technical malfunctions which could be malicious, due to negligence or force majeure (including, but not limited to, the risk of cyber-attacks such as malware attacks, ransomware, phishing, hacking or any other form or type of cyber-attack, data theft or other unauthorised use of data, errors). In addition, service level agreements and disaster recovery plans intended to ensure continuity and stability of these systems may not necessarily prove adequate to avoid any type of disruption to the Company's business. If such failure, disruption or other interruption, even temporary, were to occur, the activities of the Company could be affected for the period of time for which such event subsists, which lack of access could adversely affect the Company's online reservation systems and its ability to deal with its stakeholders in a timely, proper and effective manner. Disruptions of this nature could adversely affect the Company's relations with suppliers, customers and other stakeholders, the results of its operations and its financial condition.

2.5.7 Risks relating to the collection, processing and storage of personal data

Whenever personal data is collected, processed and stored by the Company and the Group, the activity conducted is subject to the rules governing the processing of personal data in terms of the Data Protection Act (Cap. 586 of the laws of Malta), subsidiary legislation issued thereunder (collectively, the "DPA") and the GDPR.

The Company and the Group are subject to a number of obligations concerning the processing of personal data under such regulation which if breached, could result in the Company being liable to fines that could affect the financial position of the Company.

The Company and the Group in general has adapted its internal procedures to comply with the DPA and the GDPR. However, the Company remains exposed to the risk that personal data collected could be damaged, lost, disclosed or otherwise unlawfully processed for purposes other than as permitted in the DPA and the GDPR. The possible damage, loss, unauthorised processing or disclosure of personal data could have a negative impact on the activity of the Group's activities, including the need to incur costs for adapting to new regulations.

2.6 MATERIAL RISKS RELATING TO THE COMPANY'S AND GROUP'S GENERAL BUSINESS OPERATIONS

The Company and Group are exposed to risks relating to their respective general business operations. These risks include, but are not limited to, the risks which are mentioned below.

2.6.1 The Company's business is vulnerable to various variable and/or increased operational costs and may be unable to react to such increases in view of contractually fixed revenues in certain segments of its operations.

The Company's operating and other expenses could increase without a corresponding increase in turnover or revenue due to the nature of the projects undertaken or other external market conditions, which might not be offset by the Company in the course of its operations. The factors which could materially increase some operating and other expenses include: general market conditions; change in exchange rates; customs and import tariffs; subcontractors' availability or their operational environment; increases in the rate of inflation, in particular where the income stream of the Company does not increase correspondingly or is generated in a different currency or expected to realise in a different timeline, than the timing of the actual costs incurred; increases in property fees, charges and taxes and other statutory or regulatory charges; changes in laws, regulations or government policies; environmental or other regulations; increases in insurance premia; unforeseen increases in the costs of improving and/or maintaining properties; unforeseen capital expenditure, execution risks, delays or environmental risks; reputational risks and execution, strategic and business risks materialising; and unanticipated expenses as a result of acts of nature and their consequences.

Such increases could have a material adverse effect on the Company's financial position and operational performance.

2.6.2. The Company's business exposes it to certain fixed costs, which may not be reduced in the short-term.

In addition, a significant portion of the Company's costs is fixed, and operating results are accordingly vulnerable to short-term changes in its revenues. The Company's inability to react swiftly to changes in its revenue by reducing its operating expenses could have a material adverse effect on its business, financial position and results of operation.

2.6.3 Risks inherent in property valuations

The assets of the Company consist mainly of immovable real estate, which is inherently difficult to value with certainty. More specifically, the Company has significant exposure to the real estate market in Valletta. While this is a market with very specific attributes and which may or may not depend on the rest of the market conditions of this industry in Malta, there is a potential risk that the price at which an asset has been valued before may not be realisable in the event of sale at a later point in time.

Due to their nature, investments in immovable property are relatively illiquid and more difficult to realise than most equities or bonds traded publicly. If an asset cannot be liquidated in a timely manner, then it may be harder to attain a reasonable price. The Company's business strategy which focuses on development and renovation of larger real estate blocks sometimes resulting in general rehabilitation of entire neighbourhoods, also imposes a factor or uncertainty when assessing individual asset values during the process cycle.

The Company's main market of operation is Valletta, which is a UNESCO world heritage site, and is a protected, unique and fortified city. Real estate assets of this kind are inherently difficult to value due to the individual nature of each property and the unique environment in which they are found. As a result, the property valuations are subject to a level of uncertainty and are a matter of an independent valuer's opinion and actual market conditions. There is no assurance that the estimates resulting from the valuation process will reflect the actual sale price even where a sale occurs shortly after the valuation date.

In providing a market value of the property, the independent architect has made certain assumptions which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends, as reality may not match the assumptions (in particular, when there has been limited transactional evidence against which property valuations can be benchmarked) or due to other changes such as deterioration in market and economic conditions and heightened market and financial markets volatility. There can be no assurance that such valuation of property and property-related assets will reflect eventual actual market values, or that the estimated yield and estimated annual rental income will prove to be attainable, even where the disposal or lease of such property occurs only shortly after the relevant valuation date. Furthermore, if the Group acquires properties based on inaccurate valuations, the Group's net assets and results of operations may be materially adversely affected. In addition, property valuations are dependent on the level of rental income receivable and anticipated to be receivable on that property in the future and, as such, declines in rental income could have an adverse impact on revenue and the value of the Group's properties.

Furthermore, in view of the rapidly changing market and economic conditions and volatility induced by the COVID-19 pandemic, the inherent difficulties associated with property valuation are even more acute in the prevailing circumstances, and the estimated value of the portfolio of assets of the Group may be subject to a number of underlying assumptions that are subject to change and which may or may not materialise.

Malta is experiencing an uncertain and unpredictable real estate market, which has reportedly reduced the level of transactions, even though it has not had a significant impact on actual market prices. This has led to "valuation uncertainty" (as defined in the European Valuation Standards 2016, and in line with the Kamra tal-Periti Valuation Standards COVID-19 Guidance Note (May 2020)). Such valuation uncertainty is not measurable, because the only reliable inputs and metrics available for the valuation are likely to relate to the market before the event occurred, and the impact of the event on prices will not be known until the market has stabilised. Accordingly, a higher degree of caution should be attached to the current property values than would normally be the case.

2.6.4 The Company may not be able to secure sufficient project financing

Historically, the Company has financed its operations from shareholders' and other own funds. More recently, external funding from third-party investors has been pursued and obtained. Although historically the Company refrained from taking on borrowings from financial institutions, given the dampened economic and market conditions which the Company found itself constrained to operate in during FY2020, the Company has sought and obtained a mid-term working capital loan under Malta Development Bank ("**MDB**") COVID-19 Guarantee Scheme (CGS), a subsidised financing scheme aimed at helping businesses facing cashflow disruptions due to the effects of the COVID-19 to meet working capital requirements. In addition, the Company remains in discussions with potential banking partners for the latter to grant additional credit facilities to the Company that would enable it to fund its expansion and development plans. The Company may also, from time to time, require additional external financing for the continued operation of its business and investments, including the acquisition or development or improvement of existing or new properties, on commercially reasonably terms. Such future borrowings might be carried out on the local or international banking market, via private placements and/or via publicly traded instruments.

No assurance can be given that sufficient financing will be available on commercially reasonable terms. If such financing were to be obtained, the Company may be subject to various restrictive covenants and undertakings, including covenants relating to maintaining pre-established financial ratios, restrictions on the granting of security over its immovable properties or other assets, and/or undertakings to obtain the prior approval of its financiers to carry out pre-defined activities. Such restrictions, or the inability of the Company to obtain the necessary approvals from its financiers, may have an adverse effect on the business, operations and strategic development plans of the Company.

In addition, the Company may be exposed to a variety of financial risks associated with the unpredictability inherent in financial markets, including market risks (such as the risk associated with fluctuations in fair values of investments), credit risk (the risk of loss by the Company due to its debtors not respecting their commitments), foreign exchange rate risk, and interest rate risk (such as the risk of potential changes in the value of financial assets and liabilities in response to changes in the level of market interest rates and their impact on cash flows). Any downturn or weakness in the capital markets or banking environment may limit the Company's ability to raise capital for completion of projects that have commenced or for the developments of future properties. Failure to obtain, or delays in obtaining, the capital required to complete current or future development and improvement projects on commercially reasonable terms, including increases in borrowing costs or decreases in loan availability, may limit the Company's growth and adversely affect its business, financial condition, results of operations and prospects.

2.7 Impact of the recent COVID-19 pandemic on the Company's general business operations

On 30 January 2020, the World Health Organisation declared the outbreak of a novel strain of coronavirus (now commonly referred to as 'COVID-19') to be a public health emergency of international concern, and subsequently escalated its characterisation as a global pandemic on 11 March 2020.

As a direct result of the spread of COVID-19, global economic activity has experienced a general downturn, with certain industry sectors and market segments having been affected more harshly than others. The tourism and hospitality sectors have emerged as two of the sectors affected most severely.

In addition, government and health authorities across the world, including the Maltese, have resorted to the implementation and enforcement of various preventative and containment measures, including the imposition of total lockdowns, partial lockdowns, closure of non-essential outlets (including, in particular, retail outlets and catering establishments) and other restrictive measures such as rules on travel bans, self-quarantine and social distancing. Although the Government of Malta and other relevant stakeholders, such as the MDB and Malta Enterprise, have launched and administered a variety of economic incentives and financial assistance schemes as a direct result of COVID-19 (including but not limited to the COVID-19 wage supplement, banking guarantees and teleworking grants), there can be no assurance as to the extent and duration over which such incentives and schemes shall be continued. Moreover, even if such incentives and schemes were to be continued, there can be no guarantee that the Group entities or the Company would meet the eligibility criteria to benefit therefrom.

The continued or renewed imposition of preventative and containment measures has had, and is expected to continue to have, a negative impact on the expectations relating to the hospitality establishments to be managed and operated by the Group, with the susceptibility to the risk of reduced occupancy rates, price reductions, and a reduction in revenue. Moreover, the Group's revenue generated from its property investment and development activities may be negatively impacted through a reduction in price of its units held for resale or leasing to third-parties, as well as the risk of a downward shift in demand, frequency and volume of such revenue-generating property transactions. The Group's property development activities may also be suspended, delayed or abandoned altogether due to directives which may be issued by the relevant public and health authorities.

Beyond the direct economic impacts of COVID-19, the pandemic also poses significant challenges to the continuity, efficacy and proper functioning of the day-to-day operations of the Group. A spread of such disease amongst the employees of the Group, as well as any self-quarantine measures affecting the employees of the Group or the Group's properties, may negatively impact the ability of the Group's personnel to carry out their work at full-functionality or capacity, and thereby negatively affect the Group's operations. The operational risk caused by COVID-19 measures on the Group could have an adverse effect on the Group's operational results, the continuity and effectiveness of its day-to-day operations, its financial condition and performance and its liquidity.

The exact depth and duration of the COVID-19 pandemic and its financial and economic effects are inherently difficult to predict with any degree of accuracy. Consequently, the Company and the Group's business, operations, and financial performance remain susceptible to the risk relating to the uncertainty surrounding the constantly changing circumstances within which it finds itself operating in, as well as the risks of the effects of the corresponding restrictive or prohibitive measures that have been, and may in the future, be introduced as a result thereof or in connection therewith. While certain effects of the COVID-19 pandemic have been or are expected to be temporary, the full extent of the impacts of the pandemic are unknown, evolving and likely to continue for the immediate future. While the Group continues to monitor and assess the impacts of COVID-19, the extent to which this or future pandemics may impact the Group's business, results of operations, financial condition and overall performance, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic, availability of appropriate vaccines, and actions taken by government authorities and other third parties in response to the pandemic.

Any of the above factors could have an adverse effect on the Group's operational result, financial position and performance and trading prospects.

3. IDENTITY OF DIRECTORS, ADVISORS AND AUDITORS OF THE COMPANY

3.1 DIRECTORS OF THE COMPANY

As at the date of this Registration Document, the Board of Directors of the Company consists of the following persons:

NAME	DESIGNATION	DATE OF APPOINTMENT
Andrei Imbroll (Maltese identity card number 531778M)	Chairman and Executive Director	18 April 2012
Geza Szephalmi (Maltese identity card number 67571A)	Chief Executive Officer and Executive Director	18 April 2012
Julian Tzvetkov (Maltese identity card number 157717A)	Chief Operating Officer and Executive Director	31 May 2013
Artur Haze (Swedish passport number 35393493)	Non-executive Director, member of the Audit Committee	14 September 2020 *(Artur Haze was previously director between 2012-2016)*
David Galea Souchet (Maltese identity card number 0348390M)	Independent, Non-executive Director, member of the Audit Committee	23 March 2021
Csaba Bato (Hungarian identity card number 934513TA)	Independent, Non-executive Director, Chairman of the Audit Committee	23 March 2021
Isabella Vella (Maltese identity card number 564564M)	Independent, Non-executive Director, member of the Audit Committee	23 March 2021

The business address of the Directors is the same as that of the Company.

The Company Secretary is Dr David Meli (identity card number 253583M) of 60/6, Windsor Street, Sliema SLM 1855, Malta.

3.2 RESPONSIBILITY AND AUTHORISATION STATEMENT

The Directors of the Company, whose names appear in section 3.1 above, are the persons responsible for the information contained in this Registration 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 Registration Document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

In this Registration Document, the Property Valuation Report referred to in section 22 has been prepared by architect Dr Edwin Mintoff, Architect and Civil Engineer B.E.&.A (Hons), PhD (Newcastle) A.&.C.E, at the request of the Company. Dr Edwin Mintoff has given, and has not withdrawn, his consent for the condensed version of the Property Valuation Report to be included in this Registration Document as Appendix II in the form and context in which it appears.

Any information which has been sourced from a third party has been reviewed by the Directors, who have taken reasonable care to ensure that such information has been accurately reproduced and that as far as the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company has made reference to information published by third parties, including but not limited to Malta Business Registry, the National Statistics Office (NSO) of Malta, the Malta Stock Exchange, BDO, EY, Deloitte Limited, Camilleri Preziosi, Forward Limited, EuroStats, and other public sources.

This Registration Document has been approved by the Listing Authority, as the competent Authority in Malta under the Prospectus Regulation. The Listing Authority has only approved this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be construed or considered as an endorsement of the Company that is the subject of this Registration Document, or of any transferable securities issued by the Company.

3.3 ADVISORS TO THE COMPANY

LEGAL COUNSEL

Name:	Camilleri Preziosi
Address:	Level 3, Valletta Buildings, South Street, Valletta VLT 1103, Malta.

SPONSOR, MANAGER AND REGISTRAR

Name:	Rizzo Farrugia & Co (Stockbrokers) Ltd.
Address:	Airways House, Fourth Floor, High Street, Sliema SLM 1551, Malta

FINANCIAL ADVISERS

Name:	Deloitte Services Ltd.
Address:	Deloitte Place, Triq L-Intornjatur, Zone 3, Central Business District Birkirkara CBD 3050, Malta

3.4 STATUTORY AUDITORS

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

BDO Malta is a firm registered as a partnership of certified public accountants holding a practising certificate to act as auditors in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta), with accountancy board registration number AB/26/84/06.

4. INFORMATION ABOUT THE COMPANY

4.1 GENERAL INFORMATION

Legal & commercial name of Company:	VBL p.l.c.
Registered address:	54, Marsamxett Road, Valletta, Malta
Place of domicile & registration:	Malta
Registration number:	C 56012
Legal Entity Identifier (LEI):	485100EOK8ED6FMU4R55
Telephone number:	00356 27133344
Email:	info@vbl.com.mt
Website:	www.vbl.com.mt*

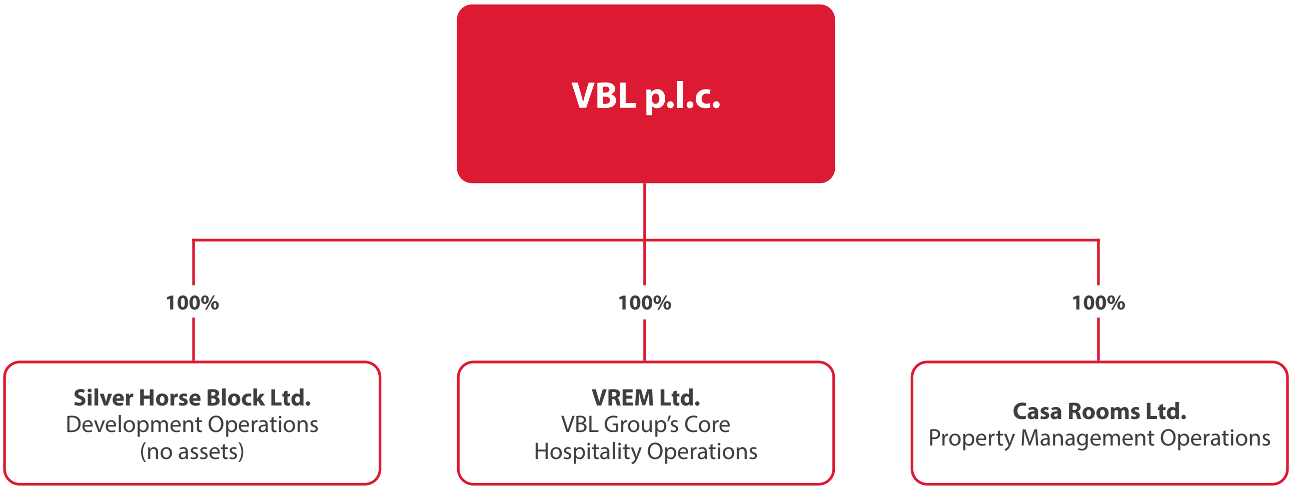
Date of Incorporation:	18 April 2012
Status:	Public limited liability company registered in terms of the Act.

**The information on the website of the Company does not form part of this Registration Document.*

4.2 ORGANISATIONAL STRUCTURE

The Issuer was established as a private limited liability company in Malta on 18 April 2012 and commenced operations in that same year as an investor in individual units of immovable property in the city of Valletta.

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



On 14 September 2020, following completion of the Group Restructuring described in section 4.4 below, the Company was converted from a private limited liability company to a public limited liability company in terms of the Act.

As at the date of this Registration Document, the Company is the parent company of the Group.

The Company owns a significant amount of real estate property and is not dependent in any manner on any of the entities within the group of companies of which it currently forms part. The Company has three fully owned subsidiaries:

- **VREM Ltd**, which is the Group's main hospitality and property management company;
- **Casa Rooms Ltd**, a property management business, which is a leading operator of third-party property in the short-let and long-let markets in Malta, a recent acquisition as explained in further detail in section 5.6.3 of this Registration Document; and
- **Silver Horse Block Ltd**, a 100% owned, yet inactive development project company, with no assets or activity as of the date of this Registration Document.

VBL is also a related party to VBLM, which provides management support services to VBL. This is explained in detail in section 4.5 below. Until such time as such agreement remains in force, the Company is, in so far as the management and operation of its assets are concerned, dependent on VBLM.

4.3 SHAREHOLDING OF THE COMPANY

The issued share capital of the Company as at the date of this Registration Document is held as to: 41.15% held by third-party investors (in the proportion set out in the table hereunder); 38.85% by the Executives; and the balance of 20% by VBLM (with the Executives being the majority shareholders of VBLM, holding in aggregate 95% of the issued share capital of VBLM and Raniark holding the remaining 5% thereof). VBLM acts as the management company of the Group that provides a number of management services to the Issuer and the Group including, *inter alia*, the services of Executive Directors heading the executive management of the Issuer (See section 4.5 below).

The shareholding of the Company as at the date of this Registration Document, is as follows:

VBL PLC - SHAREHOLDING STRUCTURE

Investor	%
Executives	
Andrei Imbroll	16.05%
Geza Szephalmi	17.58%
Julian Tzvetkov	5.22%
VBLM Limited	20.00%
Other Selling Shareholders	
Raniark Limited	19.14%
Perprop Limited	3.57%
Petrolsped (Malta) Limited	6.52%
Sorbusenco Enterprises Limited	9.84%
David Bene	0.34%
Maria Matyas & Donogany Gergely	0.80%
Other shareholders	
Unicap ZRT	0.14%
Wygen Limited Laibility Company	0.40%
Requality Construction Company Limited	0.06%
Revnastrade Bulgaria EOOD	0.20%
Arpad Hajnoczy	0.13%
Total	**100.00%**

Following the completion of the New Shares Offer (and the admission of the Company's Shares to the Official List), the Company's status as the parent of the Group will remain unchanged, but the current shareholding structure will be modified as a result of the transaction. The Selling Shareholders are participating in the Sale Shares Offer on a *pro rata* basis, only in the case when the New Shares Offer targeted maximum of €10.0 million is fully subscribed. Any oversubscription for shares above the New Shares Offer will be allocated to Sales Shares Offer, up to a maximum of €10.0 million, as is further set out in Annex II to the Securities Note.

It is expected that following the completion of the New Shares Offer and, if such is oversubscribed, the Sale Shares Offer, and the admission of the Shares to listing and trading on the Official List, the shareholding structure of the Company will be as follows:

Shareholder	% of issued share capital prior to IPO	% of issued share capital after New Shares Offer	% of issued share capital after both Offers
Executives	38.85%	31.52%	26.58%
VBLM	20.00%	16.22%	13.68%
Other Selling Shareholders*	40.21%	32.62%	27.50%
Other shareholders	0.94%	0.76%	0.76%
Investors under CLAs**	-	2.50%	2.50%
Sellers of Coliseum	-	3.78%	3.78%
Investors in New Shares Offer	-	12.60%	25.19%
Total	**100.00%**	**100.00%**	**100.00%**

** Of these, following the IPO (prior to assuming any take-up of the Sales Shares Offer), the only Selling Shareholder who is expected to hold more than 10% of the issued share capital of the Company is Raniark Limited.*

*** Convertible Loan Agreements, described further below in this section 4.3.*

In light of the above, for the purposes of Listing Rule 3.26.2 it is hereby noted that:

a. following issuance of the New shares Offer, the proportion of Shares deemed to be held in public hands shall be a minimum of 27.62% and a maximum of 36.74%; and
b. following the Sale Shares Offer (in case of over-allotment of the New Shares Offer, the proportion of Shares deemed to be held in public hands shall be a minimum of 36.74% and a maximum of 46.65%.

Locked-In Shareholders

On 12 July 2021, the Company and each of the Locked-In Shareholders[2] entered into Lock-In Agreements pursuant to which the Locked-In Shareholders undertook, for a period of twenty-four (24) months from the date when the Shares are admitted to listing on the Official List, not to offer, sell, grant any option, right or warrant to purchase over or otherwise transfer, assign or dispose of, any of the Shares in the Company retained by them as at the date on which, following closing of the Offer in terms of the Prospectus, the transfer of the Sale Shares in terms of the Sale Shares Offer shall have been effected (the "**Lock-In**"). The Lock-In is subject to limited exceptions as described in the Securities Note.

Convertible Loan Agreements and conversion upon IPO

As part of the VBL's Group strategic growth and development programme, the Company entered into four convertible loan agreements between 2019 and the first quarter of 2021, in an aggregate principal amount of €1.815 million (the "**Convertible Loans**" or "**CLAs**"). The Convertible Loans provide for a conversion mechanism in terms of which the principal amount advanced to the Company thereunder shall be converted, in full and final settlement of all amounts due by the Company to the relevant lender under the Convertible Loans, into ordinary shares in the issued share capital of the Company (the "**Conversion Shares**"). The number of Conversion Shares to be issued and allotted pursuant to the conversion of the Convertible Loans is determinable in accordance with the conversion formula set out in the convertible loan agreements by dividing the principal amount of the loan outstanding (together with a premium, where applicable) by the conversion value equivalent to the Offer Price (that is, the Offer Price as defined in the Securities Note). Accordingly, within a period of 30 Business Days from the date of admission of the Shares on the Official List, the Convertible Shares shall be issued and allotted in favour of the borrowers entitled thereto under the Convertible Loans, in the proportions as set out in the table hereunder, and shall form part of the same class of ordinary shares of the Company admitted to listing on the Official List:

Lender	Convertible Loan amount	Conversion Shares (assuming 31 July 2021 conversion)
Alpine Holdings Limited (C2745)	€1,000,000	3,963,307[3]
Zoltán Norbert Bernáth	€500,000	2,139,922[4]
Péter Karikás	€100,000	408,023[5]
Thomas Cremona[6]	€215,000	581,765

Coliseum Promise of Sale Agreement

In addition, the Company entered into a promise of sale agreement on 1 October 2019, pursuant to which it promised to acquire from Pace Brothers p.l.c. (C 253), a number of immovable properties that are adjacent to one another or within close proximity, which together are collectively known as the 'Coliseum Building', situated in Zachary Street, Valletta (the "**Coliseum POS**"). In terms of the Coliseum POS, the Company agreed, *inter alia*, to pay part of the consideration in kind, by way of the issue and allotment of such number of ordinary shares in the issued share capital of the Company in an amount equivalent to €3 million, with the amount of new ordinary shares to be issued and allotted in favour of Pace Brothers p.l.c. determinable on the basis of the Offer Price (as defined in the Securities Note). Accordingly, in terms of the Coliseum POS, and subject to the entry into the final deed of sale, a total of 10,714,286 ordinary shares shall be issued and allotted in favour of Pace Brothers p.l.c. upon signing of the said final deed, which is expected to take place immediately following admission to the listing of the entire issued share capital of VBL to the Official List.

4.4 GROUP RESTRUCTURING

At inception, the Company was established as a private limited liability company. As part of a group restructuring exercise, the salient aspects of which are set out in this section hereunder, the status of the Company was converted to that of a public limited liability company with effect from 14 September 2020.

Immediately prior to the Group Restructuring:

- the authorised and issued share capital of the Company consisted of €609,198, divided into 607,980 ordinary 'A' shares of a nominal value of €1.00 each share and 1,218 ordinary 'B' shares of a nominal value of €1.00 each share, each share fully paid up.

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2 *The Locked-In Shareholders are those Selling Shareholders listed in Annex II of the Securities Note, being those Selling Shareholders who will retain ten per cent (10%), or more, of the issued share capital of the Company after the allocation of the Offer Shares pursuant to the Offers.*

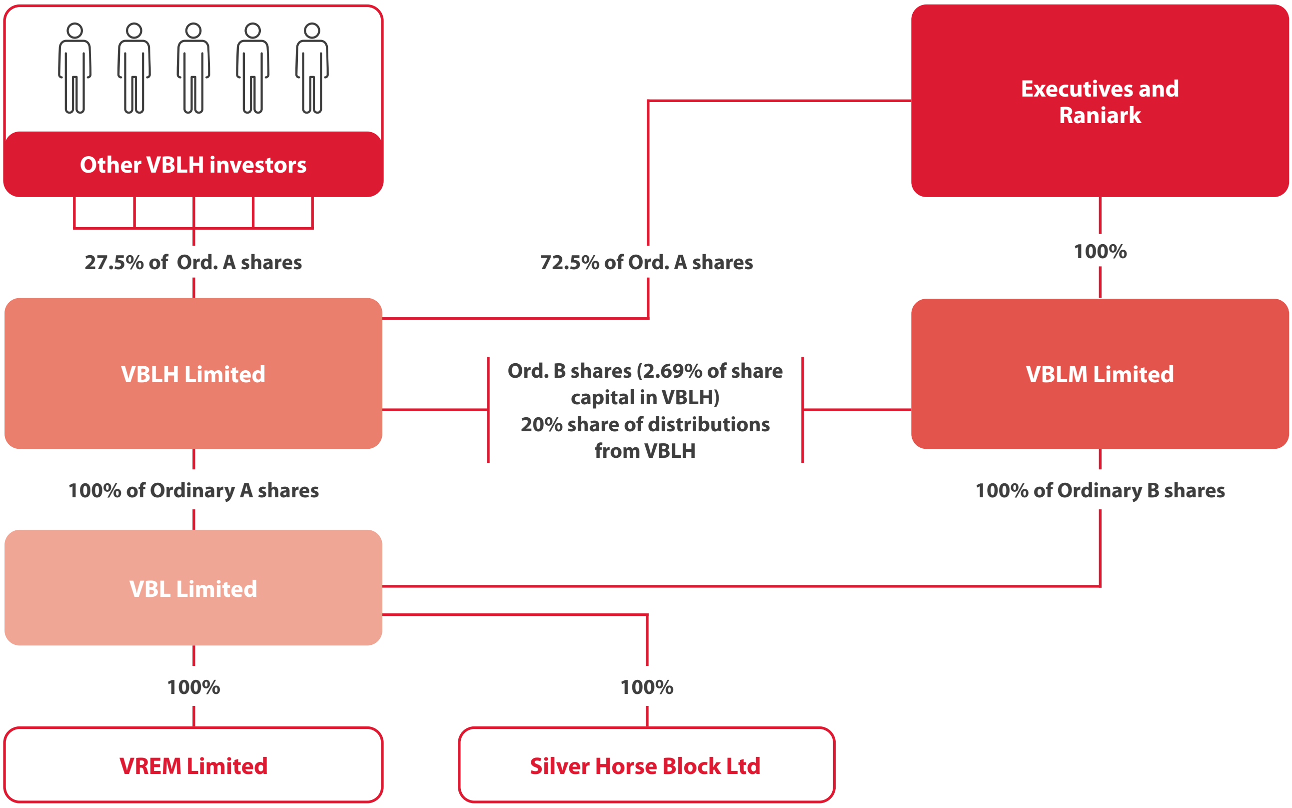
3 *Alpine Holdings Limited is entitled to a premium of 10%, that is, an amount equivalent to 10% of the principal amount of the convertible loan, together with interest accrued to date on conversion, which premium is calculated pro-rata per annum.*

4 *Zoltán Norbert Bernáth is entitled to a premium of 10%, that is, an amount equivalent to 10% of the principal amount of the convertible loan, calculated pro-rata per annum.*

5 *Péter Karikás is entitled to a premium of 10%, that is, an amount equivalent to 10% of the principal amount of the convertible loan, calculated pro-rata per annum.*

6 *The principal amount of €215,000 was advanced by Thomas Cremona (as lender) to the Company (as borrower) in terms of a convertible loan agreement entered into on 12th January 2021 simultaneously with a share purchase agreement between Thomas Cremona (as seller) and the Company (as buyer), pursuant to which the Company acquired the issued share capital of Casa Rooms Ltd. In terms of such agreements, the amount paid by the Company in consideration for the said share transfer was lent back to the Company and is being converted into Conversion Shares according to the conversion mechanism stipulated therein.*

- the authorised share capital of VBLH consisted of €6,129,308 divided into 6,009,125 ordinary 'A' shares of a nominal value of €1.00 each share and 120,183 ordinary 'B' shares of a nominal value of €1.00 each share. The issued share capital of VBLH consisted of 4,342,495 ordinary 'A' shares of a nominal value of €1.00 each share and 120,183 ordinary 'B' shares of a nominal value of €1.00 each share, with the shareholding structure of VBL and VBHL being comprised as per structure chart below:



As a result of the Group Restructuring, and following a redesignation of the nominal value of the shares of the Company, at the annual general meeting of the Company held on 3 April 2020, the shareholders of VBL resolved to approve:

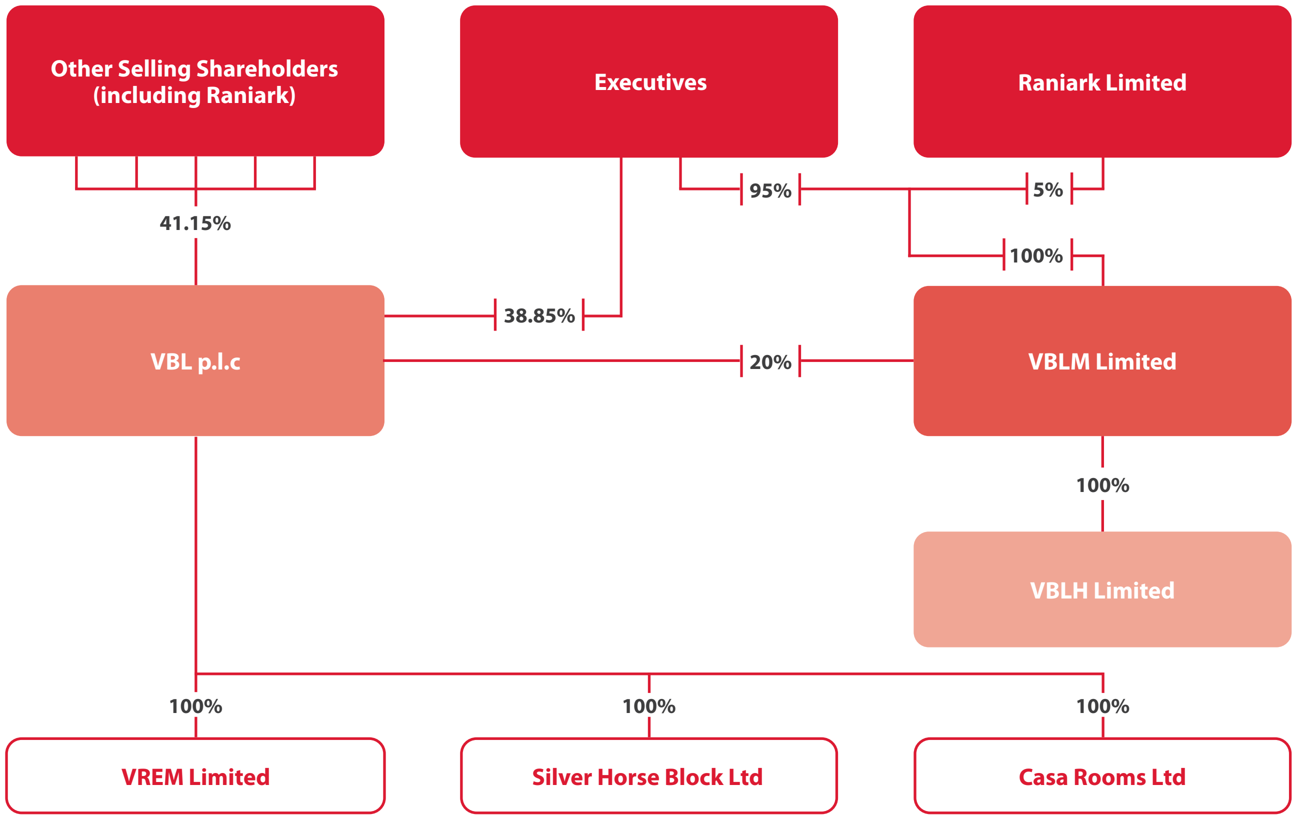
i. a share split of 5:1, whereby each ordinary share of €1.00 per share was split into five ordinary shares of €0.20 each. In addition, the shareholders of the Company approved a bonus issue of ordinary shares to all shareholders *pro rata* to their existing holdings of ordinary shares in the Company, through which the issued share capital of the Company was increased to €46,000,000; and

ii. an increase in the authorised share capital to €66,000,000

with the result that as at the date of this Registration Document, the Company has an authorised share capital of €66,000,000 divided into 330,000,000 ordinary shares of a nominal value of €0.20 per share, and an issued share capital of €46,000,000, divided into 230,000,000 ordinary shares of a nominal value of €0.20 per share, fully paid-up.

Furthermore, at an extraordinary general meeting of the Company held on 1 July 2020, the shareholders of the Company approved the change in status of the Company from that of a private limited liability company to that of a public limited liability company. The change in status was effected as from 14 September 2020. Upon conversion of the Company's status, the Company's name also changed from "VBL Ltd." to "VBL p.l.c.".

Following completion of the above, the shareholding structure of the Group is as follows:



4.5 MANAGEMENT AND SUPPORT SERVICES AGREEMENT WITH VBLM

Since its foundation, the Group has been managed by a dedicated management company, VBLM. VBLM is also a shareholder of the Company and is itself owned, managed and controlled by the Executives. Its sole activity is the management of the VBL Group. The provision of management services by VBLM to the VBL Group was formalised by means of a master management and services agreement entered into between VBLM, the Company and VBLH on 1 January 2017. Subsequently, this agreement was substituted by a management services agreement between VBL and VBLM, to reflect the fact that VBLH no longer holds operational subsidiaries and assets of the VBL Group, effective from 1 January 2021 (the "**Management Services Agreement**").

Pursuant to the Management Services Agreement, VBLM provides the Company, and other entities falling within the Group, with, *inter alia*, the following senior and strategic management and support services:

i. implementing the short, medium and long-term strategy;
ii. overseeing the running of the Group and ensuring that this is in line with the strategy, objectives and business plan of the Group;
iii. engaging or employing highly skilled or qualified managers or other individuals or contractors as may be required from time to time, in relation to the senior management of the Group;
iv. advising the Group on real estate opportunities or other operational matters which present themselves on the market;
v. promoting the services and products offered by the Group; and
vi. undertaking any other service which the Group may require from time to time in order to achieve its objectives, including providing highly skilled professionals to serve as members of senior management and / or to occupy board positions.

The remuneration due by the Company to VBLM under the Management Services Agreement is comprised of a combination of fixed and variable remuneration, as follows: a Retainer Fee (fixed annual fee, adjusted annually in line with the official inflation index published by the NSO), a Variable Fee (equivalent to 50% to 100% of the Retainer Fee, for achievement of agreed-upon specific tasks, payable annually following evaluation and approval by the Board of Directors; and a Performance Fee (related to the achievement of the mid- and long-term value growth achieved by VBLM, in an amount equivalent to 10% of the incremental difference of the market capitalisation value as at the time of the IPO and as at expiry or early termination date of the Management Services Agreement, as applicable.

The remuneration payable to the Executives for the fulfilment of their executive management functions is paid out from the management fees payable by VBL to VBLM pursuant to the Management Services Agreement).

The Management Services Agreement is aimed at ensuring that the senior executive management team, which has steered VBL in attaining successful growth and development since the inception of the VBL Group in 2013 and who have been key to establishing sound and stable operations that has resulted in the prevailing financial and strategic market positioning of the Company, remains on board during the initial post-IPO phase and is committed to deliver the strategic objectives of the Company in line with strategic development plans. This element of continuity is considered by the Board of Directors to be in the best interests of the Company and the VBL Group, supporting the continuation and evolution of its existing well-established structure, and to further implement the Company's business strategy and growth, while mitigating risks associated with key personnel and senior management.

In terms of the Management Services Agreement, VBL retains the authority, at its sole and absolute discretion, to terminate the Management Services Agreement in the event that VBLM fails to perform its material obligations thereunder, and fails to remedy the same within the allowed cure period, including failure to meet the pre-defined objectives, deliverables and / or key performance indicators imposed upon VBLM. In case of any termination event, measures are to be maintained to ensure a smooth transition, and VBLM is required to continue to provide the management and support services until a suitable replacement is engaged by the Company.

The Management Services Agreement is effective as from 1st January 2021 and is valid for an initial period of three (3) years until 31st December 2024. This agreement may be extended thereafter, subject to agreement between the parties.

VBLM shall report to the Board of Directors on the performance and delivery of the management and support services in accordance with the internal rules and procedures that may be implemented by the Board of Directors from time to time for this purpose. Moreover, the Board of Directors shall review and evaluate the performance of VBLM on an annual basis, as a minimum. Any changes to the terms of the Management Services Agreement are subject to the vetting and approval of the Audit Committee.

5. BUSINESS OVERVIEW

This section sets out information about the business of the Company and the Group:

5.1 STRATEGY

The Group's overarching objective is the investment, development and operation of real estate, focused in the city of Valletta, where it has developed into one of the largest private investors (by number of developed residential units, finished residential units, available development units, and the number of individual owned properties in Valletta, to the best of the Issuer's knowledge) and operators of properties focusing exclusively or predominantly on the hospitality, retail and office segments of the Valletta market. The Group also aims to continue to grow and strengthen its market position and to generate an above average return to the Company's shareholders, through expansion on its core market resulting in growing and diversified recurring rental income, appreciation of acquired assets, and capital gains through the development and disposal of select assets.

The Group's strategy is premised upon five core pillars:

i. **Acquire:** acquisition of dilapidated property, often characterised by legacy tenants, complex legal issues and complexities surrounding title to property, which are acquired at commercially attractive prices;
ii. **Conceptualise:** a dedicated specialist in-house project team designs and formulates a unique concept for each property, taking into account the property's unique and defining features and the added value to be generated for the vicinity and neighbourhood;
iii. **Restructure:** unlocking value through the resolution of legacy and title complexities to create an up-lift in development potential;
iv. **Develop:** construction and finishing works are outsourced to third-party contractors, whilst maintaining control over quality control and delivery management; and
v. **Operate:** finished properties are predominantly held for rental (short-lets and long-lets), in line with the corporate strategy of attaining a minimum target yield over the lifetime of the developed property.

The Group's strategy involves creating a diverse portfolio of operational and development assets, consisting of hospitality (accommodation) assets, for both short and long-term lets and commercial real estate, consisting of retail, entertainment and office space. Most assets are typically acquired in a dilapidated state at attractive commercial terms, which are subsequently developed, renovated and converted into assets aimed at creating recurring cash flows from rental payments and other related services through the management and operation of those assets.

The Group aims to focus on the renovation and / or regeneration of entire blocks (and neighbourhoods) as opposed to single-unit renovations, allowing the Group to achieve significantly better value creation and higher returns on its investment, whilst also enabling an enhancement to the residential environment for the local community and residents of these areas.

This strategy leverages the depth of expertise of existing executive management in having a clear, focused strategy, proven execution skills, an innate understanding of the dynamics of the Valletta real estate market, and the ability to conclude acquisitions at commercially attractive terms, the Group's ability of renovating and converting those real estate assets within planned timelines and within budget, and the Group's experience and expertise at managing those assets to generate recurring revenues.

Since its inception, the Group's strategy has always envisioned that considerable opportunities for consolidation of the Valletta hospitality market, to date consisting of a variety of small market players, would arise. The COVID-19 pandemic has accelerated the necessity and opportunity for such consolidation. Against this background, the Group has sought to leverage the unprecedented opportunities that have arisen through the roll out of a revenue sharing operational model in respect of key partnerships with owners or lessees of small hotels and residential property situated in Valletta. To this end, the Group has developed and introduced a value-adding proposition for this sub-segment of the market, which proposition has already garnered significant interest from major market players over the course of FY2020.

5.2 MATERIAL INVESTMENTS

The Company's material investments are primarily focused on its property acquisitions and development projects and therefore follow the typical project cycle of the Company's projects.

VBL Group's Investment Property (IP) portfolio has continued to develop throughout the years 2017 to 2020. In addition to the direct investments in new and existing properties presented below, the Company has continued to unlock significant value from its existing portfolio by restructuring its assets, performing legal and technical cleaning, and emptying and relocation of existing tenants. Whilst such technical and legal improvements have resulted in significant uplift of the fair market value of the Group's investment property, such value is not always reflected in the actual cash used in investing activities, as captured by the applicable accounting standards.

The rate of actual capital expenditure investment varies year-by-year, as VBL's growth cycle is determined by the nature of its property cycle, from negotiations, preparation and structuring, to acquisition, development permit application and approval, renovation and finishing of the development, and finally operation of the final product, which ultimately represents a fully valued operational asset. The typical cycle, depending on the complexity of the property, takes 3-4 years, of which the acquisition negotiations and structuring often exceed 1-2 years of work.

The table below shows the Company's actual capital expenditure, net book value changes in IP and the value changes for the past 4 years. The capital expenditure relates to cash expenditure on property acquisitions, improvements, furniture & fittings whereas the movement in net book value illustrates the value unlocked as a result of both the Company's cash investment and its abovementioned expertise.

TABLE 1 - VBL PLC CONSOLIDATED CAPEX

Year / €	2017	2018	2019	2020
Total Capital Expenditure ("**CAPEX**")	1,687,004	1,138,722	889,656	622,231
Net Book Value of Investment Property	44,672,623	51,579,805	53,534,077	53,659,412
Net Book Value Movement of IP (YoY)	13,812,439	6,907,182	1,954,272	125,335

Source: VBL Consolidated Audited Financial Statements 2017, 2018, 2019, 2020

VBL's investments were financed mainly from equity, which also reflects in the Company's investment cycle. The amount of CAPEX has decreased in year 2019, which was a year of restructuring in preparation for the public listing and ongoing fundraising. During year 2020, the effects of the COVID-19 pandemic and the Company's adjustment in operational strategy to offset the negative impacts of the pandemic have also resulted in lower than usual CAPEX for the accounting period.

Throughout the financial years 2017 to 2020, the Group made the following significant investments:

- **Property acquisitions**: In the past 4 years, the VBL Group has invested approximately €0.82 million, which predominantly related to the final payment on the Golden Lion property and the full acquisition of the Casa San Domenico and Little Horse properties. This amount also includes various minor payments in relation to previously acquired properties.

- **Property development**: Throughout the period under review, the VBL Group has invested approximately €3.29 million in relation to property improvements, renovations, finishings and furnishings across its currently finished properties and the properties having full development permits as outlined in section 5.4.2.1 of this Registration document.

Further to the above investments, the VBL Group has entered into commitments and/or promise of sale agreements in relation to the acquisition of additional property as outlined in section 5.4.2.1 of this Registration Document.

5.3 PRINCIPAL MARKETS

The Company's and the Group's primary market is Valletta, where through initial investment in the real estate market the Company has already become a dominant player in the investment, development and property operations market of Valletta, while it is becoming an increasingly important player in the tourism and services market, including the leasing of commercial and retail office space.

The Group competes with other developers seeking to identify real estate in Valletta for re-development and operation. The environment is a competitive market with a limited stock of property within a walled city. The Directors are of the view that the experience and expertise developed by the Group in this market, together with the ability to resolve complex title issues on historic properties, which typically characterise Valletta properties that are the owned by a multitude of persons following years' long succession issues, places the Group at a significant competitive advantage over its peers, which derive from the fact that the Group has its own systems, know-how and infrastructure, concentrated and focused, covering the area of the capital city.

The Directors consider that the real estate market in Valletta, although sensitive to the general macroeconomic trends of the overall property market in Malta is, to a large extent a market with its own unique characteristics. The status of Valletta as a UNESCO World Heritage site, the history of the city and the numerous historic sites, the historic value of the real estate in the city, the fact that the city is walled and the real estate acquisition and development opportunities are limited, the legal complexity of acquisitions, the status of being the Maltese capital city, political and administrative centre, are all factors which the Directors believe will retain the commercial, social and economic dynamics of the property market in Valletta distinct from the rest of the Maltese economy and most particularly the "commodity-type" real estate assets of other geographical areas in Malta. The Company's business prospects are intimately connected with the level of economic activity in Valletta, both in the identification and acquisition of properties as well as in the level of economic activity in Valletta that effects the operation and management of accommodation and commercial properties.

In this context, Valletta, and likewise the Company will, undeniably, continue to be susceptible to the general economic trends in Malta – such as tourist arrivals, a change in the current trend of population growth and trends in Malta's economic outlook. However, the Directors believe that the impact of these trends may be mitigated by the other factors that retain Valletta as a unique city with limited amount of properties that should contribute towards maintaining the capital value of property, even with a downturn in general economic outlook.

The Group is also involved in the operation and management of residential, commercial and office space. The Directors believe that Valletta's importance as a tourist destination and administration centre in a unique historic city will sustain the demand for quality accommodation, retail and office properties. The Directors believe that the momentum created by, and the significant investment made in preparation to events such as the Valletta-18 (V18) and its aftermath, have reaffirmed Valletta as a unique brand for Malta, and completed the transition of Valletta into an important entertainment destination sustained with further investment and growth in the number of exclusive venues, quality accommodation/hotels, restaurants and offices.

While VBL will retain its focus on further strengthening and expanding its position in its core market, Valletta, the Company does not exclude the option in the future to utilise the know-how and experience developed on its core market to potentially discover other niche markets with similar unique characteristics and specific profiles, where it can continue growing on the long-run.

5.4 PRINCIPAL ACTIVITIES AND BUSINESS OVERVIEW OF THE COMPANY AND THE GROUP

Over the course of its nine years of operations, the Group has established itself as one of the most active investors in immovable property in Valletta (based on the number of developed residential units, finished residential units, available development units, and the number of individual owned properties in Valletta, and as featured on Online Travel Agencies (OTAs) under the guise of brands such as Valletta Boutique Living, VallettaStay, Casa Rooms or VBL Group), with a successful track record of identifying, acquiring, developing and managing real estate all around Valletta, including the regeneration of areas previously considered of low interest to investors and consumers. The Group's competitive strength derives from the fact that its systems, know-how and infrastructure are concentrated and focused exclusively on the capital city.

The Group's principal activities undertaken in the implementation of the strategy described in section 5.1 above may be summarised as follows:

A. The identification and acquisition of real estate assets in the city of Valletta, and the consolidation of acquired properties to achieve sizeable development projects, spanning the planning and permitting stage to the preparation and development of the projects in question – as described in detail in section 5.4.1;
B. The execution, on a project-by-project basis, of the restructuring, conceptualisation, re-development and renovation of acquired real estate assets, including regeneration and improvement of related city areas, improving overall quality of life for the local community and residents – as described in detail in section 5.4.2;
C. The operation and management of real estate assets with a view to generating growing recurring rental income; or the sale, and occasionally management for the new owners, of the re-developed assets, where the commercial opportunity to dispose of the asset secures higher margins than its on-going operation. This operational division also includes the management of other third-party real estate assets for accommodation, commercial and office space and the provision of professional operation and management of established hotels and hostels, by leveraging on VBL's existent operational structures and highly skilled management team, while providing high value-added services and overall solution to owners of such assets – as described in detail in section 5.4.3.

The Group has developed fully integrated skills and management structure with in-house capabilities in each of the principal activities undertaken by the Group spanning the asset acquisition, asset development, and management and operation activities. The Group has established a vertically integrated business process, based on a very well defined and focused target market, where it has proven skills to deliver on all aspects the whole cycle, whereby ensuring the high quality of products and / or services based on established in-house systems and structures, supported by a selection of trusted long-term business partners and sub-contractors to ensure efficiency and to reduce dependency on more vulnerable, short-term commercial relations, thus also ensuring that maximum benefit is derived from all margins.

5.4.1 Identification, acquisition and consolidation of real estate situated in Valletta

The unique strategy developed for the identification and acquisition of real estate assets in Valletta with the right characteristics for re-development and the ability to convert potential transactions to executed acquisitions is one of the five key pillars of the Group as identified earlier. This allows the Company and the Group to repeatedly deliver on all aspects of the whole business cycle and therefore secure planned financial results. The Company's future growth will partly still depend on the Group's ability to identify and acquire real estate assets of the right quality and size to enable them to be renovated or developed and subsequently operated or sold.

The exclusive focus by the Company on the unique and historic Valletta real estate market has contributed to the creation of a substantial knowledge and expertise within the Group with a specialist understanding and appreciation of the details and dynamics of the real estate market in the city. The Directors believe that this knowledge and expertise, built up since inception of the Company's business, places the Group in a position to better identify real estate property in Valletta with the characteristics, size and features that fall within the Company's parameters for development and subsequent management and operation; and to conclude transactions for acquisition of such properties, including instances where the conclusion of such transactions involve addressing complex succession and title issues to the property.

The below figures illustrate the distribution of VBL's property portfolio (which as at 31 January 2021 amounted to a total area of *circa* 16,100 sqm) by various categories:

1. currently operational property by designated purpose (residential, commercial and office space)
2. total portfolio area by development status; and
3. total portfolio area by ownership title.

Current finished property area by use

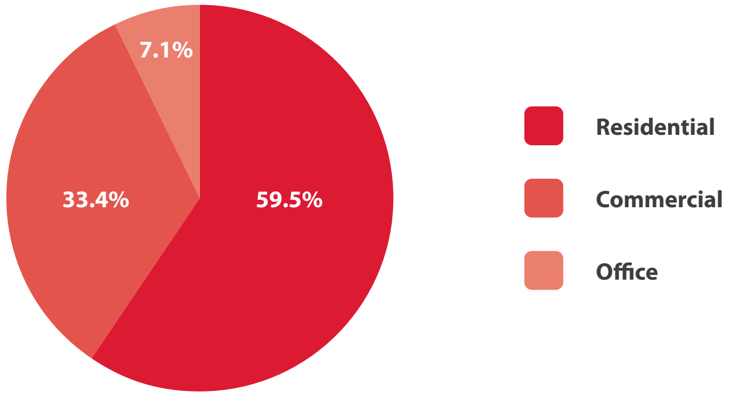


Figure 1: Currently operational property by designated purpose (circa 3,700 sqm)

Property portfolio area by development status

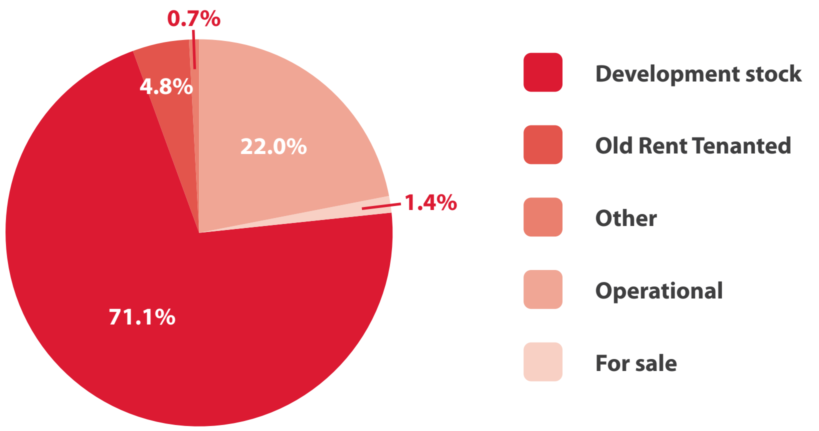


Figure 2: Total property portfolio area by development status (circa 16,100 sqm)

Property portfolio area by ownership/title status

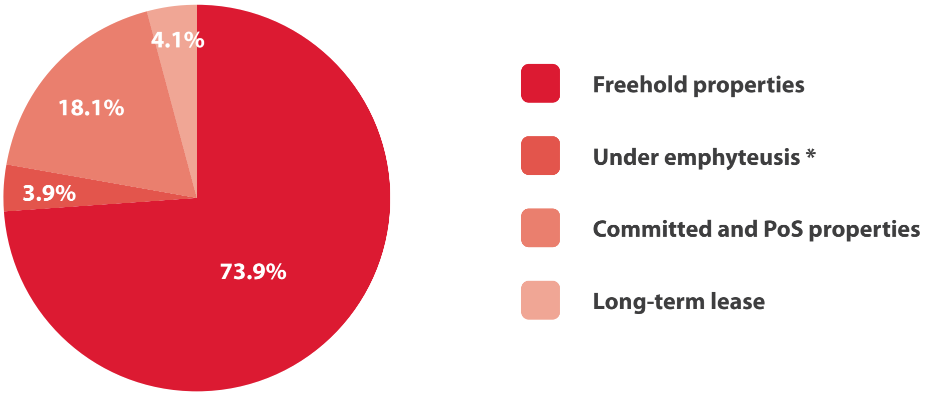


Figure 3: Total property portfolio area by ownership/title status (circa 16,100 sqm)

*** Property under emphyteusis** includes the Lucky Star property which is currently held on temporary emphyteusis and which VBL has the right to redeem at a negligible cost of circa €4,500. Refer to the condensed version of the Property Valuation Report found in Annex II of this Registration Document.*

The experience in this area developed by the Group's executive management is critical for the Company to maintain a realistic, yet attractively, priced pipeline of real estate transactions in a limited and competitive real estate market in Valletta and prepare for possible consolidation of the market over the years to come. The vast majority of the real estate market in Valletta is characterised by old and historic buildings which typically involve complex title issues, old rent and other occupancy problems, particularly due to historic issues (such as old rent laws) and inheritances over a number of years, where title to properties is vested in multiple owners in undivided shares; and in other instances with complex occupation or tenancy disputes with consequent eviction issues. The Directors believe that the size of the Group's current portfolio of Valletta real estate and the Valletta-oriented focus of the Group's strategy has placed the Group in a position to gain early access to potential new proprietary acquisition opportunities and be able to prepare and execute transactions, while strengthening its prime position to secure future deals falling within the parameters of its strategic objectives. The Group has secured *circa* 16,100 square metres gross area of historic real estate in Valletta, of which it owns under title of ownership 73.9%, comprising residential apartments and palazzini, commercial real estate principally operating in the food and beverage segment, as well as office space.

5.4.1.1. Property Ownership

VBL is a property company which was set up with the business aim of acquiring, developing and operating real estate exclusively in Valletta. Despite all the various challenges and difficulties with acquiring real estate in a historic city such as Valletta, over a period of nine years VBL has become one of the largest private owners of real estate in Valletta (based on the number of developed residential units, finished residential units, available development units, and the number of individual owned properties in Valletta, and as featured on Online Travel Agencies (OTAs) under the guise of brands such as Valletta Boutique Living, VallettaStay, Casa Rooms or VBL Group). Whilst the Company also engages in related activities outside its core market, its acute focus on Valletta remains a key priority and is expected to remain a predominant part of the business and transaction volume of VBL.

Valletta was built by the Knights of Malta over four and a half centuries ago. Many of the properties date back to the period of the Knights. The Valletta property market, similar to the property market in the Three Cities (Vittoriosa, Senglea, Cospicua), is thus somewhat unique, as a significant part of the properties available on the market go back a long way in history, which may result in the properties being subject to a somewhat complex legal background. The root of their legal title and arriving at it can prove, at times, to be somewhat cumbersome, not least because the original contract of acquisition cannot be traced.

The Company's business model takes into account these challenging aspects of the property segment it deals with. The legal complexities entailed in these investments constitute a potential risk, which the Executives are well aware of, and which risk it aims to mitigate by applying a specific and complex approach of acquiring any new assets.

The Company now boasts of nine years experience of dealing in this complex environment, where risk assessment, systematic management and understanding of the various risks and issues of the complicated property transactions, have resulted in a large portfolio of assets on a freehold fully-owned basis.

The process of purchasing of assets from numerous co-owners and also dealing with the complex legal situations the property poses, is an arduous task and significantly time consuming, which may at times span over several years.

This mode of acquiring assets by VBL at depressed value has allowed VBL to work in a very specific niche market with few competitors. VBL has also managed, on numerous occasions, to negotiate with rightful tenants, or even squatters, an amicable solution in order that the occupier vacates the property in its favour – without referring the matter to the Courts.

In each acquisition case, VBL applies the highest level of diligence in exploring, researching, documenting and defining all possible risks or any potentially existing property related issues. The work of the acquisition team is supported by leading legal advisors and involve some of the most experienced local notaries. VBL has built significant in-house knowledge supported by a well versed and proficient legal team.

VBL has been using the services of legal professionals who enjoy several decades of combined experience – mainly focusing on civil law and property law and with considerable experience working for leading home loan corporations.

In Malta, the property ownership and proof of title is mainly based on the system of drawing up of public deeds and registration in the public and land registries. Ownership of immovable property is acquired, transferred and evidenced by virtue of a public deed signed by the parties and published by a Notary Public, a warranted profession who is afforded the status of a public official under Maltese law. Ordinarily, a sale and purchase of immovable property transaction is made subject to the payment of a deposit by the prospective purchase and a conditional promise of sale agreement is entered into, setting out customary conditions that are to be satisfied prior to conclusion of the final deed of sale and acquisition. In this respect, it is customary for a promise of sale agreement to be subject to the satisfactory outcome of notarial searches of the title, rights and other interests registered over the immovable property to be acquired, including searches on previous and current ownership, security, rights of use, easements, ground-rent or other rights or interests existing over such property, as well as testamentary searches, site plans, and other customary searches. Furthermore, it is typical for the promise of sale agreement to be subject to the condition that the necessary development permits are obtained. Should such conditions fail to materialise within the timeframes agreed to between the parties, the purchaser or the vendor, as applicable depending on the terms of the promise of sale agreement, may exercise the right to walk away from the promise of sale agreement.

Should the conditions contained in the promise of sale agreement be satisfied, the final deed of sale and acquisition is drawn up and published as a public deed, which is drafted by the appointed Notary and signed in their presence. Following conclusion of the final public deed, the deed is lodged in the Public Registry, upon which the transaction is deemed, at Maltese law, to be valid as against third parties. This system of registration and publication allows for inspection of title and history of immovable property and safeguards the acquirer's interests in the property so acquired.

In certain cases, specifically the properties known as Lovely House and Stone Mason's House (valued at €870,000 and €2,400,000 respectively, totalling €3,270,000, that is 5.37% of total value of the Group's property portfolio), property had been acquired by the previous owners by way of acquisitive prescription, that is, by the mere possession of immovable property for such time as contemplated by the Maltese Civil Code (Cap. 16 of the laws of Malta), to the extent that such possession satisfies the qualitative criteria established under the Civil Code, including criteria concerning the continuous, uninterrupted, and exclusive nature of such possession.

VBL, assisted as aforesaid, seeks to establish an uncontested and undisputed ownership position, and to achieve the highest level of security in proving title to the relative property. Nonetheless, it is acknowledged that certain risks inherent in the Maltese property ownership registry system and the complex root of title of the properties in question subsist.

5.4.2 Development and Renovation of acquired real estate assets

The Group has, since inception, re-developed, refurbished and converted a significant amount of properties, resulting in over 40 operating and revenue generating units, which is in excess of gross 4,400 sqm of Valletta real estate. The Company's strategy in this area has been to develop a major in-house capacity with the required skills for efficient and professional project development, including planning, financial and architectural functions. In addition to the employed professionals (including architects, designers and site managers), the Company has established a network of sub-contractors and business partners, allowing the Company to prepare, co-ordinate and direct the renovation and conversion efforts of the Group in a highly efficient and organised manner, thus shortening the development cycles and ensuring quality within budget targets. The Company's development division is responsible for:

- planning, budgeting and preparing the execution of the development projects;
- organising and managing the construction and execution of projects;
- advising executive management on the identification of properties and the renovation or conversion programmes required for those properties to be applied for the use intended;
- assisting executive management in resolving complex strategic, legal, technical and financial issues that arise in concluding real estate transaction;
- determining the best use of real estate assets acquired and develop a property specific business plan for each acquisition;
- selecting and organising local and international suppliers to allow for the efficient delivery of quality materials and goods, required for the delivery of the finished projects; and
- co-ordinating with a network of third-party contractors all construction and finishing works to bring each project to a successful conclusion.

5.4.2.1. Development Property Portfolio

Since 2012, the Group has made significant investments from its own resources and reinvested profits in the acquisition and conversion of real estate.

The table overleaf shows the material property investments made by the Group between the years 2012 to 2020, which together make up the property portfolio of the VBL Group.

TABLE 2: VBL PROPERTY PORTFOLIO

Property name***	Estimated Area * *(sqm)*	Acquisition date	Development commencement / completion	Use / Category	Detail
Skyline	88	11/09/2012	Apr-12 to Jul-12	Hospitality / Residential - Managed	Sold in Jul-13; currently managed
Golden Seed	80	11/09/2012	Apr-12 to Jul-12	Hospitality / Residential - Managed	Sold in Jul-13; currently managed
Orangery Lodge (Phase 1)	1,056	4/09/2012	Sep-14 to Sep-15	Hospitality / Residential – Owned & Managed	Sold 8 units – of which 2 are currently under management. Retained 1 unit (c. 48 sqm) – currently in operation.
Silver Horse Block (Phase 1)**	1,232	29/07/2013 and 22/12/2014	Dec-15 to Dec-16	Commercial (Retail / F&B) - Owned	9 units (The Gut™) – of which 7 are currently leased on a long-term contract.
Silver Horse Block (Phase 2)**	5,808	29/07/2013 and 22/12/2014	2020 – present	Mixed-use development - Owned	Under development with full development permit.
Old Lodge	557	27/09/2012, 9/04/2013, 26/03/2014 and 12/09/2016	Mar-18 to Feb-19	Hospitality / Residential – Owned	8 units – fully developed and operational.
Palazzo Stella Valletta	558	28/04/2014 and 2/09/2014	2019 – present	Hospitality / Residential development – Owned	Under development with full development permit.
Lucky Star	567	24/06/2014	Sep-14 to May-15	Hospitality / Residential – Owned	11 units – fully developed and operational.
Lucky Star Mezzanine	69	18/02/2016	n/a	Hospitality / Residential – Owned	Currently tenanted under the old rent regime.
Orangery Lodge (Phase 2)	530	24/07/2014	2020 – present	Hospitality / Residential development (incl. 1 retail unit at ground floor) – Owned	Full development permits in hand.
Palazzo Zoe	454	22/06/2015	Mar-17 to Mar-18	Hospitality / Residential – Owned	3 units and a penthouse – fully developed and operational.
Little Horse	265	16/11/2015	n/a	Mixed-use development - Owned	Development stock – part of Silver Horse Block (Phase 3).
Stonemason's House	642	16/02/2016	n/a	Mixed-use development - Owned	Development stock – part of Silver Horse Block (Phase 3).
Scicluna 1 & 2	154	15/06/2016	n/a	Hospitality / Residential development – Owned	Currently tenanted under the old rent regime. Part of Orangery Lodge (Phase 2).
Lovely House	196	25/05/2016	Mar-17 to Sep-17	Hospitality / Residential – Owned	5 units – fully developed and operational.
Santa Lucija	96	10/10/2016	2018	Relocation property – Owned	Tenanted – Used for relocation purposes.
Old Bakery	98	12/12/2016	n/a	Commercial (Retail) development – Owned	Development stock
Golden Lion	909	19/10/2017 and 3/11/2016	n/a	Hospitality / Residential development – Owned	Development stock – partly tenanted under the old rent regime.

Casa San Domenico	236	14/10/2019	2020 – present	Hospitality / Residential development - Owned	Required permits for development of existing area in hand. Permit application for the development of additional floor area underway. Under development.
Lucky Store	62	24/07/2014	n/a	Commercial (Retail) development – Owned	Development stock
Grand Harbour Residence	20	15/01/2016	n/a	Partial ownership	1/36th of a 724 sqm property
Leased Properties	354	Various 2013-2016	n/a	Hospitality / Residential – Leased	Various properties that VBL has leased on a long-term basis in order to operate as part of the Group's hospitality / residential operations.
Victoria Terrace & Operational Centre	299	VT – 25/06/2013, Op. Centre – 28/11/2014	2014	Office - Leased	Office / Commercial - Cafeteria permit Class C4

** Note that estimated area shown above relates to gross development area (sqm) and the estimate given is, by its nature, subject to variations. It ought to be cautioned that estimates may vary depending on the purpose and methodology applied by property valuers or other interested parties from time to time.*

***Silver Horse is the name of the building fully owned by VBL, which is not to be confused with the Silver Horse Bar and Restaurant. The Company has no association with said establishment or its owners or operators. In all cases the Company acts limitedly as landlord and has no involvement in any commercial, catering or other business operations undertaken at such premises.*

****Property and project names are for internal references and not to be confused with occasional appearance in establishments as trading names used by independent third-party operators.*

In addition, the Company has also secured commitments for transfer of title with respect to a number of immovable properties situated in Valletta (the "**Committed and PoS Properties**"). The promise of sale agreement and commitments in question are subject to customary resolutive conditions, including conditions pertaining to satisfactory outcome of searches on the immovable property to be acquired, issuance of full development permits, as well as having the necessary financing arrangements in place on the part of VBL. The table below lists these Committed and PoS Properties:

PROPERTY PORTFOLIO – COMMITTED AND PoS PROPERTIES

Property / Project***	Current area *(sqm)*	Estimated development potential area *(sqm)*	Committed Investment (€)	Expiry of current Promise of Sale Agreement Comments	Operational segment of VBL Group
Merchant Palace	609	609	500,000	Pending negotiations with the competent authorities on a 45-year emphyteutic grant	Mixed use development – Commercial & Office space
Cave	565	565	250,000	Pending conclusion of negotiations with existing tenant for transfer of lease	Commercial
Coliseum *	1,600	3,000	6,850,000	Promise of sale agreement to expire on 30 September, 2021	Mixed use development – Commercial & Office space

Porcelain Donkey ** (Silver Horse Phase 3)	140	400	400,000	Transaction date as yet unspecified, and subject to tenant securing title	Mixed use development – Commercial & Office space
Total	**2,914**	**4,585**	**8,000,000**		

** The property rises to a lower height when compared than neighbouring properties and has potential to be extended. Moreover, the Directors envision that certain high-ceiling floors within the Coliseum property may be split into two floors, creating additional development area. The Company plans to apply for development permits following the completion of the acquisition post-IPO.*

*** Porcelain Donkey is located adjacent to the Silver Horse property and is envisioned to be part of Phase 3 of this development. The property rises to a significantly lower height when compared to the 5-6 storey properties in the area. The Directors envision that the property has additional development potential in this regard. The Company plans to apply for development permits following the completion of the acquisition post-IPO.*

****Property and project names are for internal references and not to be confused with occasional appearance in establishments as trading names used by independent third-party operators.*

5.4.2.2. Strategic expansion of property portfolio

Going forward, the Group expects to continue investing in its strategic expansion of its property portfolio and to fund such investments through a funding mix of equity and debt financing, own funds generated from operations, and funds raised from the sale of immovable properties owned by the Group from time to time.

The Group expects to maintain a conservative gearing ratio[7] of *circa* 20%, as explained in further detail in section 11.2 of this Registration Document related to the Group's Prospective Financial Information. Notwithstanding the aforesaid, the actual gearing ratio of the Group may vary, depending on, among other factors, the actual number of property development projects being undertaken, the rate at which new property development projects materialise, and, ultimately, the means of financing to undertake such projects.

This table below provides a breakdown of sources of funding for the strategic development plans of the VBL Group, which includes a mix of own funds, equity and external debt financing, and how the Group intends to apply the funds raised to implement its development plans, distinguishing between: (i) **acquisition of Committed and PoS Properties** – the major property in this category (Coliseum) is linked to the execution of the Listing and relevant contracts and agreements are prepared with the intention of the parties to conclude shortly after completion of Listing; and (ii) **development of secured properties**, that is, the development of both properties in respect of which the Group has acquired ownership and the development of Committed and PoS Properties (together, the "**Secured Properties**"). Moreover, the table distinguishes between those property development projects in respect of which the Company holds full development permits and those which it does not (as at the date of this Registration Document).

7 *Gearing ratio = Debt / (Debt + Equity)*

SOURCE OF ADDITIONAL FUNDING		APPLICATION OF FUNDS	
EUR'000		**EUR'000**	
Pre-IPO committed equity		**Acquisition of Committed & PoS properties**	
Property for shares deal	3,000	Coliseum	6,850
Convertible loan agreements	1,815	Merchant Palace	500
Pre-IPO committed equity	**4,815**	Cave	250
		Silver Horse Phase 3	400
IPO Equity		Acquisition related costs	300
Target new equity raised at IPO (net of issue costs)	9,500	**Acquisition of Committed & PoS properties**	**8,300**
Subsequent equity issues (if required)	n/a		
IPO Equity	**9,500**	**Development stock - properties with permits**	
		Palazzo Stella Valletta	1,100
Debt		Orangery 2	1,100
Third party loan - secured and utilised	2,000	Silver Horse Phase 2	8,000
Working capital loan - secured and unutilised	1,700	**Development - properties with permits**	**10,200**
Bank overdraft facility - term sheet received (unutilised)	1,000		
Revolving bank facility - term sheet received (unutilised)	6,300	**Development - properties pending permits**	
Additional debt facilities (if required)	4,000	Casa San Domenico	370
Total debt	**15,000**	Golden Lion	1,000
		Merchant Palace (Committed / PoS)	900
Cash generation		Cave (Committed / PoS)	300
Cash generated from operations	n/a	Coliseum (Committed / PoS)	4,900
Sale of property	n/a	Silver Horse Phase 3 (Acquired & Committed / PoS)	3,300
		Development - properties pending permits	**10,770**
Grand total - Source of additional funding	**29,315**	**Grand total - Application of funds**	**29,270**

The Group intends to finance the acquisition of the Committed and PoS Properties via the use of pre-IPO committed equity (of which €3.0 million is linked to the acquisition of the Coliseum), as well as proceeds raised from the Share Offer and financing under debt facilities as outlined in the above tables and section 8 of this Registration Document.

Currently, 71.1% of the Group's Secured Properties consists of development stock (owned: 53.0%; Committed and PoS: 18.1%). It is the intention of the Directors to develop a significant part of this portfolio over the course of the next five years development cycle. In addition to the ongoing major developments, the Company has – as part of its regular course of business – a number of smaller investment projects (renovations) to undertake, as well as regular investment going into upgrades and refurbishment of the existing operational properties. While each of these individual projects might not be categorised as material on an individual basis, collectively these projects represent a significant part of the Company's activity.

The Group expects to commence development of the following four property development projects, which developments are to be financed via a combination of the proceeds raised from the Share Offer and financing under debt facilities as outlined in section 8 of this Registration Document:

1. **Silver Horse Block (Phase 2), Strait Street c/w St. Christopher Street, Valletta**: The property currently has a full development permit to be developed into a mixed-use building, spread over seven floors, consisting of, open plan office space, having a gross surface area of *circa* 2,000 sqm, one additional retail unit and 30 independent bedroom units, in apartments suitable for both short let and long let accommodation operations. Phase 2 of this development refers to the building and development of all of the floors positioned above The Gut (the operating retail units of Silver Horse Block Phase 1). The Company expects the total cost of development to amount to *circa* €8 million.
2. **Palazzo Stella Valletta, 92-93, St. Nicholas Street, Valletta**: The property is being developed into a house of character with four bedrooms for accommodation operations. The property holds a full development permit for said development and expects the total cost of development to amount to *circa* €1.1 million.

3. **Orangery (Phase 2), 60-62, West Street, Valletta**: The property is being developed into eight apartments for accommodation purposes and one retail unit at ground floor. One unit is partly already developed parallel to the completed development of Orangery Phase 1. The Company holds a full development permit for said development and expects the total cost of development to amount to *circa* €1.1 million.
4. **Casa San Domenico, 19. Old Hospital Street, Valletta**: planned development into nine hospitality units comprising of rooms with ensuite. Works on the development of this property have commenced in accordance with the parameters of the existing development permit pertaining to the property. In addition, the Company plans to expand and develop the property further into a guesthouse, subject to obtaining the requisite development permit, which the Company expects to be issued in the second half of 2021. The Company expects the total cost of the development to amount to *circa* €0.4 million.

5.4.3 Operation and Management of real estate assets

5.4.3.1. Operation and Management of owned and leased real estate assets

Following completion of the investment in the acquisition, development and conversion of real estate, the Group then organises and oversees the operation of the finished properties to generate revenues from the management and operation of that real estate (both residential and commercial), and from the management of third-party property. The tables below show the segmentation of the Group's revenue over the period 2017 to 2020:

Revenue Segmentation for the Group

REVENUE SEGMENTATION

EUR'000	FY2017	FY2018	FY2019	FY2020	FY2017	FY2018	FY2019	FY2020
	Room revenue				Occupancy rate			
Owned properties	368	466	653	227	65.3%	67.4%	70.5%	50.9%
Leased properties	126	131	139	35	59.7%	56.6%	57.1%	38.8%
Managed properties	228	258	284	94	52.9%	64.1%	65.0%	32.0%
Total Hospitality room revenue	**722**	**855**	**1,076**	**357**	**59.0%**	**63.9%**	**66.4%**	**42.7%**
Avg. hospitality room revenue per owned sqm	*461*	*466*	*422*	*129*				
Avg. hospitality room revenue per leased sqm	*341*	*352*	*374*	*108*				
Avg. hospitality room revenue per managed unit	*22*	*29*	*27*	*7*				
Other revenue	315	418	350	193				
Total revenue	**1,037**	**1,273**	**1,426**	**549**				

Source: VBL Audited Accounts for 2017, 2018, 2019 and 2020.

Whilst room revenue and occupancy rates for the period 2017 to 2019 include only short-let hospitality, 2020 figures include an element of long lets as the Group shifted its operations as a result of the COVID-19 outbreak. Moreover, average revenue per square metre and/or per unit are based on comparable properties which the Group deems to be its standard offering and excludes the impact from the operation of any high-end penthouses and/or palazzos.

Accommodation

The Group's activities in this segment consist primarily of short-term accommodation serving both the local market and tourist visits. VBL's accommodation offerings range from low-cost dormitory beds to 4-star standard self-catering apartments to luxurious penthouses and palazzos, thus targeting from the bottom to highest-end of the market and covering the vast majority of the rental accommodation spectrum. It is the Company's policy to provide quality accommodation services in each segment, which is a result of a well-thought-through development policy, optimising the development potential of the asset.

The Group, through its fully owned subsidiary VREM Limited, operates and manages a portfolio of assets consisting of 27 apartments, 16-bed hostel unit and 5 ensuite rooms which are owned by the Company or on a long-term lease. Part of the assets which the Company manages is a portfolio of assets under long-term leases, consisting of a 16-bed hostel unit and three apartments. This set-up leverages on the existing skills, established systems, resources and skilled workforce of the Group and seeks to improve efficiency and utilisation of its own resources, while providing high quality, hassle-free and transparent service to any property owner involved in the business activities of the Company in its target market, Valletta.

The Company typically applies a revenue and/or profit-sharing model in the management of these units. Transparency is guaranteed through the business process and software solutions applied, allowing for transparent recording and monitoring of the individual performance and key performance indicators (KPIs) of each property under management. The Company's policy is to emphasise the use of card and electronic payment solutions which allows for increased transparency and accountability vis-a-vis the third-party property owners.

Across its portfolio of properties under operation and management, the Group further leverages its operations by providing the tenants with a range of additional services, hospitality offerings such as discount cards, breakfasts, airport transfers, taxi and transport services, luggage storage and tickets, bookings and access to a number of attractions linked to Valletta and Malta. While this segment, to date, contributed a relatively low share of the Group's revenues, it is the intention of the Company to further expand the offerings and increase the revenue contribution from this segment in the coming years.

The Group's business model in accommodation property has consistently been to develop modern, quality self-catering units, with potential multi-use operational functions, featuring local architectural characteristics, wherever possible, with no "boutique hotel" type of properties included in the Group's owned portfolio. This has been part of the Company's risk management strategy, whereby developed properties generally have the potential for a different use (e.g. short-let, long-let, sale as independent residential units) without major need for alterations or additional investment. The viability of this business strategy has been justified further during 2020, where VBL was able to seamlessly shift a significant part of its operating portfolio from short-let to long-let operations. Having said that, the Group does not exclude future management agreements in relation to "boutique hotel" properties owned by third parties, a process which was also brought forward to 2020 as a result of the COVID-19 pandemic.

Overall, accommodation properties in Valletta have also consistently enjoyed a lower element of seasonality in occupancy when compared to the rest of Malta due to the city being a key destination for year-round cultural tourism and also being a political, cultural and economic centre of the country.

Commercial

In the commercial property segment, the Group's activities consist of longer-term leases, typically ranging from 10 to 15 years, of food and beverage (F&B) outlets. The Company's initial investment in this segment in 2012 was based on the view taken by the executive management about the significant potential of Valletta transitioning into an entertainment hub and the fact that the city is generally underserved with quality propositions for the visiting locals and tourists. By the end of 2018, Valletta had accomplished a significant part of the transition that was projected by the Company's executive management in 2012, not least of which through the momentum gathered during Valletta's status as the European Capital of Culture in 2018 (also referred to as V18).

As at the end of FY2020, the Group had 12 commercial outlets located in Valletta, the majority of which are operated on a long-term lease basis, with nine of these outlets situated in The Gut area. Out of these 12 commercial outlets, a total of seven outlets are currently rented out to various operators/tenants. The revenue generated from commercial rentals has been heavily impacted by the mandatory government closure and related restrictions during the year 2020, but in the long run it is reasonably expected to be an overall growing segment both within the VBL portfolio and generally as part of the Valletta property market, the Company has taken proactive steps to ensure long-term viability of this revenue generating segment. The revenues generated by the Company respectively amounted to €209K in FY2020 (FY2019: €308k; FY2018: €276k; and FY2017 €81k). The Directors believe that this remains a growth area in the continued escalation of commercial and entertainment activity in Valletta, particularly in the lower part of Valletta which remains significantly underdeveloped.

Other

Although most of the Company's residential assets are developed and designated for hospitality operations, from time to time VBL sells some of the assets to test the market conditions, benchmark their values on the market, or dispose of assets which are not suitable for the Group's short-let operations (e.g. luxury penthouses). Over the course of the nine years of operation of the Company, it has generated *circa* €4 million through the re-sale of nine apartments and one high-end penthouse. From the properties sold, the Group still provides services in relation to such properties, managing four of the sold units, and servicing two units. VBL has historically sold these units and the proceeds were re-invested into subsequent acquisitions and developments. In general, it is the Group's policy to hold its developed properties for rental as long as a minimum targeted rental yield is achieved. Other revenues include additional income from non-core activities, like rental of roof-space to telecom service operators or similar.

5.4.3.2. Operation and Management of third-party real estate assets[8]

The actual number of third-party managed properties varies from time to time as VBL obtains new management contracts or occasionally return a property to its owner. The Company's business development team is in advanced negotiations on various new opportunities, where property management services were requested from the Group. This segment of the business has grown consistently over the lifetime of the Group. 2020 and early 2021 have been the most successful in terms of consolidation of the Valletta hospitality market, most notably through the acquisition of Casa Rooms Ltd and its venturing into the hotel management market.

Short Lets

Short let operations is a relatively new concept globally, with as yet nascent and still evolving international standard.

The Group has developed a full range of systems and skills to be able to effectively and efficiently manage short-let properties in Valletta, from small studios to high-end palazzos. As part of its strategy to expand operations in the short-let property management segment, in 2015 the Group established VREM Limited as a fully owned subsidiary to focus exclusively on developing hospitality services and property management. While the original purpose for VREM Limited was to manage the Company's own properties, it was soon realised that there is a growing demand for professional short-let management services by third-party property owners. The Company and VREM Limited have developed a business model which covers the needs of a growing segment of

8 The number of third party managed units shown are indicative and representative for the first half of 2021 as the figure changes from time to time as is the nature of the property management business.

property owners who wish to operate their assets on the short-let market. VREM Limited is considered as one of the few, and one of the largest[9], real estate management companies in Valletta, which provides complex short-let property management services to the Group and independent third-party property owners. VREM leverages on the existing skills, established systems and skilled workforce of the Group and to improve efficiency and utilisation of its own resources, while providing high quality and transparent service to any property owner involved in the business activities of the Company in its target market, Valletta.

Prior to the COVID-19 pandemic, there were three significant local players on the Valletta short-let management market, including VREM, in Valletta. In January 2021, VBL acquired Casa Rooms Ltd the then second largest Valletta short-let manager which was managing approximately 115 properties, of which 30 are situated in Valletta. This was considered to be an acquisition that has enabled the Group to further consolidate its positioning in this market and reaffirmed its position as market leader.

Going forward, the Group may seek to consolidate the operations of its subsidiaries with a view to increasing efficiencies and augmenting the quality of its services to its clients.

A significant part of the third-party property management customers of the Group are returning customers, who have extended the original length of their third-party property management agreements and/or have additional properties to offer for management to the Group.

The typical proposition of the Group is to undertake full property management, ranging from sales, marketing and customer relationship, to cleaning, maintenance and where required refurbishment of the assets. As a result, the proposition provides owners with a revenue stream based on profit or revenue share arrangements. In some cases, the Group rents out on a long-let basis, individual properties which it then operates (with the written consent of the owner) on the short-let market and pays an agreed fixed rent to the owners. In this manner, the Group retains the profits margins achieved on such properties. This is normally the case when an asset would require extensive renovation works for it to be habitable. In certain cases, the services provided by the Company may also include upgrades and/or refurbishment of the existing property and/or obtaining the required Malta Tourism Authority (MTA) licences so that the property is converted into a competitive asset, suitable for short-let operations and compliant with regulation, while providing full-scale and hassle-free management services to the owners. It has been a typical case for the properties developed by the Company but sold on the market to be entrusted to the Company by the buyers on a property management contract basis, where the Company would have management rights thereof under a fully arms-length third-party management or joint venture agreement. This proposition has been received positively by those investors who consider the investment into renovated and fully managed Valletta properties to be an attractive investment proposition, but do not wish to get involved in the day-to-day operations themselves and therefore are seeking dedicated specialist property managers for this purpose.

Historical performance indicates that properties managed by VREM Limited could achieve stable returns for property owners, higher than the normally achievable long-let rental revenues, while such management arrangements provide a problem free and responsible operation of the assets give owners assurance that all aspects of the operations are managed by the Company on their behalf.

Since the local market for third-party managed properties is relatively new and unestablished, the Group has experimented with various operational models to explore the market dynamics and gain practical experience of the various operational models and their benefits and disadvantages for the parties. The Company's experience has shown that most third-party owners prefer a simple model, where they receive a regular revenue stream, based on a transparent arrangement, but are not involved in operating the assets.

The typical third-party property management arrangements applied by the Group are listed below. The various models carry different risk levels for the owner and operator, and financial results to the parties are typically also aligned accordingly:

1. **Short-let management based on a profit share agreement:** typical model is a 30:70 net profit sharing ratio, after all operational and sales costs are covered, whereby property owners receive 70% of the net profit.
2. **Short-let management based on a revenues share agreement:** typical revenue split model applied is 50:50 ratio of the net revenues, however, this can vary when: the property is purchased directly from the Company; certain operational costs and expenses are borne directly by owners; or when an owner entrusts the Company with more than one unit.
3. **A fixed rent, long-term rental agreement**, where a defined monthly/annual rent is paid to the owner, but the Group is responsible for all operational, maintenance and sales costs, and retains all profits realised.
4. **Long-term rental agreement where the Group undertakes the property management, carries out refurbishment or upgrade, based on a pre-agreed budget:** costs of such upgrades are typically paid by owners, or pre-financed by the Company and repaid from operational cash flows.

Hotel Management

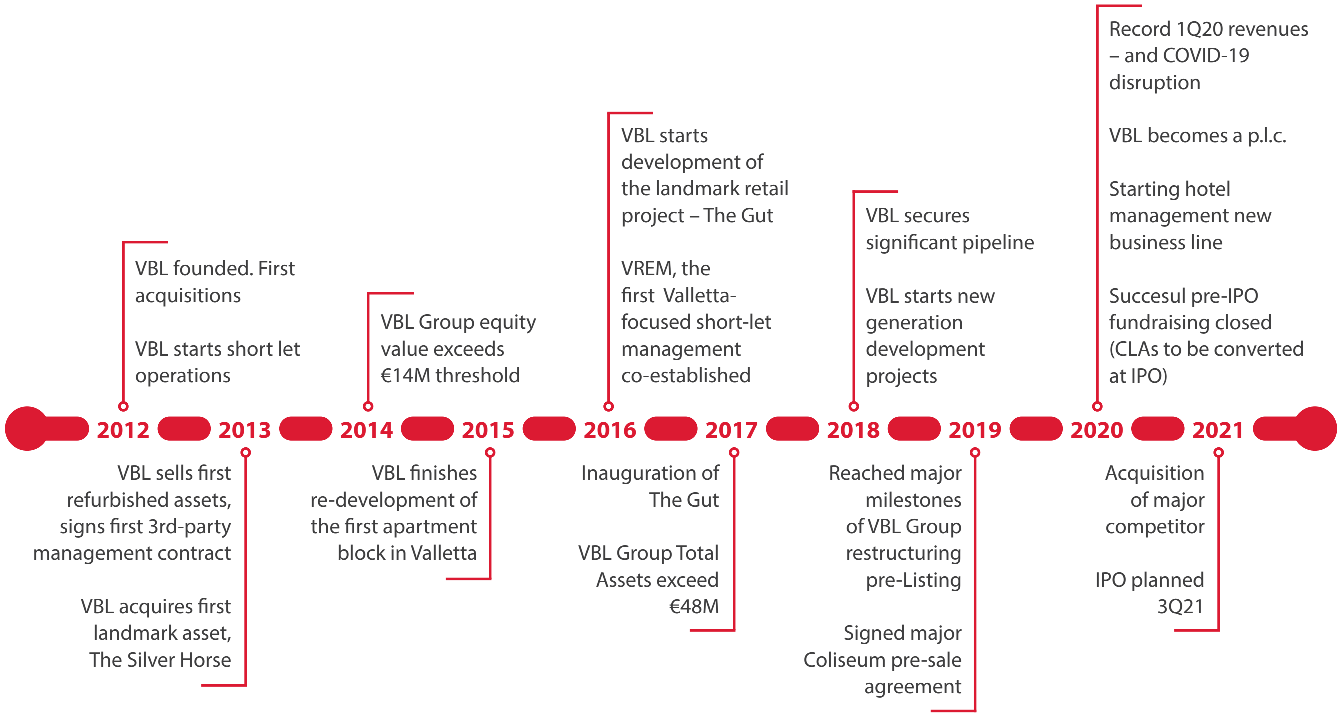
Many small boutique hotels - where the typical size of operations ranges from 10-20 rooms/units – are susceptible to poor economies of scale and high fixed costs which may inhibit their ability to sustain high quality, around the clock services (including reception, customer care, sales force, maintenance and cleaning). The typical deficiencies inherent in a sub-scale operational model become more evident once replacement needs begin to arise. The Company expects that, in the coming years, the demand for professional management of such establishments and the ability to operate volumes supporting economies of scale will drive an increasing number of small operators to seek services from professional operators like VREM Limited. VREM Limited is ideally positioned to take full advantage of this expected market consolidation.

9 *Based on the number of units advertised and operated in Valletta as can be seen from listings on some of the most popular international booking platforms (e.g. Booking.com, Airbnb)*

In 2020, VREM Limited was engaged to manage and operate a 19-room boutique hotel in the centre of Valletta under a revenue sharing model.

The Group is currently negotiating several opportunities whereby owners of smaller boutique hotels are seeking professional, long-term operational partners.

5.5 TIMELINE OF MAJOR EVENTS FOR THE GROUP



5.6 THE GROUP'S SUBSIDIARIES

5.6.1 VREM Ltd

VREM Limited is a fully-owned subsidiary of the Company, handling the hospitality and property operations within the Group. VREM Limited manages and operates the assets of the Company and provides property management services for third-parties, as explained further in section 4.5 above.

5.6.2 Silver Horse Block Ltd

Silver Horse Block Ltd was incorporated on 14 September 2017 for the purpose of acting as the dedicated project development company of the single largest mixed-use development in Valletta, known as The Silver Horse Phase 2. To date, this company has not carried out any business or operations and has not acquired any assets. The commercial part of the Silver Horse project, i.e. The Silver Horse Phase 1 which is already in operation and is better known as The Gut, has been developed by VBL plc directly.

5.6.3 CASA ROOMS Ltd.

Casa Rooms Ltd ("**Casa Rooms**") was incorporated in 2016 for the purpose of acting as a property management company, focusing on real estate management and long- and short-lets across Malta. Casa Rooms Ltd is a recognised hospitality services provider in Malta, with 115 properties under management, of which 30 are situated in Valletta. In January 2021, VBL acquired 100% of Casa Rooms. While the book value of this acquisition has a marginal impact on the Company's consolidated balance sheet, the operational impact and the improved positioning of the Group in the hospitality segment are significant.

Casa Rooms has its own fully functional integrated platform and know-how, including cloud-based booking system, accounting system, maintenance planner as well as an experienced staff complement.

The short-let business of Casa Rooms has been temporarily set back by the COVID-19 pandemic, however, the monthly recurring revenues, predominantly from long-lets, have contributed to ensuring the company maintains at least breakeven operations.

5.7 BUSINESS VALUATION

In Q4-2018, VBL Group management commissioned the services of Deloitte Services Limited to assist it in assessing the value of the VBL Group's business, as part of an internal exercise based on the Group's expectations at the time. This was subsequently updated in Q1-2020 prior to the outbreak of COVID-19. On the basis of its then existing assets, historical audited financial information and future projections, a value of €85 million was attributed to the business of the VBL Group, as summarised in the table hereunder:

PRE-COVID-19 BUSINESS VALUE

EUR'000		%
Value derived from properties		
Finished properties	18,979	*21.6%*
Development stock	25,726	*29.3%*
Leased properties	1,008	*1.1%*
Other properties	998	*1.1%*
Secured pipeline deals	11,607	*13.2%*
Owned and secured properties	**58,318**	***66.5%***
Identified pipeline deals	21,801	*24.9%*
Going concern business value	4,500	*5.1%*
Value related to properties	**84,619**	***96.5%***
Value of operations		
Existing hospitality services	1,860	*2.1%*
New hospitality services	2,709	*3.1%*
Value derived from operations	**4,569**	***5.2%***
Total value		
Aggregated value	**89,188**	***101.7%***
Future relocation property costs	(1,500)	*(1.7%)*
Enterprise Value	**87,688**	***100.0%***
Less: Net debt including convertible loans	(2,542)	*(2.9%)*
Add: Other assets	59	*0.1%*
Equity value	**85,205**	***97.2%***
Equity value excl. loans convertible at IPO	85,705	*97.7%*

The business valuation was based on the plans and projections in place immediately prior to the outbreak of COVID-19 and is reflective of what VBL Group management considered as a fair equity value for the Group as at March 2020. Accordingly, the business valuation does not take into account the negative impact of COVID-19 on the operational performance of the Group in FY2020 and FY2021 and the timing of its proposed development projects once the economic and market recovery process and business begins to return to the pre-COVID-19 norm, which VBL Group management believe in their case will not be very dissimilar to what they were before March 2020.

VBL Group management expects that the long-term projections, KPIs, business performance and market conditions in the core business segment of the Group will gradually return at least to the pre-COVID-19 levels following the current disruption which is deemed to be transitory in nature.

It is to be noted that this business valuation is different from the valuation included in the Property Valuation Report, carried out by an independent architect, under the relevant requirements of the Listing Rules and as described in section 22 of this Registration Document.

The remainder of this section sets out a brief overview of underlying methodology and key assumptions of each component making up the business valuation:

Finished properties

Finished properties represents the value of property assets owned by VBL which were completed and held for rental or sale.

The value attributed to finished property was the capitalised value of FY2019 contribution, adjusted for growth.

Development stock

Development stock includes property assets owned by VBL which required further renovation and/or development work to complete.

The development stock value reflected the net present value of the projected discounted cash flow of the individual development / renovation project.

Leased properties

Leased properties reflect the value attributed to properties over which VBL enjoys a long-term lease and which were operated as part of its portfolio at the time of the report.

The value reflected the capitalised value of FY2019 contribution, after taking into account the unexpired term of the lease.

Other properties

Other properties include non-income generating units which were either tenanted or which housed relocated tenants and other properties for which no definite utilisation plans have as yet been formalised.

The value attributed to other properties was based on the Directors' valuation at the time, which is also reflected and described in the Company's audited financial statements for the period.

Secured pipeline deals

Secured pipeline deals relate to property assets / companies which VBL Group had agreed to acquire, either by virtue of a promise of sale or other form of memorandum of understanding.

The secured pipeline deals were valued on the basis of the discounted cash flow projections as adjusted for probability of materialisation factor.

Identified pipeline deals

Identified pipeline deals represent the value attributed to specific proprietary pipeline property deals which VBL Group management has developed and has been working on for a number of years, which were reasonably expected to convert into actionable acquisition transactions in the near future.

The value attributed to identified pipeline deals was based on the same methodology applied to secured pipeline deals, with significantly lower probability weightings being applied so as to reflect the higher element of execution risk.

Going concern business value

Going concern business value reflected the inherent value of:

- pipeline deals which VBL Group management has been pursuing over the years, but which had not yet been included in the above specific categories;
- the Group's proven track record of identifying and maintaining a healthy flow of new projects;
- the Group's established operating management structures and systems; and
- the Group's ability to handle a significantly higher level of development and operational business, without a proportionate increase in its operating / management cost structures.

Operations

The value of operations reflects the discounted cash flow value of the contribution projected from third party managed units and other non-accommodation hospitality operations.

Key assumptions and capitalisation rates

The business valuation adopted the following revenue / contribution capitalisation rates:

- 6.5% for properties operated on the short-let hospitality market;
- 5.5% for long-let retail properties; and
- 5.5% for long-let office space.

Rental contribution was assumed at 75% of hospitality revenue and 100% of retail and office space rental income.

A discount rate of 8.0% per annum was applied in respect of the development phase of future projects.

Indicative values per sqm

The business valuation workings produced an 'as is' average blended value of *circa* €2,988 per square metre of VBL's properties, and an average value on completion of *circa* €6,830 per square metre for the portfolio.

SUMMARY OF PRESENT VALUES

Description	Probability adj. value *€'000*	Adj. value per sqm *€/m2 (net)*	Completion value / sqm *Current prices €/m2 (net)*
Leased properties	1,008	3,326	3,326
Finished properties	18,979	7,647	7,682
Development stock	25,726	3,849	6,705
Other properties	998	1,402	1,402
Secured pipeline deals	11,607	2,800	8,051
Sub-total before identified pipeline	**58,318**	**4,071**	**6,929**
Identified pipeline	21,801	1,746	6,717
Total - identifiable properties	**80,119**	**2,988**	**6,830**
Going concern business value	4,500	n/a	n/a
Value related to properties	**84,619**		

The business valuation workings assume total acquisition and development capex requirement of *circa* €66.7 million which includes *circa* €37 million in relation to the acquisition and development of *circa* 12,500 net square metres of identified pipeline deals.

6. ASSESSING THE EVOLVING IMPACT OF COVID-19 ON THE COMPANY'S BUSINESS AND STRATEGY

The Company's management team has kept the constantly evolving situation precipitated by the COVID-19 pandemic under constant review and assessment, applying a risk-based approach in its evaluations. The guiding principle deployed by management has been that of implementing measures aimed at minimising the disruptions to the day-to-day activities and operations of the Group, whilst directing its financial and other resources to support its core activities, as well as to exploit and pursue strategic opportunities that arose over the course of 2020.

Overall, notwithstanding the unprecedented challenges brought about by the COVID-19 pandemic, the Company's financial position has remained stable, with a relatively healthy liquidity position. Looking back at the previous year before the onslaught of the pandemic, as of 31 December 2019, the Company had an exceptionally low debt-to-equity ratio[10] of 0.06x. The level of indebtedness of the Group is pertinent as it forms one of the major strategic aspects of the development strategy of the Group, which approach has been fundamental in avoiding the severe cashflow and financial difficulties faced by many market players with high gearing ratios. As of 31 December 2020, VBL's debt-to-equity ratio remained low at 0.11x.

The Group's prudent low-gearing approach and consistently conservative financial practices, since inception, have allowed VBL to weather the storm experienced by the sudden market shock caused by the COVID-19 pandemic relatively unscathed, and is testament to VBL's ability to maintain stable and sustainable operations at all times. In this context, and despite the difficulties and global market disruptions, the Group has met all its due and ongoing payment obligations during 2020 and has been successful in completing the acquisition of additional properties. VBL has also successfully negotiated the signing and subsequent extension of the Coliseum promise of sale agreement, conclusion of which is linked to the planned IPO.

As a result of the above actions, the VBL Group has maintained solid liquidity at all times, supporting short- and mid-term financial stability across the Group companies.

Management has sought and obtained new financing in various forms, secured at favourable terms. A long-term subsidised loan of €1.7 million to support in meeting the Group's working capital requirements was obtained under the MDB-scheme, with which VBL has secured its fully funded operational budget for 2021, even if the hospitality revenues do not recover during the year. In addition, VBL secured capital investments under the Convertible Loan Agreements described in section 4.3 of this Registration Document. This allowed VBL to continue its development and acquisitions programme. These achievements allowed the Company to compensate for the negative impacts of the temporarily reduced revenues and secure sufficient liquidity reserves for the ongoing business. The Company's operations and financial situation have remained stable and the Board expects this to be maintained and further strengthened in short-, mid- and long-term, allowing the Group to take advantage of the global disruption, locally.

10 *Debt to equity ratio – long-term borrowings and bank borrowings plus CLA borrowings; divided by total equity*

The Company's Board is of the view that with these factual results, operations throughout FY2021 are fully financed and the Company's financial reserves are adequate until the expected recovery of the domestic and international tourism and business markets.

Summary of the COVID-19 impacts on the business

Impact on rental operations

- March – May **lockdown and ongoing travel restrictions** significantly impacted short-let occupancy and F&B retail
- VBL's flexible business model allowed for a **shift towards medium to long let**
  2020 occupancy estimated at c. **42%** (vs. industry estimate 25.4% vs VBL 2019: 66%)

Note: Industry estimate based on NSO data for Malta's hotel industry

Indicative 2020 results

- Indicative VBL Group **revenue of €549k** for 2020 (vs €1.4m in 2019)
- Indicative VBL Group **EBITDA of €188k** for 2020 (vs. €378k in 2019)
- **EBITDA margin** has **increased** to 34% (vs 27% in 2019)
- **Concluded pre-IPO fund-raising** by local Institutional Investor

Opportunities & new business

- COVID-19 has presented significant **new business**:
  - *Acquisition of Casa Rooms*
  - *Hotel management business*
  - *Property development opportunities*
- Increased managed portfolio by **more than 4x** vs. pre-COVID-19 position
- Tangible opportunities for **new property acquisitions**
- Minimal gearing and modular project model allows for current construction focus
- COVID-19 accelerated VBL's **consolidation of the Valletta market**

6.1 VBL'S MARKET SEGMENTS

The split between the market segments in which VBL is active as at the date of this Registration Document, when compared with the pre-COVID-19 periods, has changed, showcasing the Company's versatility and flexibility to adapt to changing circumstances. Today VBL operates in the following market segments: (i) real estate development and real estate sales; (ii) long-let residential operations; (iii) short-let residential operations; (iv) long-let commercial and office space rental; and (v) property management for third parties, as detailed hereunder.

6.1.1 Real Estate Development and Sales Market Segment

During the COVID-19 pandemic VBL did not execute any substantial development of its properties and accordingly, is not in a position to assess with a sufficient degree of accuracy any immediate difference in pricing of building contracts, nor other material changes in terms in relation to development of real estate. Parallel to this, VBL experienced a tangible increase in availability of work force for the years to come, which has proven useful in its negotiations with various building contractors and suppliers in preparation of its ongoing project preparations and negotiations. The Board also believes that opportunities for procurement of finishing materials and furnishing at favourable terms will ameliorate in the future. As presented in section 5.4.2.1 of this Registration Document, VBL currently has four properties ready for development (Silver Horse Block – residential office and commercial part, Orangery 2, Palazzo Stella Valletta and Casa San Domenico), with the necessary permits in place, where required. These properties amount to *circa* 7,000 sqm of development area, and works are expected to start in the second half of 2021. Given the substantial planned developments for the next two to three years, VBL intends to take full advantage of the opportunities which the COVID-19 pandemic has created in terms of lowering of prices both for work force and materials.

The Group has a significant pipeline of properties it negotiates for purchasing on an ongoing basis. The pandemic has shown an increased predisposition from the owners' side to accept more flexible or favourable terms to the buyer, including purchase of property through swaps for listed shares post-IPO. VBL has, however, not seen or experienced, so far, any decrease in pricing of Valletta-based properties during the pandemic, based on actually closed transactions. VBL's purchasing focus in the last few years has been more pronounced towards larger assets or landmark properties and the Company's strategy remains unchanged. The value of such unique landmark transactions is generally not covered by commodity-type property valuations. The extremely limited supply of properties in Valletta has ensured stability of the real estate market, and this is expected to remain a key feature of this market segment. A recent Malta Developers' Association (January 2021) report suggests stagnating or slightly increasing prices (2% to 5%), depending on the property type.

VBL currently has only one, high-end property on the market for sale. The uniqueness of the property makes it a highly priced asset, which, in the meantime, has been managed through VREM's short let operation. During COVID-19, this property was placed on the long-let market and leased out at a premium price on a one-year contract. While buyers' interest remains high, and VBL has received some opportunistic offers, the volume of actual viewings has dropped significantly, reflecting the general dampened economic situation.

6.1.2 Residential Long Let Market Segment

Prior to the pandemic, VBL had very few apartments on the long-let market (mainly unrenovated units and old-rent tenants), in view of the strong short-let market and significantly higher revenues in that segment. In the initial phases of the semi lock down first imposed by the public health authorities in Malta between March and May 2020, VBL exploited the new market segment opportunity and immediately deployed its short-let apartments to assist medical and health care workers, and quarantine cases, at reasonable daily prices for periods of two weeks up to one month. Thereafter, a significant portion of VBL's renovated short-let operating portfolio was shifted towards long-let with ease. Long-let rates were relatively low in the initial few months, however as the market stabilised, a steady stream of leases was concluded at prices similar to the pre-COVID-19 levels. VBL has experienced significantly higher rates for its premium apartments, compared to the standard units, coupled with faster rent-out rates. The Group has made a strategic decision to retain and dedicate part of its portfolio, even post-COVID-19, to the residential long-let segment of the market, further diversifying its operational and cash flow risks.

On average, about 20%-30% of the developed operational properties were put in use as long-let rental properties during the year, whereas at the beginning of the pandemic (March 2020), VBL had very few long let units. While long-term rent levels remained depressed due to the sudden over-supply, the change in business model allowed VBL to generate sizeable recurring revenues, while many other hospitality operators were unable to make such a quick change in the business model and thus faced increasing financial difficulties.

6.1.3 Hospitality Short Let Market Segment

The short-let hospitality segment was most affected by the COVID-19 situation. Similarly to most other hospitality operators and property managers globally, VBL's hospitality operations have been adversely impacted by the COVID-19 pandemic on two main counts: first, the imposition of restrictions including international travel bans and substantial limitations to the free movement of people; and secondly by a shift in habits of traditional customers across the industries. This has resulted in a significant loss of revenues for the period March-December 2020, where VBL lost approximately 70% of its hospitality rental revenues (average for the year). This occurred despite the record level of sales revenues and guests/accommodation figures realised in the period January-February 2020 (measured both in absolute terms and YoY-basis).

This situation required immediate management actions on the operational side and change of the hospitality business model from short-lets to long-let rentals (see also above). The necessary and possible adjustments and changes to the business model were implemented as swiftly as possible. This was a realistic option for VBL due to the previously adopted and implemented strategy of the Group focused on developing and operating of "stand-alone" hospitality units, as opposed to "hotel-room" type of accommodation. The increasing (financial) pressure over many other operators created new business and market consolidation opportunities, which were exploited by VBL.

As at the end of 2020, the short-let average occupancy levels of the group's residential properties stood at around 42%[11] (2019 – 66%), standing above the industry average, estimated at 25.4%.

6.1.4 Long Let Commercial Market Segment

Currently, VBL has 12 commercial properties to be operated under long-term lease. At present, most of these lease properties are located at The Gut, where VBL's typical model has been that of leasing out shell format properties for periods between 10 and 15 years. The semi lockdown imposed by the public health authorities, as well as ensuing disruptions, have led VBL to proactively manage the various leases by giving substantial discounts of up to 50% to its tenants as well as waiving some lease payment during lockdown. This ensured that when business returned, outlets reopened swiftly and operated successfully. The government restrictions introduced in late 2020 and the first half of 2021 on entertainment outlets have yet again affected commercial operators unfavourably, and this might require further actions / assistance from VBL's side.

6.1.5 Market Consolidation and Overall Outlook

Due to the ability for quick adjustment to the new market situation, VBL was able to step-in as a market consolidator in the local hospitality and property management markets and exploit the opportunities in Valletta, which had long been expected but materialised much faster than anticipated. These actions resulted in the acquisition of its largest property management competitor in Valletta in early 2021 and signing of new management contracts for third-party properties at favourable terms and conditions. These business development actions resulted in VBL's operational units growing three-fold in number by Q1 2021.

6.2 FINANCIAL IMPACT

To manage the situation and offset the effects of significantly reduced liquidity, VBL's management introduced a number of operational and financial measures. The goal of these temporary measures was to secure appropriate liquidity and ensure sustainable operations, until the actual risks and impact of the new situation were better assessed and understood. As a result, VBL suspended development projects and delayed planned maintenance and upgrades, reduced operational costs significantly and delayed and rescheduled payments where possible. In addition, the Company adjusted its budget and cash flow plans to ensure appropriate liquidity at all times.

During 2020, two of VBL's commercial leases were terminated by mutual agreement despite significant investment by the tenants. In this case, VBL leased out the premises for short periods of time in order to gain from key money in the near future once the pandemic is over.

11 *Refer to table headed Revenue Segmentation for the Group within section 5.4.3.1*

Balance Sheet and Asset Base Impact

VBL's balance sheet remains stable and the Company's own assets – which are mostly located in Valletta - have a very strong value preservation ability due to the historic past and physical limitations of the focus area. In times of past economic disturbances, similar classic, historic property (real-estate assets) have proven to be a strong value preserver and have shown the ability for quick recovery and significant value growth in the short term. Based on these trends, VBL expects further appreciation of its own property assets, accompanied with slow but gradual recovery of the hospitality market, with more consolidation opportunities becoming available during the period.

The Company's development plans and execution of its strategy are supported by financing secured at the same or similar terms as available to the VBL Group prior to the COVID-19 pandemic.

6.3 LONG-TERM STRATEGY AND BUSINESS IMPACT

Based on the assessment made by management and the Board, the Company believes that despite the temporary negative impact of the COVID-19 pandemic and short-term business disruption, VBL Group is well placed for a solid recovery and capable of maintaining its prominent position in the Valletta market, whilst also implementing its pre-defined strategy and execute its consolidation plans for the mid-to-long-term future.

7. OPERATING AND FINANCIAL REVIEW

7.1 PRESENTATION OF FINANCIAL INFORMATION

This document contains references to the annual consolidated financial statements of the Group. These refer to the annual consolidated financial statements of the Group for the years ended 31 December 2017, 2018, 2019 and 2020.

As has been described in further detail above, the three-year period between 2017-2019 is considered to be a period of normal operations, whereas the financial year ended 31 December 2020 is considered to be an exceptional year caused by extraneous factors, particularly the COVID-19 pandemic, the ensuing restrictions and resultant market and economic conditions. In this context, the Board of Directors considers it prudent to present the historical financial information covering the aforementioned four-year period, explaining the key drivers of operational and financial performance, together with the impact of COVID-19 on the Group's financial performance and position.

The consolidated financial statements shown for FY2017 were prepared as a comparable set to the FY2018 financial statements as the Group did not prepare its financial statements on a consolidated basis prior to FY2018.

The consolidated financial statements for 2018 (inclusive of the 2017 comparable figures), 2019 and 2020 are available for inspection at the Company's registered office and on the Company's website on www.vbl.com.mt. These financial statements have been drawn up in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the EU. The financial statements have been audited by BDO Malta and the auditor's report thereon comprises an unqualified audit opinion.

Furthermore, the tables and discussions included in this section contain certain alternative performance measures (as defined by the European Securities and Markets Authority ("**ESMA**")). These non-IFRS financial measures are presented as supplemental information as (i) they represent measures that the Directors believe may be relevant for certain investors, securities analysts and other parties in assessing the Company's operating and financial performance and may contribute to a fuller understanding of the Group's cash generation capacity and the growth of the combined business; and (ii) they may be used by the Company's management as a basis for strategic planning and forecasting.

The consolidated financial statements below should be reviewed in the context of the Reorganisation that the Group went through during 2020 as explained in section 4.4 of this Registration Document.

Save for the impacts of the COVID-19 pandemic referred to in section 6 of this Registration document, there has been no significant change in the Company's financial or trading position since 31 December 2020, the date as at which the most recent audited annual financial statements were last drawn up.

7.2 CONSOLIDATED INCOME STATEMENT

The table below sets out the consolidated income statements of the VBL Group over the period from 1 January 2017 to 31 December 2020 and summarises the key operating parameters for the same period.

VBL GROUP - CONSOLIDATED INCOME STATEMENTS

€'000	FY2017 *Audited*	FY2018 *Audited*	FY2019 *Audited*	FY2020 *Audited*
Revenue	1,037	1,273	1,426	549
Cost of sales	(405)	(361)	(403)	(170)
Gross profit	**632**	**911**	**1,023**	**379**
Other operating income / (expenses)	221	28	14	203
Administrative expenses	(540)	(602)	(660)	(394)
EBITDA*	**313**	**337**	**378**	**188**
Depreciation and amortisation	(189)	(297)	(280)	(281)
Operating profit / (loss)	**124**	**40**	**98**	**(92)**
Investment income	11,369	5,976	1,418	(210)
Interest receivable	1	1	6	2
Finance cost	(220)	(252)	(121)	(113)
Profit / (Loss) before tax	**11,274**	**5,765**	**1,401**	**(414)**
Income tax expense	(1,309)	(649)	(159)	52
Profit / (Loss) for the year	**9,965**	**5,116**	**1,242**	**(362)**
Owned/leased operational area (gross sqm)	2,253	2,694	3,073	3,235
Revenue per owned/leased sqm (€)**	359	377	372	156
Revenue per third party managed unit (€'000)***	24.5	28.6	28.4	7.2
Earnings per share (€)****	0.043	0.022	0.005	(0.002)
Dividends declared (€'000)	87.5	120.0	150.0	150.0
Dividends per share (€)****	0.0004	0.0005	0.0007	0.0007

**EBITDA – earnings before interest, taxation, depreciation and amortisation*

*** Revenue per owned/leased sqm (€) – rental revenue generated from owned and leased property operations divided by the total owned and leased operational area (gross sqm). Owned and leased operational area (gross sqm) is shown as a pro-rata adjusted estimate in the case of properties which were not operational for the full year.*

**** Revenue per third party managed unit (€'000) – rental revenue generated from the operation of managed properties which are owned by third parties divided by the number of third party owned units which were managed by the VBL Group during the year.*

*****Earnings per share and dividends per share figures are based on the number of ordinary shares outstanding as at the date of the Registration Document and have been adjusted retrospectively to reflect any capitalisations and share splits undertaken as part of the VBL Group restructuring.*

The Group's revenue increased from €1.03 million in FY2017 to €1.43 million by 2019, equivalent to a compound annual growth rate ("**CAGR**") of 17.3%, but was affected by COVID-19, in FY2020, when revenues were €0.55 million. The improvements were driven by a number of key factors, including:

- completion and commencement of accommodation operations of Lovely House in 2017, Palazzo Zoe in 2018 and Old Lodge in 2019;
- completion and staggered commencement of retail operations of The Gut (Silver Horse Block Phase 1); and
- an increase in the number of third-party properties under management from nine apartments in FY2017 to 11 apartments and a palazzo in FY2019 and an additional 19 hotel rooms as of December 2020.

The decrease in revenues in FY2020 was driven by the impact of the COVID-19 pandemic. Despite the pandemic, the Group remained EBITDA positive in FY2020 due to management's effective cost management and the flexibility of the Group's multi-use portfolio (e.g. shift to long lets).

The growth in the Group's owned operational portfolio, together with booking optimisation and economies of scale contributed to a growth in gross profit from €0.63 million in FY2017 (equivalent to a gross profit margin of 61.0%) to €1.02 million in FY2019 (equivalent to a gross profit margin of 71.8%). Gross profit in FY2020 amounted to €380k.

Other operating income or expenses are primarily driven by the profit or loss made over the carrying value on any properties sold during the year. In FY2017, the Group realised a gain of €0.2 million over carrying value on the sale of the penthouse in the Orangery (Phase 1) block. The Group did not sell any other property in the period FY2018 to FY2020. In FY2020, other operating income includes gains on the termination of long-term leases at the Gut, as the terminating tenants had invested significantly in the respective property's finishing and furnishings. Other operating income also includes miscellaneous income from rental of roof area (e.g. to telecom providers) and other relatively minor, non-core business.

Administrative expenses increased from €0.54 million in FY2017 to €0.66 million in FY2019, largely due to the growth in the Group's operations. Such administrative cost base was trimmed to €0.39 million in FY2020 driven by cost cutting efforts which the Group undertook in order to mitigate the pandemic's impact on its bottom line.

The Group's total staff costs, which are classified between administrative expenses and capitalised as part of the cost of property, amounted to €0.13 million, €0.34 million, €0.29 million and €0.13 million in the years FY2017 to FY2020 respectively. The Group's employee headcount decreased from an average of 18 full-time equivalents (FTE) in FY2017 to eight in FY2020 as the Group optimised its employees with outsourced staff during the years FY2017 to FY2019 and managed resources and costs aggressively in FY2020 due to the pandemic.

Other administrative expenses predominantly include professional services, general office expenses, motor vehicle expenses and marketing costs. Such other administrative costs amounted to €0.46 million, €0.33 million, €0.44 million and €0.27 million in the years FY2017 to FY2020 respectively.

EBITDA from operations (excluding profit from the sale of property) increased from €0.11 million in FY2017 to €0.38 million in FY2019 driven by the completion and commence of operation of a number of properties as well as better operating performance and efficiency. EBITDA in FY2020 took a hit but proved resilient at €0.19 million.

Depreciation and amortisation expenses increased from €0.19 million in FY2017 to €0.28 million in FY2020 as a result of the completion of a number of properties as mentioned above. It is the Group's policy to commence depreciation of investment property assets once such assets are operational.

Investment income relates to movements in the fair value of investment property. The Company recognised increases in the fair value of the investment property in each of FY2017, FY2018 and FY2019, which amounted to €11.37 million, €5.98 million and €1.25 million, respectively. It is the Group's policy to recognise investment property at cost until the directors believe that the value of the respective property can be estimated reliably or until certain critical parameters, such as establishing clean ownership title and fully paying off the property, are met. Investment income in FY2019 also included €0.17 million in the form of a loan waiver from VBLH as part of the VBL Group Restructuring.

Meanwhile, for FY2020, the Group retained its FY2019 valuation of investment property in view of: (i) the uncertainty brought about by the pandemic; and (ii) the fact that professional valuers are typically retaining values similar to FY2019 with a caveat that the full extent of the pandemic's impact on valuation may be hard to determine. The decrease in fair value of investment property of €0.21 million in FY2020 is mainly brought about by the termination of some long-term leases including the Zekka apartment in Old Mint Street, while it has conservatively not revalued its assets for improvements and additions, save for mandatory IFRS requirements. No revaluation increases or new long-term property management agreements are included in the value of investment property shown in FY2020. The Company has not reflected any additional value over and above cost for its newly concluded contracts in FY2020.

Finance costs decreased from €0.22 million in FY2017 to €0.11 million in FY2020. In FY2017 and FY2018, such finance costs were typically incurred on loans from related parties (FY2017: €0.13 million), interest on convertible loans (FY2017 and FY2018: €0.06 million p.a.) and lease liabilities (FY2017 to FY2019: €0.02 million p.a.). Following the group restructuring, Finance costs in FY2020 related to interest on third party loans and lease liabilities.

Income tax expenses primarily consist of the movement in deferred tax liability, which would arise were the property assets to be sold, and is typically attributable to the movements in fair value of investment property. In 2017, the Group also incurred €0.08 million in income tax predominantly related to the sale of property.

Profit after tax generated by the Group decreased from €9.96 million in FY2017 to €1.24 million in FY2019 reflecting a decrease in adjusted Earnings per Share ("**EPS**") from €0.043 in FY2017 to €0.005 in FY2019. This was driven purely by fair value revaluations of investment property. Given that the Group tends to recognise the most significant uplifts upon acquisition and cleaning of property, such fair value revaluation gains were smaller in FY2019 during which the Group only acquired Casa San Domenico, which is a relatively small property. Despite the positive EBITDA recorded in FY2020, the impact of depreciation and fair value losses led to a negative EPS of (€0.002) for FY2020.

During the period under review, the VBL Group distributed total dividends of €0.36 million. It is to be noted – as described in section 4.4 of this Registration Document– that the Group has undergone a restructuring process in FY2019. Prior to that, dividends were paid to investors at the level of VBLH Ltd., which was, at the time, the Group's holding company.

7.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The table below sets out the consolidated statements of financial position of the VBL Group as at the 31 December 2017, 2018, 2019 and 2020.

VBL GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December *€'000*	FY2017 *Audited*	FY2018 *Audited*	FY2019 *Audited*	FY2020 *Audited*
Intangible assets	0	0	0	0
Property, plant and equipment	1,091	1,038	978	911
Investment properties	44,673	51,580	53,534	53,659
Investment in subsidiaries	-	1	1	1
Deferred tax asset	175	155	59	19
Non-current assets	**45,939**	**52,775**	**54,573**	**54,591**
Trade and other receivables	266	387	273	445
Cash and cash equivalents	927	90	351	1,712
Current assets	**1,194**	**476**	**624**	**2,157**
Total assets	**47,133**	**53,251**	**55,197**	**56,747**
Share capital	609	609	5,428	46,000
Share premium account	1	1	1	1
Other reserves	442	444	422	399
Retained earnings	36,226	41,377	41,800	752
Total equity	**37,278**	**42,431**	**47,652**	**47,152**
Long-term borrowings	5,817	6,404	2,000	3,673
CLA related borrowings	-	-	600	1,600
Deferred tax liabilities	3,046	3,639	3,690	3,578
Trade and other payables	718	541	502	389
Non-current liabilities	**9,581**	**10,584**	**6,792**	**9,239**
Bank borrowings	-	-	-	27
CLA related borrowings	-	-	218	-
Trade and other payables	274	236	535	329
Current liabilities	**274**	**236**	**753**	**356**
Total liabilities	**9,855**	**10,820**	**7,546**	**9,596**
Total equity and liabilities	**47,133**	**53,251**	**55,197**	**56,747**

The Group's total assets as at 31 December 2020 amounted to €56.75 million (31 December 2019: €55.20 million, 31 December 2018: €53.25 million; 31 December 2017: €47.13 million) and predominantly comprised:

- property, plant and equipment (PPE) of €0.91 million, comprising the carrying value of the Group's head office, improvements to the premises and other office furniture and fittings;
- investment properties of €53.66 million, comprising the full portfolio of owned properties, properties which are secured by a long-term lease and excluding the Group's head office property. The full list of properties within the VBL portfolio can be found in section 5.4.2.1 of this Registration Document;
- deferred tax asset of €0.02 million which primarily relates to unabsorbed tax losses and capital allowances;
- trade and other receivables of €0.44 million, primarily comprising €0.23 million deposits on property and guarantees, €0.16 million in trade receivables, prepayments and accrued income, and €0.05 million due from VBLH; and
- cash and cash equivalents of €1.71 million.

The assets of the Group were funded through €47.15 million in total equity and €9.60 million in total liabilities as at 31 December 2020. The Group's liabilities as at 31 December 2020 included:

- Borrowings of €3.70 million, comprising of:
  - €2.0 million due to a third party who opted not to convert his loan into VBL equity. Such an amount bears interest at 4.0% p.a. and is repayable in 2023; and
  - €1.7 million in MDB-backed bank debt for the purpose of working capital financing.
- Deferred tax liabilities of €3.58 million, arising from the value of investment property held by the Group were such assets to be sold.
- Convertible loan borrowings of €1.60 million which are to be mandatorily converted into equity at the IPO.
- Trade and other payables of €0.72 million, primarily comprising of:
  - €0.31 million in lease liability relating to the long-term lease of Victoria Terrace, the Augustinian Properties, the Dormitory and the Mariner apartments;
  - €0.11 million in remaining amounts due on the purchase of the Stonemason's House property; and
  - €0.30 million in general trade payables, other payables and accruals such as eco-contribution payable, VBLM management fees payable, managed units profit share payable, deposits on advanced letting, accrued interest and other accruals.

Prior to the Group Restructuring, the long-term borrowings as at 31 December 2017 and 31 December 2018 included €3.58 million and €4.40 million in related party loans from VBLH which were at the time financed predominantly through equity (or convertible loans which eventually converted into equity) at VBLH level.

The Group's book value of equity as at the end of FY2020 may be adjusted for the purpose of equity analysis as follows:

Adjustment to VBL's Dec-20 book value of equity	EUR'000
Book value of equity as at December 2020	47,152
Add: Deferred tax liability as at December 2020	3,578
Add: Committed pre-IPO equity	4,815
Add: Value of Committed and PoS Properties*	8,304
Adjusted book value of equity as at December 2020	**63,849**

** Value of Committed and PoS Properties is estimated as the difference between the architect's value included in the Property Valuation Report and the committed cost to acquire such properties.*

7.4 CONSOLIDATED CASH FLOWS STATEMENTS

The table below sets out the consolidated statements of cash flows of the VBL Group over the period from 1 January 2017 to 31 December 2020:

VBL GROUP - CONSOLIDATED STATEMENTS OF CASH FLOWS

€'000	**FY2017** *Audited*	**FY2018** *Audited*	**FY2019** *Audited*	**FY2020** *Audited*
Profit before tax	11,274	5,765	1,401	(414)
Reconciliation to cash generated from operations:				
Depreciation	189	297	280	281
Amortisation	0	0	0	0
Fair value movement on investment property	(12,048)	(5,976)	(1,251)	210
Profit on sale of investment property	(208)	-	-	-
Loan waiver from VBLH	-	-	(167)	-
Interest received	(1)	(1)	(6)	(2)
Interest payable	219	252	121	113
Operating profit before working capital changes	**(574)**	**337**	**378**	**188**
Movement in inventory	944	-	-	-
Movement in trade and other receivables	(86)	(120)	113	(172)
Movement in trade and other payables	112	(215)	219	(239)
Income tax paid	(77)	-	-	(8)
Net cash generated from / (used in) operating activities	**319**	**2**	**710**	**(230)**
Cash flows from investing activities				
Purchase of tangible fixed assets	(75)	(35)	(34)	(19)
Purchase of investment property	(1,687)	(1,139)	(890)	(622)
Proceeds from sale of investment property	1,320	-	-	93
Net cash used in investing activities	**(442)**	**(1,174)**	**(924)**	**(549)**
Cash flows from financing activities				
Interest received	1	1	6	2
Interest paid	(220)	(252)	(121)	(113)
Dividends paid	-	-	(120)	(150)
Movements in related party balances and other borrowings	744	586	710	2,402
Net cash generated from financing activities	**525**	**335**	**475**	**2,140**
Net movement in cash and cash equivalents	**401**	**(838)**	**261**	**1,361**
Opening cash and cash equivalents	526	927	90	351
Closing cash and cash equivalents	**927**	**90**	**351**	**1,712**

Note: The above table illustrates dividends paid during 2019 and 2020.

Prior to the Group Restructuring, dividends were paid out at VBLH Ltd. level and amounted to €75,000 and €87,500 in 2017 and 2018 respectively.

During the period, from 1 January 2017 to 31 December 2020, the Group generated a total net cash from operations of €0.80 million. This figure represents the Group's current operating structure, which includes a team of designers, architects, and project managers, who are active in the development of upcoming VBL properties.

During the same period the Group invested €4.50 million in its property, plant and equipment ('PPE'), and investment property portfolio, of which:

- €1.32 million were financed by the sale of the Orangery penthouse;
- €0.09 million were financed by the sale of a relocation property in Hamrun; and
- €3.09 million were financed by a mix of additional debt from VBLH (now capitalised) and convertible debt, the majority of which has now converted or will be converting into equity shareholders of the Company upon successful listing.

8. CAPITAL RESOURCES

The Group's operations are financed through a mix of equity and reserves, existing third-party loans, bank loans and convertible loan agreements. The following table sets out the consolidated capital resources of the VBL Group as at 31 December 2017 to 2020:

VBL GROUP - CONSOLIDATED CAPITAL RESOURCES

As at 31 December *€'000*	**2017** *Audited*	**2018** *Audited*	**2019** *Audited*	**2020** *Audited*
Bank debt	-	-	-	1,700
Third party borrowings	2,240	2,000	2,818	3,600
Related party borrowings	3,577	4,404	-	-
Total financial debt	**5,817**	**6,404**	**2,818**	**5,300**
Cash and cash equivalents	(927)	(90)	(351)	(1,712)
Net debt / (cash)	**4,889**	**6,314**	**2,467**	**3,588**
Total equity	37,278	42,431	47,652	47,152
Total funding	**42,167**	**48,745**	**50,119**	**50,740**

Note: Reference is made to section 7 in relation to the preparation of financial information in this Registration Document.

Throughout the period under review, the Group has maintained low gearing ratios, in line with the Directors' conservative approach and a general preference for equity financing. Debt from third parties (including banks) was kept around the €2.0 million to €3.0 million range for the years 2017 to 2019 (against the €44.67 million to €53.53 million worth of investment property). Debt from third parties between FY2017 and FY2020 included a stable €2.0 million loan from an individual who due to personal reasons opted not to convert his CLA into shares. Other amounts included under debt from third parties relate to convertible loans which have either been converted into equity or will do so upon listing of the Shares. Other significant long-term borrowing balances shown in the statements of financial position as at 31 December 2017 and 2018 include balances due to VBLH prior to the Group restructuring, with such balances typically being equity financed at VBLH level.

During FY2020, the Group obtained a €1.7 million reducing balance loan facility for the purpose of financing, in part, its working capital requirements. The loan is provided under the MDB COVID-19 Guarantee Scheme (CGS). The facility is repayable over six years, with one year grace period for principal and interest.

The Group's equity amounted to €47.15 million as at 31 December 2020, comprising share capital of €46.0 million and €1.15 million in retained earnings and reserves. Total funding as at 31 December 2020 amounted to €50.74 million net of €1.71 million in cash and cash equivalents.

The Group is also planning to obtain a revolving credit facility and an overdraft loan facility from a local credit institution. The amount being sought by the Company is *circa* €7.30 million, of which €1 million has been secured in the form of an overdraft loan facility. Whilst, at present, no binding financing agreement has yet been concluded with respect to the credit facility, an indicative term sheet has been signed, and discussions are currently underway to obtain such financing on the basis of the indicative terms set out in the said term sheet. The Board of Directors of the Company is working towards concluding discussions and having such financing available by the end of FY2021. The purpose of the facility would be to increase the Group's flexibility in financing developments and operations in the long term. The Directors expect to maintain a low gearing ratio whenever any additional facilities are drawn to finance property development.

Going forward, the Directors expect the Group's working capital and funding requirements, including for development and eventual repayment of debt, to be met by a combination of the following sources of finance: equity and retained earnings, cash generated from operations, potential sale of properties, as well as additional debt and/or equity financing.

9. DIVIDEND POLICY

The Group is a relatively young and yet dynamic and growing business, which has recorded significant growth since inception in 2012. Today VBL is still on a growth trajectory, and, based on its current plans, it anticipates growing revenues and profits over time as a result of the implementation of its development drive.

VBL's Board of Directors recognises that dividend yield is an important factor for the local capital market. It also acknowledges that such dividend would only create value if it is based on sustainable and strong fundamentals. Through the implementation of its growth strategy, grounded in sustainable and strong fundamentals, the Company expects to be in a position to maintain a steady dividend outflow, without compromising on the pursuit of opportunities for expansion and attractive acquisition and development opportunities, through the reinvestment of surplus free cash flow that may be available from time to time.

It is the Board of Directors' objective to recommend a dividend distribution of between 30% and 50% of the recurring free cash flow on an annual basis, subject to statutory requirements and availability of profits for distribution.

10. REGULATORY ENVIRONMENT

10.1 INTRODUCTION

The Company's activities are subject to an array of rules and regulations and subject to the oversight of various regulatory and other authorities. In particular, some of its activities are undertaken pursuant to authorisations, registrations, certifications, and / or licences granted by the relevant authorities, including any variations to the terms and conditions thereof that may be imposed from time to time.

10.2 LICENCES, PERMITS AND OTHER AUTHORISATIONS

The principal authorisations held by the Company may be categorised according into different divisions, as follows:

i. **Hospitality and tourism:** the authorisations held by the Company to operate and manage its hospitality and tourism-related operations granted by the Malta Tourism Authority under the applicable provisions of the Malta Travel and Tourism Services Act (Cap. 409 of the laws of Malta), including the authorisations held in order to operate its catering establishments and to sell alcoholic beverages from its premises. In addition, the operations of the Company are subject to the terms and conditions of the certifications granted by the Malta Occupational Health and Safety Authority, in particular respect of food handling activities of its catering establishments;
ii. **Construction:** the authorisations held by the Company granted by, among others, the Planning Authority, the Environment and Resources Authority and the Building and Construction Office in respect of the construction activities undertaken the Group; and
iii. **Development:** the various planning development permits held by the Company issued by the Planning Authority and / or the Environment and Resources Authority respectively, in respect of the various development projects undertaken by the Company.

10.3 RULES AND REGULATIONS

In view of its operations, the Company is subject to a variety of rules and regulations, including but not limited to the following primary legislative acts, as well as the applicable subsidiary legislation and rules that may be issued from time to time thereunder:

- Occupational Health and Safety Authority Act (Cap. 424 of the laws of Malta)
- Building Regulation Act (Cap. 513 of the laws of Malta)
- Food Safety Act (Cap. 449 of the laws of Malta)
- Malta Travel and Tourism Services Act (Cap. 409 of the laws of Malta)
- Environment Protection Act (Cap. 549 of the laws of Malta)
- Development Planning Act (Cap. 552 of the laws of Malta)
- Public Health Act (Cap. 465 of the laws of Malta)

10.4 LEGAL AND REGULATORY COMPLIANCE

The Company is committed to legal and regulatory compliance and devotes significant attention to promoting and ensuring acquiescence with the legal and regulatory framework affecting its various operations.

The Company typically uses its corporate secretary, independent lawyers and legal advisers to assure compliance in business matters. Property contracts and other relevant contractual documentation (e.g. related to acquisitions) are always handled by independent notaries and legal experts, appointed by the Company. In ongoing business matters and other relevant documentation, where necessary, the Company involves independent legal advisers, through ongoing and / or *ad hoc* arrangements in order to provide general legal and sector specific legal advice. The objective of the Company and its Directors is to properly mitigate the business and legal risks in all transactions and undertakings.

11. TREND INFORMATION, INCLUDING THE COMPANY'S PROJECTIONS

11.1 ANALYSIS OF CURRENT TRENDS IMPACTING THE BUSINESS OF THE COMPANY

VBL Group's core asset is Valletta real estate. The Group has evolved into one of the largest private owner and operator of real estate in Valletta, as well as the manager of a significant portfolio of third-party real estate assets situated in Valletta. VBL's portfolio of owned and managed assets is diversified in several key market segments, namely:

- Residential property
- Office space
- Hospitality
  - Collective accommodation
  - Private accommodation
- Commercial
  - Food and beverage commercial outlets
  - Retail outlets
- Storage

The Group's performance is thus influenced by trends impacting the real estate market on two levels - firstly, by trends concerning the value of real estate property in Valletta and, secondly, by trends impacting the rental and lease rates and terms relative to the various market segments listed above.

Furthermore, the COVID-19 pandemic, which first hit Malta in March 2020 and remains in a constant state of flux even as at the date hereof and the resultant prohibitive or restrictive measures introduced in response thereto, have had a far-reaching negative impact on a widespread segment of both local and international economies. Government incentives, ranging from direct financial assistance, tax deferrals, employee wage grants, subsidies and other supportive actions have mitigated the adverse impact on financial and operational performance, with the expectation being that the effective vaccine rollout programme witnessed since early 2021 will enable economic recovery as from the latter part of 2021 and eventually economic growth as from 2022.

Notwithstanding the economic contraction and dampened market sentiment precipitated by COVID-19, the real estate market in Malta has demonstrated resilience, generally maintaining pre-COVID-19 (up to Q1 2021) value levels and practically plateauing during the pandemic, out-performing most other market sectors. Specifically, the real estate market in Valletta, due to its specific parameters, has experienced general stability in terms of property sales and rentals, echoing market experience witnessed in earlier economic crises and seen in markets with unique, limited property supply.

In the recent past, very few capital cities in the world have experienced the holistic, targeted and long-term transformation that Valletta, and more particularly the 'lower' Valletta area, has experienced, particularly over the last decade. This trend is expected to continue, with several large, landmark development or regeneration projects currently underway, undergoing preparatory works, or otherwise in the pipeline by both public and private sector participants, VBL's own contribution to the transformation of Valletta is noteworthy, having been a central market player in the restoration, development, management and operation of Valletta real estate.

Valletta, a micro market within Malta[12]

When analysing trends in respect of VBL Group's business, it is imperative to understand Valletta's unique position - geographically, historically, economically and strategically - in the Maltese islands.

Within Malta's real estate market, Valletta is a micro market in its own right owing to the multitude of unique features it possesses. Firstly, Valletta is Malta's capital city, having unique geographical and historical features, including its all-surrounding bastions, forts, garrisons, museums, gardens, centuries-old palaces, and buildings of historical and socio-political importance. These characteristics, together with Valletta's cultural, artistic and social programme, has ensured that Valletta enjoys widely recognised prestige, both locally and internationally. This brand goodwill and image often feature as the mainstay of Malta's tourism strategy. Tourists are likely to visit Valletta at least once during their stay, regardless of whether they opt for a hospitality establishment in Valletta, thereby boosting revenues generated in the various cultural sites as well as bars, restaurants and retail outlets in Valletta.

Government spend on the upkeep and upgrade of the city is significantly higher than that reserved for any other region on the island, on a per square kilometer basis. A study on the economic impact of V18 conducted by KPMG, released in February 2020[13], has shown that direct investment from the public and private sector has proportionally outpaced that of the other areas of Malta, while direct and indirect investment from both sectors have peaked in 2018, resulting in significant infrastructural improvements and attracting a large number of additional smaller investments all around Valletta. The combination of Government spending, private sector investment and EU funding all being concentrated in such a small area, has created Valletta's unique micro-market.

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12 Information from various independent external sources, including professional bodies, industry publications and surveys, reputable media outlets, are: Deloitte Malta, EY – DJAR, KPMG Malta, National Statistics Office – Malta, HORECA, Times of Malta, Malta Today, CNBC.com, Eurostat

13 KPMG Economic Impact V18 report, issued February 2020

Furthermore, Malta has invested heavily in its cruise liner industry, with Valletta, specifically the majestic Grand Harbour, becoming one of the major hubs for cruise ships in the Mediterranean. This cruise liner hub welcomes hundreds of thousands of tourists a year (*circa*. 800,000 in 2019[14]), spending a day in Malta, with many choosing to make the short trip to the city of Valletta. Such activity creates additional demand for services and goods, boosting the city's trade and entertainment sectors.

Valletta is also home to the Maltese Parliament, law courts and the majority of ministries, as well as a significant number of government offices and departments. In addition, a large number of legal and professional advisory firms, and businesses (both retail and non-retail), have chosen Valletta as the location of their offices. This concentration supports stable, high demand for office and other commercial space.

Being limited to just 0.6 square kilometre in size, the availability of property in Valletta is naturally limited. Moreover, built on a peninsula, surrounded by water and having its entire skyline protected by the UNESCO World Heritage Programme, the nature and type of developments that are permitted in Valletta are subject to stringent controls. This means that Valletta's real estate market is not exposed to the same levels of volatility in real estate prices and supply experienced elsewhere on the island from time to time. Furthermore, Valletta real estate is generally well diversified between business and residential use properties.

All the above make the Valletta real estate market unique within the context of the Maltese islands.

Trends in the Property Market

In recent years, and in the context of a wider economic boom spanning multiple years, real estate prices in Malta have experienced a general upward trend. Even amidst the inevitable strains on economic conditions precipitated by the COVID-19 pandemic, the real estate market has been fairly resilient to this turmoil. This is clearly shown in the monthly publication prepared by EY – DJAR[15].

Data for the purposes of this Registration Document is extracted from the February 2021 DJAR publication. This publication focuses exclusively on 'asking prices' and thus one expects a larger margin of error in the trend compared to 'actual transactions'. Furthermore, the publication focuses on regions. Valletta forms part of the 'Northern Harbour' region. Valletta specific data is not provided.

The publication indicates that between Q1 2017 and Q3 2020, average residential property asking prices per square metre (sqm) in the North Harbour area, of which Valletta forms part, have increased from €2,300 per sqm to €3,000 per sqm. That signifies a 30% increase over a three and a half year period. Current average asking prices for residential property in the Northern Harbour range from €2,517/sqm for maisonettes to € 3,543/sqm for terraced houses.

Of more relevance to VBL is the commercial pricing per sqm. The overall average asking price for commercial properties in the Northern Harbour, stands at €3,280/sqm. Hospitality establishments command the highest rate at €6,440/sqm. This is followed by catering establishments at €4,930/sqm and office space at €3,440/sqm.

The latest publication of the National Statistics Office – Malta, in relation to the Property Price Index (PPI) is dated 8 July 2020 and covers the period up to Q1 2020[16]. The table below shows a strong positive trend over the period Q1 2014 to Q1 2020. However, data available does not cover the period of the COVID-19 pandemic, unlike the DJAR publications and other sources.

14 https://nso.gov.mt/en/News_Releases/Documents/2020/01/News2020_008.pdf

15 https://www.djar.com/

16 https://nso.gov.mt/en/News_Releases/Documents/2020/07/News2020_111.pdf

TABLE 1. PROPERTY PRICE INDEX (PPI) BY TYPE AND PERIOD (AVERAGE 2015=100)

Year	Quarter	Apartments	Maisonettes	Aggregate[1]	PPI[2]
2014	1	92.30	89.50	91.69	**92.82**
	2	92.14	93.85	92.52	**92.73**
	3	94.97	88.94	93.65	**94.58**
	4	97.54	97.84	97.61	**97.92**
2015	1	96.49	89.50	94.83	**95.30**
	2	95.66	97.76	96.16	**96.07**
	3	102.67	105.11	103.25	**102.72**
	4	105.18	107.63	105.76	**105.92**
2016	1	100.69	97.29	100.37	**100.29**
	2	102.02	105.97	102.69	**102.78**
	3	106.95	110.77	107.59	**107.62**
	4	110.27	114.15	110.91	**111.12**
2017	1	105.39	105.85	105.43	**105.61**
	2	107.55	114.15	108.94	**108.88**
	3	112.81	114.96	113.22	**113.02**
	4	116.20	118.23	116.58	**116.59**
2018	1	110.69	114.15	111.40	**111.25**
	2	117.05	110.07	115.36	**115.49**
	3	117.90	122.30	118.82	**119.27**
	4	123.84	122.30	123.39	**123.77**
2019	1	118.75	118.23	118.51	**118.53**
	2	123.50	120.67	122.78	**122.76**
	3	127.48	123.53	126.53	**126.44**
	4	132.06	127.60	131.00	**130.81**
2020	1	125.53	125.56	125.39	**125.14**

Data for the last four quarters is provisional.

Source: National Statistics Office - https://nso.gov.mt/en/News_Releases/Documents/2020/07/News2020_111.pdf

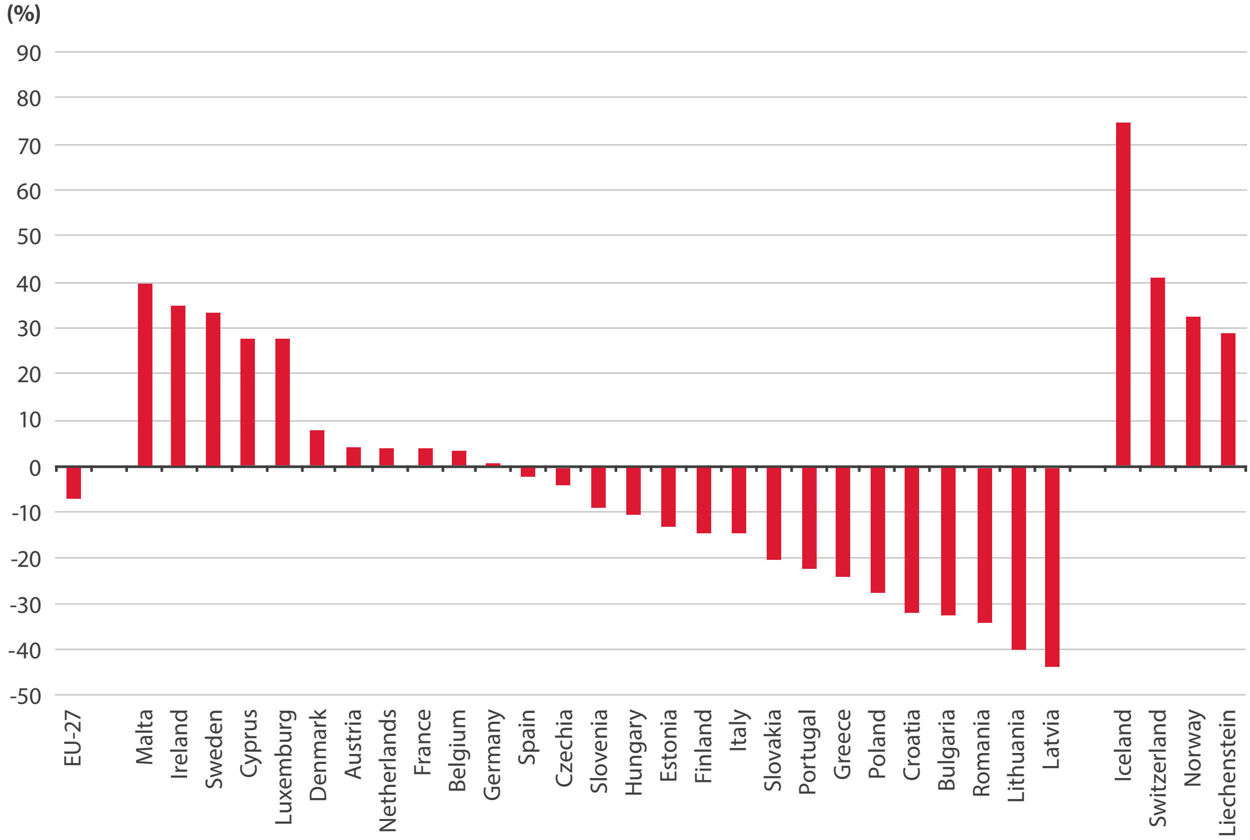
The Malta Developers' Association reported[17], on 16 January 2021, that more than €3 billion worth of property turnover had been recorded in 2020. The figure was similar to 2019, despite 2020 being hit by the COVID-19 pandemic. Furthermore, in April 2021, the same association released preliminary data indicating that Euro 487 million worth of properties subject to promise of sale agreements had been registered with tax authorities in Malta during March 2021. This was a four year high, and represented a month-on-month increase of 87% in the amount of promises of sale registered when compared to March 2020 and in an increment in value of more than €200 million over March 2020.

In the longer term, according to Eurostat, out of the 27 member states, Malta is the EU country with the highest projected population growth between 2019 and 2100 with a forecasted growth of 39.7%. The increased population will increase demand for basic needs including housing and thus will be a driving force towards real estate prices[18].

17 *https://mda.com.mt/category/news/*

18 *European Commission, Eurostat, EU's population projected up to 2100, 10/07/2019*

PROJECTED POPULATION CHANGE, 2019-2100



Source: Eurostat (online date code: proj_19np)

Tourism Trends

Between the years 2009 and 2019, tourism in Malta grew from close to 9.95 million guest nights in 2009 to 19.34 million guest nights in 2019, practically doubling Malta's tourism industry over a 10-year period. This past decade also coincided with the exponential growth in private accommodation through the likes of Airbnb and other booking platforms. 65.4% of tourism growth over the 10-year period opted for private accommodation, with this segment accounting for 48% of total guest nights by 2019 *(source: NSO)*.

During the same period, Average Daily Rates increased by 81%, with close to a 200% increase in gross operating profit per available room across all tourism sub-sectors. Tourist expenditure grew from €0.92 billion to €2.2 billion over this 10-year period. On the other hand, tourist expenditure per guest night remained relatively stable, growing from €93 per night to €115 per night on average across the industry.

In 2019, 5,670 properties in Malta were listed as private accommodation on Airbnb, 400 of which were in Valletta. Average occupancy between 2017 and 2019 in Malta hovered around 60%, rising to 69% average occupancy in Valletta *(source: NSO)*. During the COVID-19 pandemic, at least 40% of the private accommodation portfolio held by VBL Group was shifted to long let accommodation, supporting further the resilience and reduced dependability of this product to tourism related issues.

The global tourism industry is one of the most impacted industries by the COVID-19 pandemic and measures introduced in response thereto. Tourism in Malta was hit hard, with 2020 seeing a 73% decrease in guest nights across the sector. Whereas private accommodation allowed for flexibility to enter the residential market, collective accommodation was left exposed to tourist flows. Government wage supplements and other support measures supported the industry significantly during the most damaging periods. On its part, during the downturn, the Company took the opportunity to make significant moves to consolidate its footprint in the hospitality market in Valletta.

11.2 PROSPECTIVE FINANCIAL INFORMATION

The table below reproduces the consolidated income statements of the Group for the period 1 January 2019 to 31 December 2020 as disclosed in section 7 of this Registration Document and also includes the consolidated forecast income statement of the Group for the year ending 31 December 2021, and the projected income statements of the Group for the period 1 January 2022 to 31 December 2025.

VBL GROUP - PROJECTED CONSOLIDATED INCOME STATEMENTS

€'000	FY2019 *Audited*	FY2020 *Audited*	FY2021 *Forecast*	FY2022 *Projected*	FY2023 *Projected*	FY2024 *Projected*	FY2025 *Projected*
Revenue	1,426	549	642	2,564	5,249	7,905	9,707
Cost of sales	(403)	(170)	(182)	(1,246)	(2,368)	(2,877)	(3,040)
Gross profit	**1,023**	**379**	**460**	**1,318**	**2,881**	**5,027**	**6,667**
Other operating income / (expenses)	14	203	9	9	9	9	9
Administrative expenses	(660)	(394)	(433)	(765)	(780)	(843)	(860)
EBITDA	**378**	**188**	**36**	**562**	**2,109**	**4,193**	**5,817**
Depreciation and amortisation	(280)	(281)	(355)	(512)	(724)	(916)	(973)
Operating profit	**98**	**(92)**	**(320)**	**49**	**1,385**	**3,277**	**4,843**
Investment income	1,418	(210)	7,544	12,905	8,845	5,131	2,427
Net finance costs	(116)	(112)	(125)	(165)	(341)	(323)	(316)
Profit before tax	**1,401**	**(414)**	**7,099**	**12,789**	**9,888**	**8,084**	**6,955**
Income tax expense	(159)	52	(262)	(698)	(855)	(1,147)	(1,333)
Profit / (Loss) after tax	**1,242**	**(362)**	**6,838**	**12,091**	**9,033**	**6,938**	**5,622**
Owned/leased operational area (gross sqm)	3,073	3,235	3,235	3,491	6,893	13,109	16,204
Revenue per owned/leased sqm (€)	372	156	n/a	371	417	391	420
Revenue per third party managed unit (€'000)	28.4	7.2	n/a	8.7	16.0	18.1	18.5
Earnings per share * (€)	0.0054	(0.0016)	0.0241	0.0426	0.0319	0.0245	0.0198
Dividends declared (€'000)	150	150	-	-	-	-	-
Dividends per share (€)	0.0007	0.0007	-	-	-	-	-
No. of shares ('000) *	230,000	230,000	283,522	283,522	283,522	283,522	283,522

** Earnings per share and dividends per share figures are based on the number of ordinary shares outstanding as at the date of this Registration Document and have been adjusted retrospectively to reflect any capitalisations and share splits undertaken as part of the VBL Group restructuring.*

The financial projections shown within this section only assume execution of the projects related to VBL's undeveloped owned, Committed and PoS Properties as at the time of the IPO. Whilst it is part of the Group's ordinary course of business to acquire additional assets, the financial projections do not include any additional acquisitions (apart from the Committed and PoS Properties) following the IPO.

Revenue

The Group expects FY2021 to be another heavily impacted year. Revenue for FY2021 is projected at €0.64 million or 45% of FY2019 revenues.

Revenue is projected to ramp up significantly to €2.56 million in FY2022 and up to €9.70 million in FY2025 assuming completion of the Group's property portfolio. The Directors expect the following developments to drive revenue growth over this period:

- Completion and commencement of owned property rental for the following properties:
  - FY2022: Casa San Domenico;
  - FY2023: Palazzo Stella Valletta, Orangery 2, Golden Lion, Merchant Palace and Cave;
  - FY2024: Silver Horse Phase 2;
  - FY2025: Silver Horse Phase 3 and Coliseum.
- Ramp up of third-party managed unit operations to FY2019 levels by FY2024 based on the currently contracted number managed units (inclusive of Casa Rooms and Merchant Suites units). Casa Rooms' non-Valletta portfolio is assumed to stabilise at a lower revenue per unit.
- Increased focus on commission based other hospitality revenue once the hospitality sector picks up post-COVID-19.

Cost of sales

Cost of sales for FY2021 are projected at a similar margin to that achieved in 2020.

Cost of sales are projected to increase from €1.25 million in FY2022 to €3.04 million in FY2025, equivalent to a margin of 48.6% in FY2022 and 31.3% in FY2025. The Directors expect the following key factors to drive the improvement in margin over this period:

- Economies of scale as the portfolio of operated property grows five-fold;
- A shift in the mix of property use from a predominantly short-let hospitality portfolio to a more balanced retail and office element, whereby the latter are rented out on a long-let basis at what is effectively a 100% gross profit margin;
- An improvement in commission based other hospitality revenue which goes directly to the Group's bottom line;
- A significant increase in the third-party managed units operations which earn a gross profit margin of *circa* 12.5% to 25% of revenue depending on the type of agreement signed and the respective property's performance on the rental market. Such an increase in third party managed unit operations significantly increases both the Group's revenue and cost of sales figures, thus driving the cost of sales margin up.

Administrative expenses

Administrative expenses in FY2021 are projected at *circa* 10% higher than 2020 as a result of the balance between having implemented the cost cutting measures in March 2020 and the fact that the Group will not benefit from wage supplement grants during FY2021.

Administrative expenses are projected to stabilise at €0.76 million in FY2022, which is slightly higher than the overhead cost base set in FY2019. Such an increase is driven by the additional costs brought about by the Group's ongoing post-listing requirements.

EBITDA

The Group expects FY2021 EBITDA to be positive, albeit low, as the business continues to be impacted by the COVID-19 crisis.

EBITDA is projected to increase to €0.56 million in FY2022 to €5.82m by FY2025, equivalent to growth from an EBITDA margin of 26.5% in FY2019 to *circa* 60% by FY2025. The Directors expect the following key factors to drive the growth in EBITDA margin:

- Full use of the Group's operating cost base which in FY2019 was capable to service a much larger operational portfolio than present;
- Increase in portfolio weighting being leased on a long-let basis as driven by the increase in proportion of office and retail properties; and
- Projected increase in commission based other hospitality revenue.

Depreciation and amortisation

The Group's depreciation and amortisation charge is projected to gradually increase from €0.28 million in FY2020 to €0.97 million by FY2025 as driven by property completions and the relative commencement of depreciation.

Investment income

Investment income in FY2021 is predominantly driven by the acquisition of Committed and PoS Properties, as further explained in section C, point 6 of Annex III to this Registration Document.

Investment income for the years FY2022 to FY2025 is driven by the completion of development properties and the related value uplift on completion.

Net finance costs

Net finance costs, amounting to €0.11 million in FY2020 and increasing to *circa* €0.34 million by FY2023, relate to:
- Interest cost on existing third-party loan at 4.0% p.a. with said loan being fully drawn down as at December 2020 and shall be repaid by FY2023
- Interest cost on existing MDB-backed bank facility with said loan being fully drawn down as at December 2020 and shall be repaid over five years following a 12-month moratorium. This loan is projected to benefit from an interest rate subsidy of up to 2.4% for its first two years.
- Interest cost of 4.0% p.a. is being assumed on the following additional debt drawdowns:
    - €5.0 million in FY2022;
    - €8.0 million in FY2023 – of which €2.0 million shall refinance the existing third-party loan; and
    - €1.25 million in FY2024.

Taxation

Tax is projected at a 15% final withholding tax on long-let rental income (predominantly office and retail) and at the corporate tax rate of 35% of profit before tax on the Group's remaining operations.

The table below reproduces the consolidated statements of financial position of the Group as at 31 December 2019 and 2020 as disclosed in section 7 of this Registration Document and also includes the consolidated forecast statement of financial position of the Group for the year ending 31 December 2021, and the projected statements of financial position of the Group as at the 31 December 2022 to 2025.

VBL GROUP - PROJECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December €'000	2019 Audited	2020 Audited	2021 Forecast	2022 Projected	2023 Projected	2024 Projected	2025 Projected
Intangible assets	0	0	166	136	106	76	46
Property, plant and equipment	978	911	862	807	750	705	658
Investment properties	53,534	53,659	72,922	92,664	108,379	117,038	119,231
Deferred tax asset	59	19	179	179	-	-	-
Other non-current assets	1	1	1	1	1	1	1
Total non-current assets	**54,573**	**54,591**	**74,130**	**93,786**	**109,235**	**117,820**	**119,936**
Trade and other receivables	273	445	182	205	340	441	497
Cash and cash equivalents	351	1,712	2,136	287	298	150	3,724
Total current assets	**624**	**2,157**	**2,317**	**492**	**638**	**591**	**4,221**
Total assets	**55,197**	**56,747**	**76,447**	**94,278**	**109,873**	**118,411**	**124,156**
Share capital	5,428	46,000	60,438	60,438	60,438	60,438	60,438
Retained earnings	41,800	752	7,439	19,530	28,563	35,501	41,123
Other equity & reserves	423	400	400	400	400	400	400
Equity	**47,652**	**47,152**	**68,277**	**80,368**	**89,401**	**96,339**	**101,961**
Long-term borrowings	2,000	3,700	3,700	8,364	14,039	14,955	14,609
Deferred tax liabilities	3,690	3,578	3,955	4,600	5,042	5,299	5,420
Trade and other payables	502	389	355	369	463	682	943
Total non-current liabilities	**6,192**	**7,666**	**8,010**	**13,333**	**19,545**	**20,935**	**20,972**
CLA borrowings	818	1,600	-	-	-	-	-
Trade and other payables	535	329	160	577	928	1,136	1,223
Total current liabilities	**1,353**	**1,929**	**160**	**577**	**928**	**1,136**	**1,223**
Total equity and liabilities	**55,197**	**56,747**	**76,447**	**94,278**	**109,873**	**118,411**	**124,156**
% Debt (excluding convertible loans) to total assets ratio*	3.6%	6.5%	4.8%	8.9%	12.8%	12.6%	11.8%
% Net debt (excluding convertible loans) to total assets ratio**	3.0%	3.5%	2.0%	8.6%	12.5%	12.5%	8.8%

** Debt (excluding convertible loans) to total assets ratio – Long-term borrowings divided by total assets*

*** Net debt (excluding convertible loans) to total assets ratio – Long-term borrowings less cash and cash equivalents; divided by total assets.*

The Group's non-current assets are projected to increase from €54.59 million as at 31 December 2020 to €74.12 million as at 31 December 2021 and reach €119.94 million as at 31 December 2025. The growth is driven by the acquisition of the Committed and PoS Properties during FY2021 and the development and completion of VBL's property portfolio over the period leading to 31 December 2025.

The projections do not include any sale of property, which represents an alternative source of financing for the Group's projects.

Property, plant and equipment predominantly includes the Group's office property which is depreciated over the remaining lease term.

Equity is projected to increase from €47.15 million as at 31 December 2020 to €68.28 million as at 31 December 2020, which is predominantly driven by:

- €9.5 million in new equity from the New Share Offer (net of issue costs which relate to the Group);
- *circa* €1.9 million in convertible loan agreements and the respective accrued interest is projected to convert into equity at the IPO as mentioned in section 4.3;
- €3.0 million in new equity as part of the Coliseum property for shares deal;
- €6.84 million in projected net profit for the year, which predominantly relates to movement in fair value of investment property from the acquisition of the Committed and PoS Properties; and
- €0.15 million in FY2020 dividend which is payable during FY2021.

Working capital (trade and other payables, less trade and other receivables) is expected to grow in line with the growth in the operations of the business, once current property acquisition related receivables and payables are projected to be settled in FY2021.

Long-term borrowings are projected to increase from €3.70 million as at 31 December 2020 to €14.95 million as at 31 December 2024, based on the projected bullet loan drawdowns described in the income statement projections section.

The projections exclude further equity fund raising (after the IPO), which remains a possibility in the future.

The table below reproduces the consolidated statements of cash flows of the Group for the period 1 January 2019 to 31 December 2020 as disclosed in section 7 of this Registration Document and also includes the consolidated forecast statement of cash flows of the Group for the year ending 31 December 2021, and the projected statements of cash flows of the Group for the period 1 January 2022 to 31 December 2025.

VBL GROUP - PROJECTED CONSOLIDATED STATEMENTS OF CASH FLOWS

€'000	**FY2019** *Audited*	**FY2020** *Audited*	**FY2021** *Forecast*	**FY2022** *Projected*	**FY2023** *Projected*	**FY2024** *Projected*	**FY2025** *Projected*
Profit before tax	1,401	(414)	7,099	12,789	9,888	8,084	6,955
Reconciliation to cash generated from operations:							
Depreciation & amortisation	280	281	355	512	724	916	973
Fair value movement on investment property	(1,251)	210	(7,544)	(12,905)	(8,845)	(5,131)	(2,427)
Loan waiver from VBLH	(167)	-	-	-	-	-	-
Interest received	(6)	(2)	-	-	-	-	-
Interest payable	121	113	125	165	341	323	316
Operating profit before working capital changes	**378**	**188**	**36**	**562**	**2,109**	**4,193**	**5,817**
Movement in trade and other receivables	113	(172)	51	(23)	(135)	(101)	(56)
Movement in trade and other payables	219	(239)	(1)	442	459	443	366
Income tax paid	-	(8)	(45)	(52)	(234)	(890)	(1,211)
Net cash flow generated from / (used in) operating activities	**710**	**(230)**	**40**	**928**	**2,198**	**3,645**	**4,915**
Purchase of investment property	(890)	(622)	(8,745)	(7,104)	(7,171)	(4,051)	(348)
Purchase of tangible fixed assets	(34)	(19)	(15)	(15)	(15)	(16)	(16)
Proceeds from sale of non-current assets	-	93	-	-	-	-	-
Net cash flow used in investing activities	**(924)**	**(549)**	**(8,760)**	**(7,119)**	**(7,186)**	**(4,066)**	**(364)**
Interest received	6	2	-	-	-	-	-
Interest paid	(121)	(113)	(174)	(290)	(644)	(608)	(596)
Dividends paid	(120)	(150)	(150)	-	-	-	-
Movements in related party balances and borrowings	710	2,402	-	4,664	5,675	916	(346)
Equity injection at IPO	-	-	9,500	-	-	-	-
Payment of lease liability	n/a	n/a	(32)	(32)	(33)	(35)	(35)
Net cash flow generated from / (used in) financing activities	**475**	**2,140**	**9,144**	**4,343**	**4,998**	**273**	**(977)**
Net movement in cash and equivalents	**261**	**1,361**	**424**	**(1,848)**	**11**	**(148)**	**3,574**
Opening cash and cash equivalents	90	351	1,712	2,136	287	298	150
Closing cash and cash equivalents	**351**	**1,712**	**2,136**	**287**	**298**	**150**	**3,724**

VBL's net cash from operations is projected to recover from a negative €0.23 million in 2020 to a cash neutral position in 2021 and subsequently ramp up to €4.92 million in 2025 as driven by the post-COVID-19 market normalisation and the ramp up in the Group's completion and commencement of operations of its portfolio of development properties.

The Group expects to invest over €26.3 million in cash in the acquisition of the Committed and PoS Properties and the development of its property portfolio over the projected period. Maintenance capital expenditure is expected to ramp up to over €0.22 million per annum following completion of VBL's portfolio of development properties.

Dividends of €0.15 million approved by the shareholders for FY2020 and planned to be paid in FY2021 relate to the dividend declared in FY2020.

As per its dividend policy, the Group aims to distribute 30% to 50% of annual free cash flows in dividends. Given the Group's intensive development plan for the coming years, and as a result the limited free cash flow generation projected, the current projections do not present the impact of dividend payments on the future cash flow statement.

11.3 BASIS OF PREPARATION AND PRINCIPAL ASSUMPTIONS

The Prospective Financial Information is intended to show a possible outcome based on a mixture of best estimate assumptions as to future events which the Directors expect to take place and actions the Directors expect to take and hypothetical assumptions about future events and management actions which are not necessarily expected to take place. Events and circumstances frequently do not occur as expected and therefore actual results may differ materially from those included in the Prospective Financial Information.

Attention is drawn, in particular, to the risk factors set out in the Registration Document, which describe the primary risks associated with the business and operations to which the Prospective Financial Information relates.

The Prospective Financial Information is not intended to, and does not, provide all the information and disclosures necessary to give a true and fair view of the financial results, financial position and cash flows of the Group in accordance with IFRS as adopted by the EU.

The Directors have exercised due care and diligence in adopting the basis of preparation and key assumptions set out in Annex III of this Registration Document. The Directors formally approved the Prospective Financial Information on 12 July 2021 and the stated assumptions reflect the judgments made by the Directors at that date.

12. CORPORATE GOVERNANCE

The Company is subject to the Code of Principles of Good Corporate Governance (the "**Code**") forming part of the Listing Rules. The Board has taken such measures as are necessary in order for the Company to comply with the requirements of the Code to the extent that these were considered appropriate and complementary to the size, nature and operations of the Company.

12.1 BASIC PRINCIPLES, IN COMPLIANCE WITH CODE PROVISIONS:

1. The Company is headed by an effective Board in terms of Code Provision 1, which is responsible for accountability, monitoring, strategy formulation and policy development as specified in Code Provision 4;
2. The Chairman does not also occupy the role of Chief Executive Officer, as envisaged in Code Provision 2;
3. The Board of Directors is composed of seven directors, including three independent non-executives in terms of Code Provision 3 (see section 3.1 of this Registration Document); thus retaining a healthy mix between executive and non-executives in the composition of the Board of Directors;
4. Current members of the Board of Directors are all seasoned professionals, with significant local and international professional track record and proven experience in applying the highest level of corporate governance standards, obtained in running large public and private companies;
5. The Board of Directors aims to meet regularly and all Directors are given ample opportunity to discuss the agenda and convey their opinions as specified in Code Provision 5;
6. The Company recognises the importance of professional development and seeks to ensure that there are adequate schemes in place for professional development of management and employees in accordance with Code Provision 6;
7. The Board of Directors has set up the Audit Committee. This has the task, *inter alia*, of managing conflicts of interest in terms of Code Provision 11. Conflicts of interest are also managed in terms of the Company's Articles of Association;
8. The Company has not appointed a Remuneration Committee. The Board believes that the size of the Company and the Board itself does not warrant the setting up of an *ad hoc* committee to establish the remuneration packages of individual directors and relies on the constant scrutiny of the Board itself, the Company's shareholders, the market and the rules by which the Company is regulated as a listed company. The Board shall retain this matter under review over the coming years;
9. The Nomination Committee to be appointed by the Board of Directors is responsible to run a transparent nomination process for the election/re-election of any members, as required, and as detailed and specified in the Memorandum and Articles of Association.
10. The Company recognises the importance of its role in the corporate social responsibility arena and seeks to ensure that in its operations, the environment is respected. The Directors are also aware of the importance of having good relations with stakeholders and strive to work together with them in order to invest in human capital, health and safety issues and to adopt environmentally responsible practices, in line with Code Provision 12; and
11. Pursuant to the Company's statutory obligations, the annual report and financial statements, declaration of dividends, election of directors and appointment of auditors and authorisation of the directors to set the auditors' fees are proposed and approved at the Company's annual general meeting. The Board of Directors properly serves the legitimate interests of all shareholders and is accountable to all shareholders, particularly through the representation of the shareholders on the Board itself. This ensures compliance with Code Provision 9.

In the light of the factors mentioned above, the Board is of the view that the Company is in compliance with the Code.

12.2 SPECIFIC CORPORATE GOVERNANCE PRINCIPLES

The Company, its Directors, management teams and employees believe that good corporate governance is a key element for business success and supporting the integrity and efficiency of the Company and its Subsidiaries, operations and long-term success. VBL is committed to establishing, maintaining and following strong corporate governance principles, as a basic requirement for delivering the Company's planned financial and business goals, achieving its expected business potential, and protecting the Company's investors, employees, partners, customers and reputation.

The Company's Directors are committed to ensure the openness and willingness to establish and follow the basic principles set by the best practices in corporate governance, regularly disclose financial performance figures which are truthful and accurate, and provide timely and accurate information about the Company's goals, activities and strategy to the investors and business partners. This is considered key in allowing the market to be able to assess and evaluate the various foreseeable or unpredicted risks and issues related to the implementation of the Company's business strategy. Among others, the Company has adopted the basic principles of the Code, in order to establish strong business and governance ethics and apply those in its daily practice.

The five key specific principles adopted by VBL's governing bodies are:

i. **Fairness** - fair and ethical behaviour in all dealings is fundamental to the success of VBL's business. Today, the Company already has an established image and proven operational principles of which a fundamental part is to act and deal in a fair and correct manner. As a result, VBL enjoys the trust and support of its partners, peers, customers and suppliers. The Company is committed to continue acting in accordance with the highest ethical and professional standards.
ii. **Accountability** – The Board's and management's commitment to accountability refers to the obligation and responsibility of VBL to always act responsibly and be able to give clear explanations or rationale for the Company's actions and conduct.
iii. **Responsibility** - The Board of Directors and management are given authority to act on behalf of the Company, therefore they accept full responsibility for the powers that they are given and the authority that they exercise.
iv. **Transparency** – This is a key principle of responsible behaviour and good governance expected by a number of stakeholders, particularly the shareholders. The Board of Directors and management ensure that the various bodies or structures of VBL operate and act in a transparent and accountable manner, provide timely and accurate reporting, and address in an open and transparent manner any issues or matters which are faced by the Company.
v. **Corporate Social Responsibility** – In addition to the above four basic corporate governance principles, the Board of Directors and management seek to adopt and follow the increasingly important principles of the corporate social responsibility in the day-to-day management practices at the Company.

13. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

13.1 THE BOARD

The Company is managed by the Board of Directors consisting of seven members who are entrusted with the overall direction, administration and management of the Company. The majority of the Directors are currently non-executive, of whom three directors are considered to be independent within the meaning of the Listing Rules.

13.2 CURRICULUM VITAE OF THE DIRECTORS

Hereunder is a brief curriculum vitae of each of the current Directors:

Dr Andrei Imbroll (Chairman of the Board, Executive Director)

Dr Andrei Imbroll, together with Dr Geza Szephalmi, co-founded the VBL Group which, since its inception in 2012, has diversified into residential, office and retail properties whilst focusing its operations primarily on the hospitality sector.

Graduating from the University of Malta in 2001 as Doctor of Medicine and Surgery, he went on to practice medicine for *circa* seven years, primarily in the field of Obstetrics and Gynaecology, before dedicating himself exclusively to real estate investment in various countries including Malta, Italy, France and Croatia. Dr Imbroll always had a particularly keen interest on the rehabilitation of centuries old buildings within historical cities, an interest and passion which has now been spanning over 15 years. Dr Imbroll occupies the post of head of investments of the VBL Group.

Dr Geza Szephalmi (Executive Director, Chief Executive Officer)

Together with Dr Andrei Imbroll, Dr Geza Szephalmi co-founded the VBL Group. Dr Szephalmi graduated from Bristol University with a degree in International Law, from the ELTE University, Budapest with a doctoral degree in Law and Political Sciences, and from the University of Innsbruck with a degree in International Business Transactions.

Prior to co-founding the VBL Group, Dr Szephalmi served as chairman of the Hungarian Venture Capital Association, member of the OECD Business Advisory Board and vice-chairman of the International Energy Charter. Dr Szephalmi also served as board member of a number of large enterprises, all market leaders in their respective fields, including Waberers, TriGranit, Work Service, Magyar Hírlap, and Syndicatum of Sustainable Resources. Dr Szephalmi has occupied the post of Chief Executive Officer of the VBL Group since 2015.

Mr Julian Tzvetkov (Chief Operating Officer, Executive Director)

Mr Julian Tzvetkov joined VBL in 2012 as an investor and executive. Today, Julian Tzvetkov leads the Group's operations and finance teams. Mr. Tzvetkov graduated with a Master of Science in Business Administration, specialising in marketing and finance (MScBA) from the Budapest University of Economic Sciences and studied law at the ELTE University, Budapest.

Mr Tzvetkov has worked for over 25 years in the financial services sector, including private equity and venture capital, banking and real estate. Since year 2000, Mr Tzvetkov has served as senior executive and director in a number of large finance and fund management companies, including the Hungarian Development Bank, where he acted as managing director. Between 2006-2012, Mr Tzvetkov served as the CEO and chairman of several equity fund managers in the Central and Eastern European region. Since 2012, his focus was on development capital and real estate investments. Mr Tzvetkov also served as the chairman of the Hungarian Venture Capital Association and was a board member of Invest Europe, based in Brussels. He holds the position of non-executive director and supervisory board member of regulated public firms, as well as non-listed entities in Malta and other EU countries.

Mr Artur Haze (Non-executive Director, Audit Committee member)

Mr Arthur Haze is on co-founder and the managing partner of ForeVest Capital Partners. Mr Haze's responsibilities include sourcing, negotiating, executing, and managing investments in Central and Eastern Europe. Prior to forming Forevest, Mr Haze was involved in PineBridge Investments, since 2008. Mr Haze has extensive experience of serving as a director on various companies' board of directors since 1998, with sector specific experience in the healthcare, financial services, distribution and logistics and retail sectors. During 2001-2007, Mr Haze occupied the position of CEO and President of a pharmaceutical distributor in Poland, which he developed to become one of the leading companies of its kind and subsequently sold to Tamro/Phoenix in 2006. Prior to this dual role, Mr Haze served as an investment officer at a Swedish private equity firm, Oresa Ventures, where he established offices in Moscow and Warsaw, and completed several transactions in the healthcare and business services sectors. Between 1995-1997, Mr Haze was a management consultant for Arthur Andersen in Sweden and was predominantly involved in audit, mergers and acquisitions, and restructuring of mid-market private businesses. Mr Haze has a Master of Science in Business Administration and Economics from the University of Uppsala in Sweden. Mr Haze is a citizen of both Sweden and Poland.

Ms Isabella Vella (Independent, Non-executive Director, Audit Committee Member)

Ms Isabella Vella brings a high degree of discretion, mature judgement and tact coupled by strong leadership and collaboration skills as well as a vast wealth of entrepreneurial experience ranging across the construction banking, real estate and hospitality sectors.

For well over a decade, she also held directorship on Peninsula Holdings Limited (C 16111) as well as Peninsula Investments Limited (C 15215) both pertaining to owners of the Westin Dragonara Hotel & Resort as well as alternate directorship in Bajja Developments Limited (C 13819) and Bajja Investments Limited (C 13745), both pertaining to what is now The Marriott Malta Hotel & Spa. She is currently a non-executive director of Main Street Complex Plc (C 34767).

Ms Vella has extensive hands-on experience in management, business leadership, directorship roles and has established a record of success in significantly growing enterprise value. Her exceptional business acumen makes her a true catalyst in building mutually beneficial business relationships.

Ms Vella has also been actively involved on various business platforms such as to The Maltese Chinese Chamber of Commerce, occupying the position of President of same Chamber. Over the years she has also actively and strategically supported a number of charitable organisations.

Dr Csaba Bato (Independent, Non-Executive Director, Audit Committee member)

Dr Csaba Bato, an economist and jurist by training, has been a C-level business executive since 1994. He held senior executive positions at various commercial banks, brokerage companies, as well as investment fund management, asset management- and venture capital firms. Starting his career as a stockbroker licensed by the Budapest Stock Exchange, he developed a deep understanding of the then forming equity- and alternative investment market in CEE.

Besides Dr Bato's competence in financial asset management, which he cultivated at the Hungarian Agricultural Bank, later ERSTE Asset Management Ltd. (Chairman) and Hungarian Foreign Trade Bank Asset Management Ltd. (CEO), Dr Bato is also a seasoned hands-on turn-around- and crisis manager who was tasked with strategy development and execution for major corporate restructurings, reconciliation of shareholder and management interests, having gained experienced in various positions occupied at the Hungarian Development Bank Invest Ltd. (Managing Director) and Corvinus Fund Management Ltd. (Chairman) overseeing a diverse group of portfolio companies.

Since 2010, Dr Bato has been active in the Central European mergers and acquisitions scene as CEO of Stark Capital Ltd., and at Extra Muros Ltd. predominantly facilitating and structuring deals in the financial sector building on his extensive knowledge, experience and network in the regional equity and capital markets.

Mr David Galea Souchet (Independent, Non-executive Director, Audit Committee member)

Mr David Galea Souchet started his career in 1992 at PricewaterhouseCoopers where he spent 12 years in business assurance. Mr Galea Souchet has over 25 years of experience and has gained a solid background in corporate governance, risk management, regulatory compliance, accounting and financial reporting, audit and risk assessment, corporate strategy and operations. He is a fellow of the Association of Chartered Certified Accountants. Mr Galea Souchet has been serving on various boards of regulated firms as an independent director since 2010.

Between 2010 and 2018 he was co-owner and chief operating officer of Cordium Malta, providing corporate governance and regulatory compliance and support services to the investment services and funds industry, during which time he also held various roles in compliance, including that of compliance officer, and spearheaded the compliance function across a number of regulated entities. Since his departure from Cordium Malta in September 2018, his focus has been on acting as an independent director of various regulated and non-regulated entities. Prior to Cordium Malta, he was group financial controller with a diversified group of companies and between 2004 and 2008, he was chief officer for corporate services at Malta Enterprise Corporation.

Dr David Meli (Company Secretary)

Dr David Meli is a partner at Michael Kyprianou Advocates, a multi-jurisdictional law firm operating nine offices in six countries, focused primarily on corporate and commercial law. Dr Meli obtained a Doctorate of law degree from the University of Malta and was also conferred with a Diploma of Notary Public degree from the same University.

Dr Meli is admitted to practice the legal profession before the Courts of Malta as a warranted advocate. Dr Meli specialises in corporate and financial law, gaming and i-gaming law and international taxation law. Dr Meli was appointed company secretary of the Company with effect from 31 May, 2013.

13.3 APPOINTMENT AND REMOVAL OF DIRECTORS

The Directors of the Company are appointed by the shareholders in accordance with the provisions of the Articles of Association of the Company. The procedure for the appointment of Directors shall be as detailed and described in the Articles.

The Company shall grant a period of at least 14 days to shareholders holding in aggregate 10% or more of the Shares to nominate one candidate for appointment as Director for every 10% held as aforesaid. Such notice may be given by the publication of an advertisement in at least two daily newspapers. All such nominations, including the candidate's acceptance to be nominated as Director, shall on pain of disqualification be made on the form to be prescribed by the Directors from time to time and shall reach the Company's registered office not later than 14 days after delivery of the said notice.

Whenever in terms of these Articles an election is necessary amongst candidates nominated for appointment as Directors, such election shall be conducted in the manner prescribed by the Articles or in such manner as close as practicably possible thereto as the Directors may consider equitable in the circumstances.

Any Director may be removed at any time by the Company in general meeting pursuant to the provisions of article 140 of the Act. Without prejudice to the provisions of the Act, the office of a Director shall *ipso facto* be vacated:

- if, by notice in writing to the Company, he resigns from the office of Director; or
- if he violates in a proven way the declaration of secrecy required of him under the Articles and the Board of Directors pass a resolution that he has so violated the declaration of secrecy; or
- if he is prohibited by or under any law from being a director; or
- if he is removed from office pursuant to the Articles or the Act.

A retiring Director shall be eligible for re-election or re-appointment.

13.4 POWERS OF DIRECTORS

The Directors are empowered to act on behalf of the Company in accordance with the Memorandum and Articles of Association, which powers may be widened or restricted from time to time by the shareholders in general meeting.

The general administration and management of the Company is entrusted with the Board of Directors, who are empowered and authorised to delegate any of its executive functions relating to the Company to members of the Company's management.

Any one or more members of the Board of Directors, including the Chairman, may also occupy the position of Chief Executive Officer of the Company and / or member of the board of directors of subsidiaries or affiliate companies of the Company from time to time.

13.5 POTENTIAL CONFLICTS OF INTEREST

As at the date of this Registration Document, Dr Andrei Imbroll, Dr Geza Szephalmi and Mr Julian Tzvetkov are directors and officers of the Company as well as directors and the majority shareholders of VBLM, and as such are susceptible to conflicts between the potentially diverging interests of Company and VBLM, which provides management services to the Company and the VBL Group in terms of the Management Services Agreement as set out in section 4.5 of this Registration Document.

In addition, Mr Artur Haze is one of the ultimate beneficial owners of Raniark Limited, the latter entity being a registered shareholder of the Company and a registered holder of 5% of the share capital of VBLM. Accordingly, Mr Haze is subject to potentially diverging interests between Raniark Limited, VBLM and ultimately the Company.

A Director who in any way, whether directly or indirectly, has an interest in a contract or proposed contract or in any transaction or arrangement (whether or not constituting a contract) with the Company (the "**Conflicted Director**"), shall declare the nature of his interest at a meeting of the Directors in accordance with the provisions of the Act. Furthermore, a Conflicted Director is prohibited by the Articles of Association from voting at a meeting of Directors in respect of any contract or arrangement or any other proposal in which he has, either directly or indirectly, a personal material interest.

To the extent known or potentially known to the Company as at the date of this Registration Document, there are no other material potential conflicts of interest between any duties of the Directors and their respective private interests and/or their other duties, which require disclosure in terms of the Prospectus Regulation.

13.6 REMUNERATION OF DIRECTORS

The remuneration of the Directors in any one financial year, and any increases thereto, shall be determined by the general meeting of the Company.

At the time of the Registration Document, Directors are each entitled to a gross annual remuneration of €10,000, in accordance with the Director Service Agreements entered into between the Company and each of the individual Directors. Board members may be also entitled to reimbursement (if any) for necessary pre-approved travelling, hotel and other expenses that may be incurred by the Director in attending and returning from meetings of the Board of Directors or general meetings of the Company, incurred by the Director in connection with the business of the Company.

At the first annual general meeting following the IPO, the Company will propose a remuneration policy for consideration by the general meeting, which remuneration policy will be formulate in accordance with the requirements of Chapter 12 of the Listing Rules.

13.7 LOANS TO DIRECTORS

As at the date of this Registration Document, there are no loans outstanding by the Company to any of its Directors, or any guarantees issued for their benefit by the Company.

13.8 EXECUTIVE DIRECTORS

The Executive Directors have representation and execution rights on behalf of the Company to the extent permitted by the Memorandum of Association of the Company. In this respect, and in line with the good governance and internal control procedures implemented by the Company, the Memorandum of Association ties the legal representation and signatory rights of the Company to predefined monetary threshold, with enhanced safeguards applicable to transactions of higher monetary value. By way of example, whilst deeds of up to €100,000 may be signed by any two Executive Directors acting jointly, deeds exceeding €1 million may only be entered into if approved by the Board of Directors.

Any one Executive Director of the Company shall represent the Company in judicial proceedings, provided that no proceedings may be instituted by the Company without the approval of the Board of Directors of the Company.

13.9 CHIEF EXECUTIVE OFFICER

In terms of article 65 of the Articles of Association, the Directors may from time to time appoint any person to the office of Chief Executive Officer (CEO) of the Company for such period and on such terms as they think fit. As at the date of this Registration Document, the Board of Directors have appointed Dr Geza Szephalmi to occupy the post of CEO of the Company and the Group. The Directors may entrust to and confer upon a CEO any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit and may from time to time revoke, withdraw, alter or vary all or any of such powers.

Currently the CEO (and the executive management included in section 13.10 below) are functions which are provided under the Management Services Agreement with VBLM.

The CEO shall be responsible for the Company's operative management and direction in accordance with the Articles, the resolutions adopted by the general meeting and the Board of Directors. The CEO has the right to decide on the Company's organisational structure and internal rules and regulations according to the Articles.

13.10 SENIOR MANAGEMENT

The senior management of the Company consists of the following key personnel:

Ms Timea Szilagyi, Group Finance Manager

Ms Timea Szilagyi joined the Group in 2018 as Finance Manager and is responsible for maintaining, monitoring and reporting on the Group's financial position along with several other back office tasks, including overseeing the Group's human resources area and monitoring the payroll, compliance and intra-company business relations. She is responsible for operational financial matters, working capital and investor reporting. Ms Szilagyi brings over 20 years' experience of financial, investment and operational experience. She holds an MSc in Business Administration and Economics from the Corvinus University of Budapest, and a BSc with majors in banking and finance, from the College of Finance and Accounting, Hungary.

Mr Steve Clough, General Manager for Development

Mr Steve Clough joined VBL in 2020 to lead the development projects and expansion plans of the property development division of the Group. He brings with him vast knowledge of operational management and development. Before joining VBL, he served at facility manager and operational support manager for one of the leading oil field service companies in the Middle East, where he was instrumental in streamlining its operational support function and development of new and existing facilities within the organisations challenging markets. Previous to this, Mr Clough held the position of Chairman of a Maltese non-governmental organisation working alongside local government in developing the Malta tourism product, whilst also managing the largest group of diving centres on the Maltese Islands.

Ms Nikolett Kainrath, Architect, Development Manager

Ms Nikolett Kainrath graduated as an architect from the Budapest University of Technology and Economics (Hungary). During her studies, she fulfilled an internship at TriGranit Facility Management Ltd and volunteered in the student organisation IAESTE Hungary where she held the position of the Exchange Vice President for the BME Local Committee for one year. She started working at VBL after graduation, in 2016, and since then she has been working on small and medium sized turnkey projects focusing on project management.

Mr Stanislav Kukov, Group Financial Controller

Mr Stanislav Kukov occupies the role of Group Financial Controller for the VBL Group and has been involved in the Group since 2016. His duties include overseeing the Group's monthly, quarterly and yearly accounting, reporting and audit as well as consolidation of financial statements and financial information. Amongst other interests, Mr Kukov has competence in IT and technology and oversees the IT infrastructure of the VBL Group. Mr Kukov is an experienced Financial Controller with more than 10 years' experience in the field of financial services after initially starting his career as a banker in Eastern Europe. He holds an Executive MBA degree and B.Com. degree in Banking, Finance and Management from the University of Malta.

13.11 DURATION OF SERVICE CONTRACTS BEYOND TERMINATION

None of the Directors, members of the board committees or members of management referred to in sections 13.2 and 13.10 of this Registration Document are party to service contracts with the Company providing for benefits upon termination of employment.

13.12 DECLARATION

None of the Directors, members of the board committees or members of management referred to in sections 13.2 and 13.10 of this Registration Document have, in the last five years:

i. been the subject of any convictions in relation to fraudulent offences;
ii. been associated with bankruptcies, receiverships or liquidations (other than voluntary) or companies put into administration in respect of entities in respect of which they were members of administrative, management or supervisory bodies, partners with unlimited liability (in the case of a limited partnership with a share capital), founders or members of senior management;
iii. been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies); or
iv. been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

14. BOARD PRACTICES

The Directors have constituted the following board committees, the terms of reference of which shall be determined by the Board from time to time with the purpose of fulfilling the below mentioned purposes:

14.1 AUDIT COMMITTEE

The Audit Committee is composed of four members - Mr Artur Haze, Mr David Galea Souchet, Ms Isabella Vella and Dr Csaba Bato (Audit Committee Chairman). Mr Haze, Mr Galea Souchet, and Dr Bato are the Audit Committee members who are considered by the Board of Directors to be competent in accounting and/or auditing in terms of the Listing Rules. The Committee is responsible for reviewing the financial reporting processes and policies, the system of internal control and management of financial risk, the audit process, any transactions with related parties and the Company's process for monitoring compliance with laws and regulations. When the Audit Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board on the action needed to address the issue or make improvements.

The Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interests of the Company. Its primary objective is to assist the Board in dealing with issues of risk, control and governance and in reviewing the Company's reporting processes, financial policies and internal control structure. The Audit Committee also oversees the conduct of the external audit and facilities communication between the Company's Board, management and external auditors.

The Audit Committee is a committee appointed by the Board and is directly responsible and accountable to the Board. Its main role and responsibilities are:

a. to review procedures and assess the effectiveness of the internal control systems, including financial reporting;
b. to assist the Board in monitoring the integrity of the financial statements, the internal control structures, the financial reporting processes and financial policies of the Company;
c. to make recommendations to the Board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor following appointment by the shareholders in a general meeting;
d. to monitor and review the external audit functions, including the external auditor`s independence, objectivity and effectiveness;
e. to establish internal procedures and to monitor these on a regular basis;
f. to establish and maintain access between the internal and external auditors of the Company and to ensure that this is open and constructive;
g. to review and challenge where necessary, the actions and judgements of management, in relation to the interim (if applicable) and annual financial statements before submission to the Board, focusing particularly on:
    i. critical accounting policies and practices and any changes in them;
    ii. decisions requiring a major element of judgement;
    iii. the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
    iv. the clarity of disclosures and compliance with International Financial Reporting Standards;
    v. significant adjustments resulting from the audit;
    vi. compliance with stock exchange (as applicable) and other legal requirements; and
    vii. reviewing the Company's statement on Corporate Governance prior to endorsement by the Board;
h. to gain an understanding of whether significant internal control recommendations made by internal and external auditors have been implemented by management;
i. to establish and exercise oversight upon the internal audit function of the Company, and to review its plans, activities, staffing and organisational structure;
j. to monitor the statutory audit of the annual and consolidated accounts;
k. to discuss Company policies with respect to risk assessment and risk management, review contingent liabilities and risks that may be material to the Company; and
l. to consider other matters that are within the general scope of the Committee that are referred to it by the Board of Directors.

14.2 NOMINATION COMMITTEE

The Board of Directors, the majority of which is composed of by Non-executive Directors, is to act as Nomination Committee, in compliance with the terms of principle 8.B.1 of the Code, in terms of which the majority of the members of the Nomination Committee shall be non-executive directors, at least one of which shall be independent.

14.3 EXECUTIVE MANAGEMENT COMMITTEE ("EMC")

The Executive Management Committee consists of the CEO, the Executive Board Members and any other managers of the Company appointed by the CEO to the EMC.

The EMC is the main operational body of the Company, ensuring smooth and efficient day-to-day operations and control, in line with the strategic operational decisions of the Board. The EMC is responsible to, and reports to the Chief Executive Officer. Within the EMC, there is a clear division of responsibilities between the members, covering all areas of the executive responsibility for the running of the Company's business. The EMC ensures that no one individual or small group of individuals has an unlimited power of decision in day-to-day operations.

15. EMPLOYEES

As at 31 December 2020, the date to which the last audited financial statements were drawn up, the Company had four full time employees, whereas the Group had an average total of 11 employees in 2020, excluding outsourced resources or subcontracted service providers. Back office and administration are covered by three employees, while the remainder of the staff complement is engaged in operations. The staff compliment of the Group is organised in accordance with the management services provided by VBLM pursuant to the Management Services Agreement, according to the requirements of the operating subsidiaries of the Company from time to time. As of the date of this Registration Document the Company has six full time employees and the Group has a total of 14 employees. The VBL Group has a number of outsourced personnel for various positions, including but not limited to seasonal positions, and also uses professional services provided by various subcontractors on a regular basis. Seasonal positions are typically fulfilled by temporary staff employed to support other functions (including, housekeeping, maintenance, cleaning – the number of these depends on the volume of business activity).

16. MAJOR SHAREHOLDERS

As at the date of this Registration Document, the Selling Shareholders held, in aggregate, 99.06% of the issued share capital of the Company. The shares held by the Selling Shareholders are of the same class and carry the same voting rights as the New Shares to be offered by the Company pursuant to the New Share Issue. The Sale Shares forming the subject of the Sale Shares Offer represent up to 15.53% of the issued share capital of the Company prior to the IPO and are expected to represent up to 12.60% of the issued share capital of the Company post-IPO.

Following completion of the New Share Issue, the Selling Shareholders will hold, in aggregate, 80.36% of the issued share capital of the Company. Following Admission, and assuming the Offers are fully subscribed and assuming further the issuance of the Conversion Shares, the Selling Shareholders will, in aggregate amongst themselves, retain 192,121,439 Shares of a nominal value of €0.20 each in the Company, equivalent to *circa* 67.76% interest in the entire issued share capital of the Company.

In so far as is known to the Board of Directors of the Company, there is no person other than a member of the administrative, management or supervisory bodies (the Executives and, or the Directors) who, directly or indirectly, has an interest in the Company's capital or voting rights which is notifiable under Maltese law, as at the date of this Registration Document.

There are no arrangements the operation of which may at some future date result in a change of control of the Company.

Please refer to section 4.3 of this Registration Document and section 6.4 of the Securities Note for further information on the Lock-In Agreement.

17. RELATED PARTY TRANSACTIONS

As the Company and VBL Group adopts IFRS when preparing the Group's financial statements, related party transactions that the Company has entered into during the financial years ending 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020 have been included in the financial statements of the respective year.

The volume and magnitude of the related party transactions on annual level is overall similar for each financial year. Up to the date of this Registration Document, the Company has entered into the following related party transaction, on an arm's length basis:

	EUR (€)
Office Rental – LSO Services Ltd.	(10,000)
Rental Revenue – Gold Landlord Ltd.	5,470
Property Management Payments	(660)
Lease payments recharges	284
Management fees expenses	(175,000)

The above related party transactions relate to transactions between the Company and VBLM (in the case of management fees expenses in terms of the Management Services Agreement) or between the Company and companies associated with shareholders of the Company in relation to the rental of property forming part of the Group's portfolio.

All related party transactions have been concluded at arm's length, were within the ordinary course of business of the Company, and in terms of nature and extent shall not be considered as material to Company.

Other than the aforesaid, the Directors are not aware of any additional related party transactions having been executed by the Company during the financial period under review as above and up until the date of the Registration Document.

18. FINANCIAL INFORMATION

18.1 HISTORICAL FINANCIAL INFORMATION

The Group's consolidated historical financial information included in this Registration Document has been extracted from the consolidated financial statements for the financial years ended 31 December 2017, 2018, 2019 and 2020 as audited by BDO Malta. The financial statements shown for FY2017 were prepared as a comparable set to the FY2018 financial statements as the Group did not prepare its financial statements on a consolidated basis prior to 2018. It is to be noted, that the Group has undergone a restructuring, as presented in details in section 4.4 of this Registration Document and overall financial results, including dividend payments made in pre-reorganisation periods, must be considered at the level of the previous holding company consolidation. This is for clarity purposes, as VBL, the current parent company of the holding has always been the main asset owner and operational entity of the VBL Group.

Pursuant to Regulation (EC) No. 1606/2002 on the application of international accounting standards, the financial statements for the financial years ended 31 December 2017, 2018, 2019 and 2020 were prepared in accordance with IFRS as issued by the International Accounting Standards Board and endorsed by the European Union. All accounting information supplied by the Company is audited by BDO and does not contain any emphasis or other remarks of the auditors. Refer to the audited financial statements which are being made available for inspection for further detail.

Save for the acquisition of Casa Rooms Ltd explained in further detail in section 5.6.3 of this Registration Document, there has been no significant change in the financial or trading position of the Company since 31 December 2020, the last period for which audited consolidated financial statements have been prepared.

18.2 PROSPECTIVE FINANCIAL INFORMATION

The Prospective Financial Information for the Company included in section 11.2 of this Registration Document reflects the Directors' expectations with respect to the future operations of the Group for the five-year financial period from 1 January 2021 to 31 December 2025.
The Prospective Financial Information reflects, *inter alia*, the key trends affecting the Group's business as outlined in section 11 of this Registration Document "*Trend Information*".

The Prospective Financial Information, including the basis of preparation and the key underlying assumptions, are set out in Annex III of this Registration Document.

18.3 LEGAL AND ARBITRATION PROCEEDINGS

The Directors are not aware of any material pending or threatened governmental, legal or arbitration proceedings which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.

18.4 SIGNIFICANT CHANGE IN THE COMPANY'S FINANCIAL OR TRADING POSITION

Since the end of the year 2020, the Company's ordinary business has, overall, continued to develop in accordance with its planned development plans, save for the impact resulting from COVID-19 pandemic. The Company has prepared its plans for 2021, assuming a moderate recovery in the economy during the year, in line with current predominant market expectations. These plans are reflected in the Company's actual financial projections for the ongoing year.

Currently, the Directors are of the opinion that the travel restrictions and the various government measures will only have a short-term impact on the Company's financial performance and that the Company will be able to recover the short-term loss of revenues quickly, once the general economic environment begins returning to normal. Development projects are expected to continue as planned, subject to available financing. Directors expect that the Company will not be facing a going concern issue due to this current situation, as it has adjusted its operations to the current situation as much as possible, and also because of its ability to flexibly scale its resources.

The relatively low level of VBL's total liabilities and high number of unencumbered properties provide for a better than average resistance to internal and external industrial challenges. At the same time the current situation has presented some new opportunities, which the VBL Group intends to explore.

19. ADDITIONAL INFORMATION

19.1 MEMORANDUM AND ARTICLES OF ASSOCIATION

The Memorandum and Articles of Association of the Issuer are registered with the Registrar of Companies at the Malta Business Registry. A full list of the objects for which the Issuer is established is set out in clause 3 of the Memorandum of Association. These objects include, but are not limited to:

i. the purchase, exchange, lease, rent or acquisition or by any other title valid at law, of movable or immovable property whether for the purpose of producing an income, for commercial or for other purposes and to hold the property so acquired and to further sell, transfer, assign, lease or otherwise dispose of the whole or any part of the property, assets or undertaking of the Company;
ii. carry out project development, planning and management, development, construction or other projects on its own behalf and for third parties;
iii. construct, reconstruct, renovate, alter, improve, decorate, demolish, remove or replace and do anything that may enhance the value of immovable property acquired by the Company or by any third party and to manage any projects which may be undertaken by the Company or by any third party in connection with the construction, reconstruction, renovation, alteration, improvement, decoration, demolition, removal, replacement or enhancement of the value of immovable property acquired by the Company or by any third party; and
iv. borrow or raise money for the purpose of, or in connection with, providing financing or re-financing for the Company's business or the business of the companies in the group of companies of which the Company forms part and to secure or guarantee the repayment of any money borrowed or raised by the Company.

20. MATERIAL CONTRACTS OUTSIDE OF ORDINARY COURSE OF BUSINESS

The Company is party to a number of material contracts including contracts entered into in connection with the acquisition, or disposal of real estate assets, the renovation and development of real estate assets, and the subsequent lease and operating agreements in connection with those assets, which are considered contracts in the ordinary course of business. All of those contracts have been entered into in the ordinary course of the Company's business and are considered to be at arm's length and under the general business and ethical standards applied by peer companies, globally.

As at the date of this Registration Document, the Board of Directors considers that the only material contract entered into outside the ordinary course of business of the Company is the Management Services Agreement, details of which are set out in section 4.5 of this Registration Document.

21. PROPERTY VALUATION REPORT

The Company has commissioned Dr Edwin Mintoff, a professional architect based in Malta, to issue the Property Valuation Report in relation to the Company's property portfolio. The following are the details of the valuer:

Name:	Dr Edwin Mintoff
Business Address:	119, Sliema Road, Gzira, GZR 1635, Malta
Qualifications:	AB.E.&A (Hons). Ph.D. (Newcastle) A.&.C.E. Architect & Civil Engineer

The Property Valuation Report is dated 9 July 2021.

A condensed format in terms of Listing Rule 7.12 of the Property Valuation Report is annexed to this Registration Document as Annex II.

22. THIRD PARTY INFORMATION, STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

The condensed version of the Property Valuation Report (the "**Condensed Property Valuation Report**") has been included in the form and context in which it appears with the authorisation of architect Dr Edwin Mintoff, who has given and has not withdrawn his respective consent to the inclusion of the reports herein. Architect Dr Edwin Mintoff does not have any material interest in the Company. The Company confirms that the Condensed Property Valuation Report has been accurately reproduced in the Registration Document and that there are no facts of which the Company is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

Save for the Condensed Property Valuation Report, as contained in Annex II, this Registration Document does not contain any statement or report attributed to any person as an expert.

In addition to the aforesaid, information sourced from other third parties has been accurately reproduced and as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

23. DOCUMENTS ON DISPLAY

For the duration period of this Registration Document the following documents shall be available for inspection at the registered address of the Company:

a. Memorandum and Articles of Association of the Company;
b. Audited financial statements of the Group for the years ended 31 December 2018 (including 2017 comparatives), 2019 and 2020;
c. the Condensed Property Valuation Report; and
d. the full Property Valuation Report dated 9 July 2021.

Items (a) and (b) above shall also be on display in the 'Investors' section of the Company's website at https://www.vbl.com.mt.

ANNEX I – LIST OF DIRECTORSHIPS

DR ANDREI IMBROLL

Name of Company	Country of Incorp.	Company Registration Number	Description of company activity	Date of Appointment / Resignation
Casa Rooms Ltd.	Malta	C 76985	Hospitality services	12/01/2021
VREM Ltd.	Malta	C 73954	Hospitality services	01/04/2019
VBLH Ltd	Malta	C 60406	Holding company	13/05/2013
VBLM Ltd	Malta	C 60381	Management services	09/05/2013
Malta Cable Wake Park Ltd	Malta	C 60747	Advisory services	10/06/2013
Land Overseas Fund SIACV plc	Malta	SV95	Investment fund	13/03/2006
B&L do. o.o	Croatia	58306742152	Real Estate	20/12/2006
Istria Solum d.o.o	Croatia	85737212723	Real Estate	02/09/2008

MR JULIAN TZVETKOV

Name of Company	Country of Incorp.	Company Registration Number	Description of company activity	Date of Appointment / Resignation
VBLH Ltd	Malta	C 60406	Holding company	13/05/2013
VREM Ltd	Malta	C 73954	Hospitality services	15/01/2016 - 01/04/2019
VBLM Ltd	Malta	C 60381	Management services	09/05/2013
Gold Landlord Ltd	Malta	C 82104	Hospitality services	09/08/2017 - 18/09/2020
Mixology Ltd	Malta	C 82465	Hospitality services	07/09/2017 - 25/09/2020
BIF plc	Hungary	01-09-366874	Property operation and development	26/08/2016
C-Vantugro Zrt.	Hungary	01-10-047872	Investment management	13/09/2013 - 2019
Deltacom 33 Ltd	Hungary	01-09-734491	Commercial advisory	11/11/2019
Cross Management Services Ltd	Hungary	01-09-335737	Investment Management	23/01/2019

MR GEZA SZEPHALMI

Name of Company	Country of Incorp.	Company Registration Number	Description of company activity	Date of Appointment / Resignation
VBLH Ltd	Malta	C 60406	Holding company	13/05/2013
VREM Ltd	Malta	C 73954	Hospitality services	15/01/2016
VBLM Ltd	Malta	C 60381	Management services	09/05/2013
Silver Horse Block Ltd	Malta	C 81976	Property development	14/09/2017
Gold Landlord Ltd	Malta	C 82104	Hospitality services	09/08/2017
Mixology Ltd	Malta	C 82465	Hospitality services	07/09/2019
Adventum International Ltd	Malta	C 88511	Investment fund management	07/02/2019
SOTRAK Tanacsado Kft.	Hungary	01-09-366874	Consultancy	09/09/2011

DR CSABA BATO

Name of Company	Country of Incorp.	Company Registration Number	Description of company activity	Date of Appointment / Resignation
Stark Capital Ltd	Hungary	01-10-048031	Advisory services	27/01/2014
Korona Közraktár Zrt	Hungary	01-10046370	Agri-financial institution	01/09/2015
S-2018 Eszközkezelő Ltd	Hungary	01-09-307315	Venture capital firm	06/05/2020
Sikló-Beruházó Befektetési és Tanácsadó Ltd	Hungary	01-09-900497	Venture capital firm	01/02/2018
Tarnhelm Ltd	Hungary	01-09-335877	Advisory services	15/01/2019

MR ARTUR HAZE

Name of Company	Country of Incorp.	Company Registration Number	Description of company activity	Date of Appointment / Resignation
VBLM Ltd	Malta	C 60381	Management services	01/11/2016
VBLH Ltd.	Malta	C 60406	Holding company	13/05/2013 - 01/11/2016 02/06/2017 - 14/09/2020
Forevest Capital Limited Liability Company	Cayman Islands	N/A	Management services/ investment services	2016-current
Promedica Care Sp zoo.	Poland	0000370523	Service provider of elderly care products	2011-current

Note: Mr Artur Haze has been employed as an investment professional in several private equity and investment companies and in this function he has been, and may, in the future be, appointed as director for and on behalf of his employer in respect of a number of different investee companies, whereby he acts and represents the investor (the employer company) as part of his ordinary employee duties.

MR DAVID GALEA SOUCHET

Name of Company	Country of Incorp.	Company Registration Number	Description of company activity	Date of Appointment / Resignation
Entercash Limited	Malta	C 51231	Regulated financial institution	28/12/2018 – 28/02/2020
High Tech Private Equity fund SICAV plc	Malta	SV 441	Regulated collective investment scheme	27/01/2017 – 16/07/2018
Altinum Fund SICAV plc	Malta	SV 309	Regulated collective investment scheme	25/01/2016
Cevian Capital Partners Limited	Malta	C 45913	Investment company	24/01/2019
Cremant Limited	Malta	C 94647	Group finance	23/01/2020
Denada Limited	Malta	C 94649	Group finance	23/01/2020
Dormouse Limited	Malta	C 53034	Regulated investment services	22/10/2019
Embivy SICAV plc	Malta	SV 537	Notified alternative investment fund	18/12/2019
Heptagon Capital Ltd	Malta	C 59542	Regulated investment services	31/01/2020
Hermes Linder Fund SICAV plc	Malta	SV 100	Regulated collective investment scheme	31/01/2019 – 27/11/2020
Imperia Limited	Malta	C 94137	Holding company	04/12/2019
Imperia Group Limited	Malta	C 94217	Investment company	10/12/2019
Libero International SICAV plc	Malta	SV 271	Regulated collective investment scheme	15/04/2013

Losento Limited	Malta	C 94647	Group finance	23/01/2020
Plimsoll Limited	Malta	C 50573	Investment company	24/01/2019
Prestige Capital Management Limited	Malta	C 53197	Regulated investment services	01/02/2015
Thyrv Becketts Limited	Malta	C 94676	Holding company	27/01/2020
Thyrv International Treasury Limited	Malta	C 94673	Holding company	27/01/2020
Thryv Parabolica Limited	Malta	C 94677	Group finance	27/01/2020
Tortuga Fonds SICAV plc	Malta	SV 301	Regulated collective investment scheme	01/01/2014
Zodial Equity Trading (Malta) Limited	Malta	C 61127	Investment company	01/10/2015
Zodial Opportunities SICAV plc	Malta	SV 252	Regulated collective investment scheme	07/12/2012
Mirabella Malta Limited	Malta	C 65707	Regulated investment services	20/06/2014 - 28/09/2018
Acetate (Malta) Company Limited	Malta	C97294	Group finance	18/11/2020
Celanese (Malta) Company 2 Limited	Malta	C97343	Group finance	23/11/2020
Celanese (Malta) Company Limited	Malta	C97296	Group finance	18/11/2020
Celanese Europe Holdings LLC	Delaware	7166189	Holding company	28/01/2021
Celanese Finance Holdings 1 Limited	Jersey	132793	Holding company	14/01/2021
Celanese Finance Holdings 2 Limited	Jersey	132792	Holding company	14/01/2021
Celanese Holdings (Malta) 2 Limited	Malta	C97341	Holding company	23/11/2020
Celanese Holdings (Malta) Limited	Malta	C97290	Holding company	18/11/2020
Cevian Capital (Malta) Limited	Malta	C43126	Regulated investment services	24/01/2019
CGHG Holdings Limited	Malta	C43125	Holding company	24/01/2019
Dynamic Opportunities SICAV plc	Malta	SV543	Notified alternative investment fund	28/05/2020
Foris DAX MT Limited	Malta	C88392	Regulated VFA services	01/01/2021
Foris MT Limited	Malta	C90348	Regulated financial institution	01/01/2021
Jokwood Limited	Malta	C94646	Group finance	23/01/2020
Souchet Advisory Limited	Malta	C88872	Advisory services	17/10/2018
Tempur (Malta) Holdings Limited	Malta	C99250	Holding company	02/07/2021
Tempur (Malta) Limited	Malta	C99251	Group finance	02/07/2021
Andurand Capital Limited	Malta	C56688	Holding company	01/10/2012 – 16/11/2017
Andurand Capital Management Limited	Malta	C57351	Regulated investment services	01/10/2012 – 16/11/2017
ZAS Malta Limited (previously Cordium Malta Limited)	Malta	C48249	Regulatory compliance services	24/11/2011 – 30/09/2018
W1 Fund SICAV plc	Malta	SV315	Regulated collective investment scheme	23/05/2014 – 02/06/2017

MS ISABELLA VELLA

Name of Company	Country of Incorp.	Company Registration Number	Description of company activity	Date of Appointment / Resignation
Peninsula Investments Limited	Malta	C 15215	Hospitality	24/03/2007 -01/02/2017
Peninsula Holdings Limited	Malta	C 16111	Hospitality	24/03/2007 -01/02/2017
Sentosa Company Limited	Malta	C 18137	Real estate	29/03/1995 - 01/02/2017
Main Street Complex plc	Malta	C 34767	Retail shopping complex	19/07/2018
Malta Communication Authority	Malta	-	Government authority	11/2019 – 11/2020

ANNEX II – CONDENSED PROPERTY VALUATION REPORT

DR. EDWIN MINTOFF B.E.&A.(Hons). Ph.D. (Newcastle) A.&.C.E.
ARCHITECT & CIVIL ENGINEER
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V.A.T. Registration number 1108-0503

DATE: 09/07/2021

Valuation of Property: Various Residential and Commercial properties owned, rented and managed by VBL Plc

Client: VBL Plc, 54, Triq Marsamxett, Valletta, Malta

Acronym Definitions:

a) HFP – Holiday Furnished Premises – This is a type of license issued by the Malta Tourism Authority in order to let Holiday Furnished Properties.
b) GFA – Gross Floor Area
c) TBC – To be Confirmed
d) PA – Planning Authority
e) ADR – Average Daily Revenue

1.0 <u>Introduction</u>

1.1 The undersigned, in the capacity of a warranted architect and civil engineer, has been commissioned by VBL Plc, to carry out a valuation of various Residential and Commercial properties located in Valletta. The scope of this valuation is for the inclusion with the Prospectus, to be published in connection with the proposed public listing of all ordinary shares of the Company. The following valuation is being prepared in accordance with the Listing Rules of the Listing Authority found within Chapter 7 published by the Malta Financial Services Authority. The effective date of the valuation is 09/07/2021

1.2 Each valuation is being carried out as at present market conditions. Each valuation is being made without a formal structural or technical assessment. Each valuation covers the building as a whole in its existing state. The properties are being valued on a Market Value basis, as defined by the Royal Institute of Chartered Surveyors ('RICS') Standards, namely, the price at which land and buildings could be sold under private contract between a willing seller and an arm's length buyer on the date of valuation, it being assumed that the property is publicly exposed to the market, that market conditions permit orderly disposal and that a normal period, having regard to the nature of the property, is available for the negotiation of sale.

1.3 The undersigned declares that all of the properties listed under section 10.0 of this summary were accessed and inspected, save for properties number 9, 10 and 28. These visits were intended to better understand the characteristics and qualities of the Property and its surroundings, to evaluate the level of finishes if present, to establish what could influence the values of the Properties, and to confirm their current uses.

1.4 Considering the large number of properties, these have been split into 2 sections; Residential and Commercial based on the approved permitted use. Each section has been further subdivided into sub-categories depending on their tenure. For the purposed of this valuation, properties having various units which are either interlinked physically or by permit have been combined and valued collectively as one building based on the approved permit drawings. A description of the individual units is included within each report. Not all properties mentioned below are owned by the client - a number of properties are owned by 3rd Parties and either rented to VBL Plc or managed by VBL Plc. These will be placed in a separate section.

2.0 *Declaration of Independence*

The undersigned confirms his status as an external independent valuer, without any financial interest (other than service fees due to him) in VBL Plc

3.0 *Valuation Report*

3.1 Contents of the Valuation Report (as specified within 7.4 in the Listing Rules)

3.1.1 Address - Each valuation report includes the property address including a façade photo showing the property being referred to. Where available, a reference plan will be included within the report.

3.1.2 Nature of Valuer's Inspection – An inspection was conducted for each property depending on provided access and practical extent of the exercise, and was intended to better understand the characteristics and qualities of the Property and its surroundings, to evaluate the level of finishes if present, to establish what could influence the values of the Properties, and to confirm their current uses.

3.1.3 Description – Each respective report includes a description of the property being referred to.

3.1.4 Existing Use – The main use of the property as per permit or as presently established is specified within each report.

3.1.5 Relevant Planning Permissions – A Planning History will be included within each respective report.

3.1.6 Material contravention of Statutory Requirements – Where and if present, any contraventions of Statutory Requirements were listed within each report.

3.1.7 Tenure – This has been included into each report.

3.1.8 Main terms of tenants' leases or sub-leases - This has been included into each report.

3.1.9 Approximate age of the building - This has been included into each report.

3.1.10 Present capital value in existing state - This has been included into each report.

3.1.11 Terms of any intra-Group lease on Property occupied by the Group (identifying the Properties) to the extent that such leases are taken into account in the valuation – Not applicable.

3.1.12 Other matters which materially affect the value – Not applicable

3.1.13 Sources of information – All information required by the valuer for the purpose of this valuation was obtained from VBL Plc Areas used for the calculation were provided by VBL Plc and no measured surveys were done by the undersigned.

3.1.14 Details of registered mortgages and privileges and other charges, real rights thereon including details of emphyteutical concessions, easements and other burdens; - This has been included into each report were applicable.

3.2 Details of Valuer – The undersigned Architect and Civil Engineer, Dr. Edwin Mintoff, became one of the first Maltese architects to obtain a doctorate Ph.D. in the field of architecture and urban design. The Perit has been warranted since 1983 having warrant number 163.

3.3 *Basis of Valuation and Assumptions made*

For the purpose of evaluation The Appraisal and Valuation Manual published by Royal Institute of Chartered Surveyors was followed.

3.3.1 An opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation assuming:

3.3.1.1 A willing seller;

3.3.1.2 That, prior to the date of valuation, there had been a reasonable period, (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and conditions of the sale;.

3.3.1.3 That the state of the market, level of values and other circumstances were, on an earlier assumed date of exchange of contracts, the same as on the date of valuation;

3.3.1.4 That no account is taken of any additional bid by a purchaser with a special interest;

3.3.1.5 That both parties to the transaction had acted knowledgably, prudently and without compulsion.

The Guidance Notes, mentioned above, refer to the fact that certain types of property designed or adapted for particular uses, invariably change hands in the open market at prices based directly on trading potential for a strictly limited use.

3.3.2 The following assumptions have been made throughout this report:

3.3.2.1 No allowances have been made in our valuation for any expenses of purchase or realization.

3.3.2.2 The undersigned draws attention to the fact that valuations stated within this report are exclusive of any VAT liability which may be incurred in development or disposal.

3.3.2.3 Unless otherwise stated, the undersigned has assumed that the freehold and leasehold properties are capable of unrestricted transfer to third party purchasers (in the case of leasehold properties subject to the lessors' consent, not to be unreasonably withheld).

3.3.2.4 The undersigned's valuation reflects only the goodwill which is transferable. It excludes goodwill which attaches to personal reputations and qualities.

3.3.2.5 In the event of a future change in the trading potential, the open market value of the existing use could vary.

3.3.2.6 Not all properties mentioned below are owned by the client and are only managed. These are being assumed as Freehold and an estimate on the Market Value of the property was still provided yet not included within the total price.

3.3.2.7 These valuations are intended to assess the Market Value of the assets and not to evaluate generated business profit or value attributed to the managed assets mentioned in 3.3.2.6 owned by third party properties.

3.4 Valuation of the benefit or detriment of contractual arrangements in respect of Property – Not applicable in this case.

3.5 Directors or promoters have had an interest in any acquisitions or disposals – Not applicable in this case.

3.6 Other relevant matters - Most properties mentioned within this report are currently being leased either on short or long lets both for the residential and commercial properties. This valuation will be based on the permitting use of the property by the relevant authorities.

3.7 Valuation Methodology – If not otherwise stated, the valuation is based on a comparative valuation methodology. This is a relative valuation method in which one compares the current value of a property to another with similar characteristics. This method involves comparing the subject property with similar properties that have been recently sold and those that are currently being offered for sale in the vicinity of other comparable localities. The characteristics, merits and demerits of these properties are noted and appropriate adjustments thereof are then made to arrive at the value of the subject property. In all cases, the development potential of the property is being taken into account when evaluating the respective property.

4.0 Valuation of Property in Course of Development (clause 7.5 of Chapter 7 of the Listing Rules)

4.1 Relevant Planning Permits – All relevant planning permits have been listed in each respective valuation report. If the permit has not been approved, or it has been withdrawn, this has been indicated next to the relevant permit. All other permits which have no such note, have been approved. Dates of approval of permit has been also included. These are valid for 5 years since the date of issue of the permit.

4.2 Completion and occupation date – It has been included within the relative valuation report, where applicable.

4.3 Estimate of Completion costs - It has been included within the relative valuation report.

4.4 Open Market Value of the Property in its Existing State - It has been included within the relative valuation report.

4.5 Estimated Capital Value - It has been included within the relative valuation report.

5.0 Progressive Development (clause 7.6 of Chapter 7 of the Listing Rules) - It has been included within the relative valuation report, where applicable.

6.0 Properties held for Development (clause 7.7 of Chapter 7 of the Listing Rules), where applicable

6.1 Relevant Planning Permits – All relevant planning permits have been listed in each respective valuation report. If the permit has not been approved, or it has been withdrawn, this has been indicated next to the relevant permit. All other permits which have no such note, have been approved. Dates of approval of permit has been also included. These are valid for 5 years since the date of issue of the permit.

6.2 Nature and Description of proposed development - It has been included within the relative valuation report.

6.3 Date of Commencement of Development - It has been included within the relative valuation report.

6.4 Expected Development Period - It has been included within the relative valuation report.

6.5 Estimate of Completion costs - It has been included within the relative valuation report.

7.0 Valuation of Properties for Business Use (clause 7.8 of Chapter 7 of the Listing Rules) – It has been included within the relative valuation report, where applicable.

8.0 Overseas Property (clause 7.9 of Chapter 7 of the Listing Rules) – Not applicable as all properties are local.

9.0 Rentals used in Valuations (clause 7.10 of Chapter 7 of the Listing Rules) - It has been included within the relative valuation report, where applicable.

10.0 Summary of Valuations:

In terms of Listing Rule 7.12, due to the large number of properties being valued, a condensed format is being provided hereunder so as to simplify assessment. The full valuation report includes all the details referred to in 3.1 above and is made available for inspection at the registered office of the Company.

The following summary has been split as indicated within the Listing Rules 7.11

Freehold Residential Properties (Properties having multiple units have been grouped):

1. **Old Lodge, 22 North Street, Valletta, Malta** - The property interest in question consists of ownership of a whole residential building split over four floors, with underlying basement and roof terrace, which operates through an 'HFP' license. Each floor houses a number of rooms which are rented out. The building is accessed from North Street through a main door which leads onto a hallway and subsequently onto a common staircase which reaches continuously up to the third floor and subsequent roof terrace. The entire building has a toal GFA of 557sqm excluding the area of the wells. Finishes are of a high quality as property has recently been refurbished. The original building fabric is late 18th - early 19th century, with latter additions. The total value of 'Old Lodge' as described above is **Euro 1,900,000** (one million and nine-hundred thousand Euros).

2. **Lovely House, 114 St Nicholas Street, Valletta, Malta** - The property in question consists of freehold ownership of a single residential unit split over four floors with underlying basement and rooftop terrace, which operates through an MTA 'Host Family' license. The building is accessed from St. Nicholas Street through a main door which leads onto a hallway and subsequently onto a common staircase which reaches continuously up to the fourth floor and subsequent roof terrace. The building has a total GFA of 196sqm. The original building fabric is late 19th - early 20th century. Finishes are of good quality as premises has been recently refurbished. The total value of 'Lovely House' as described above is **Euro 870,000** (eight hundred and seventy thousand Euros).

3. **Casa Zoe, 153A, 154, Palazzo Zoe 155, St. Nicholas street, Valletta** –

   Casa Zoe: The property interest in question consists of ownership of a maisonette split over four different levels, which operates through an 'HFP' license.

The entire building has a toal GFA of 94sqm. The finishes are of high quality, with the property having been recently refurbished. PA 4267/15 & PA 248/17 cover this refurbishment. The original building fabric is late 18^{th} - early 19th century, with latter additions.

Palazzo Zoe: The property interest in question consists of ownership of a block of 3 apartments split over 5 floors: including two one-bedroom apartments at first and second floor and a three-bedroom triplex apartment with roof terrace. All these properties currently operate through an 'HFP' license. The building is accessed from St. Nicholas Street through a main door which leads onto a hallway and subsequently onto a common staircase with lift which reaches continuously up to the triplex level and subsequent roof terrace. The apartment has a GFA of 64sqm. Finishes are of a very high quality. The original building fabric is late 18^{th} - early 19th century, with latter additions.

The total value of 'Casa Zoe' & 'Palazzo Zoe' as described above is **Euro 2,460,000** (Two million, Four Hundred and Sixty thousand Euros).

4. **Orangery Lodge, 63,64,65 West Street, Valletta** – The property interest in question consists of 9 apartments situated from ground all the way to the top floor, two maisonettes and the airspace above this block at 63, 64, 65 West Street. The right wing of the block and the apartments which lie here are in a finished state and have been refurbished under PA/856/13. The left wing of the block and the properties which lie here are undeveloped and require works to be carried out under PA/458/17. The two maisonettes are currently occupied by old rent tenants, whilst apartments 102, 303 ,304, 403, 503, 504 & 602 are occupied by three tenants who have agreed to relocate. Only apartments 101 and 603 are not occupied, with 101 operating under an HFP license. The building block is late 18th, early 19th century. The total value of 'Orangery Lodge' as described above is **Euro 2,705,000** (Two million, seven hundred and five thousand).

5. **Palazzo Stella Valletta, 92, 93, St. Nicholas Street, Valletta and 37 A, St. Anne Street, Valletta** - The property consists of a palazzo split across 6 floors including its airspace. The building dates approximately to the end of the 17^{th} Century having the upper floors added later in the 19^{th} Century. As per the drawings and area provided by the client, the existing state of the property has a gross floor area of circa 473 square

meters including the open roof terrace. Full development permit to add an extra floor has been obtained. PA 4187/16 cover this development. The property is being valued as freehold. The value of the property Palazzo Stella Valletta, 92, 93, St. Nicholas Street, Valletta and 37 A, St. Anne Street, Valletta is estimated to be **Euro 3,600,000** (Three million Six Hundred Thousand Euro).

6. **Silver Horse Phase II, 138C, 139 , 139 A St. Christopher Street, Valletta (Residential Part) -** The property consists of an existing residential block of a series of rooms and apartments known as 'kerrejja' spread across 6 floors including a common roof. A permit to redevelop the property into an apartment block has been accepted. PA 10091/18 was approved to propose structural alterations to convert an existing substandard residential block of 34 apartments into 20 modernized dwellings with 30 bedrooms. The building dates approximately during the 19th Century with interventions done in mid-20th Century. Renovations as specified within the above-mentioned permit are still to be done. The property is being valued as Freehold. The residential part of Silver Horse,138, 138A, 138b, St. Christopher Street, Valletta inc. the roof terrace and airspace in its potential state is of **Euro 8,005,000** (Eight Million and Five Thousand Euro).

7. **19, Casa San Domenico, Triq L-Isptar, Valletta -** The property consists of a residence built over 5 floors including a basement and roof terrace and its own airspace. As per the drawings and area provided by the client, the property has an internal area of circa 211 square meters and an external area of circa 24.9 as a roof terrace. The building dates approximately during the beginning of the 20th Century with more recent interventions dating later in the 20th Century. The property has the potential to build further considering its context. The property is being valued as Freehold. The total value of Casa San Domenico, Triq L-isptar, Valletta, Malta is of **Euro 950,000** (Nine Hundred and Fifty Thousand Euro).

8. **Stone Mason's House, 122 Old Bakery Street -** The property consists of a residence build over 8 floors. As per the drawings and area provided by the client, the property has an internal floor area of circa 507 square meters and an external floor area of circa 134.3. The building dates approximately during the second part of the 18th

Century. The property is being valued as Freehold. The total value of Stone Mason's House, 122, Old Bakery Street, Valletta, Malta is of **Euro 2,400,000** (Two Million Four Hundred Thousand Euro).

9. **<u>Gold Lion, 28,29, 30 and 31, West Street -</u>** The property consists of a residential block spread over 6 floors which includes 2 maisonettes and a main residence reaching the roof level. This valuation is entirely based on the drawings, photos and explanation provided by the client as no access could be provided in No. 28, 30 and 31 of the above mentioned (as specified in clause 1.3 above). Only No. 29 was inspected by the evaluating architect. The building dates approximately back approximately to the beginning of the 18th Century having some recent interventions at the end of the 20th Century. The property is being valued as Freehold while No. 31 is occupied by an 83-year-old woman with the lease dating prior to 1996. As per NSO guidelines, the life expectancy of women in Malta is 84.3 years. The remaining lease will be negligible to the Freehold market value of the property. The property is being valued including its full airspace. The total value of 28, 29,30,31 Gold Lion inc. airspace, West Street, Valletta Malta is of **Euro 2,882,000** (Two Million Eight Hundred and Eighty Two Thousand Euro).

10. **<u>Grand Harbour Residence, 63, East Street, Valletta</u>** – A valuation report for this property could not be done. Access to the property could not be provided and plans were not made available by the client (as specified in clause 1.3 above). A desktop valuation based on the information provided by the client was done. The client owns 1/36 of the property. The value of the property is **Eur 65,000** (Sixty Five Thousand Euro)

11. **<u>Little Horse, 100 & 101 Strait Street, Valletta -</u>** The property consists of a residence built over 4 floors including a street level garage. As per the drawings and area provided by the client, the property has a gross floor area of circa 265 square meters. The building dates approximately during the 16th Century with alterations at the back dating 19th Century. The property has the potential to build extra floors considering its context. The property is being valued as Freehold and inclusive of airspace. The total value of Little Horse, 100 & 101, Strait Street, Valletta, Malta is of **Euro 1,275,000** (One million Two Hundred and Seventy Five Thousand Euro)

12. **Flat 5 Block 3, Triq il Gnien, Santa Lucia -** The property consists of an apartment at Second Floor. The property consists of 3 Bedrooms, all overlooking a façade, 1 bathroom and an interconnected kitchen and living room. The property is located within a Residential Area –SMHO 02, SMSL 06, SMSE 04 as per the Santa Lucia Policy Map SL 1. As per the drawings and area provided by the client, the property has a net floor area of circa 96 square meters. The building dates pre 1968. The property is being valued as Freehold and assumed that furniture is included. The total value of Flat 5 Block 3, Triq il Gnien, Sant Lucia is of **Euro 190,000** (One Hundred and Ninety Thousand Euro).

Residential Properties Owned subject to Redeemable Emphytuesis (Properties having multiple units have been grouped):

13. **Lucky Star, 182, and 183A, St. Paul's street, Valletta** - The property consists of a block of 11 apartments and a common roof terrace utilized as holiday residence (private accommodation), and a mezzanine, having an MTA HFP Licence. The property is subject to a Temporary emphythuesis of 150 years from 1904. The remaining years are about 33 years @ 89.68 € per annum with a right to redeem through capitalization of ground rent at 2%. The building dates approximately during the second part of the 19th Century. The total value of 182 including the mezzanine, St. Paul’s Street Valletta Malta is of **Euro 4,325,000** (Four Million Three Hundred and Twenty Five Thousand Euro).

Freehold Commercial Properties (Properties having multiple units have been grouped):

14. **The Gut, 92-99D, Strait Street, Valletta -** The property consists of nine multilevel commercial outlets within a 3-level block having street level entertainment with homogenous shop fronts and approved outdoor tables and chairs within Strait Street Valletta. The building dates approximately during the 19th Century with more recent interventions dating post WWII. Some of the above mentioned are under a special hypothec of 2,000,000 EUR (Two Million Euros) related to a loan of the same

company, and others are being valued as Freehold. The total value of The Gut, 92-99D, Strait Street, Valletta Malta is of **Euro 8,625,000** (Eight Million Six Hundred and Twenty Five Thousand Euro)

15. **Lucky Store, 62, West Street Valletta -** The property interest in question consists of ownership of a ground floor grocery shop with basement cellar in a dilapidated, vacant state. The alterations to the property as outlined in PA/458/17 have not yet been carried out. As per PA/458/17, this grocery will be converted into a ground floor Class 4B retail outlet including confectionary with bathroom at basement level. The grocery forms part of a greater residential block and has a total GFA of 92sqm. The building is late 18th, early 19th century. The total value of 'Lucky Store' as described above is **Euro 275,000** (Two hundred and seventy-five thousand)

16. **Silver Horse Phase II, 138, 138 A, 138 B, St. Christopher Street, Valletta (Commercial Part) -** The property consists of an existing residential block of a series of rooms known as 'kerrejja' spread across 6 floors including a common roof. A permit to redevelop the property into an apartment block has been accepted. PA 10091/18 also includes the creation of various Class 4a Offices on each floor and 1 Class 4D restaurant. The building dates approximately during the 19th Century with interventions done in mid-20th Century. Renovations as specified within the above-mentioned permit are still to be done.

    a. Silver Horse Offices - in its proposed state less development costs is estimated to be **Euro 7,650,000** (Seven Million Six Hundred and Fifty Thousand Euro)
    b. Class 4D Restaurant - in its proposed state less development costs is estimated to be **Euro 700,000** (Seven Hundred Thousand Euro).

17. **Old Bakery, 93, Merchant Street, Valletta -** The property consists of a former bakery at basement level. As per the drawings and area provided by the client, the property has a gross floor area of circa 98 square meters. The building dates approximately during 17th Century. The property is being valued as Freehold. The total value of Old Bakery, 93, Merchant's Street, Valletta, Malta is of **Euro 430,000** (Four Hundred and Thirty Thousand Euro).

Non-Redeemable Emphyteusis & Leasehold Residential / Commercial Properties (Properties having multiple units have been grouped):

18. **Dormitory, 65, Augustinian, 64 & St. Mark's, 60, St. Mark Street, Valletta** - The property interest in question consists of an emphytheutical interest whereby these three properties are rented to VBL from the church with period of contract from 2013 until 9th September 2034 years (13years, 7 months left on lease) at 6,500 euros per annum with an increase of 15% every 5 years. All 3 properties original part of the building is late 18th, early 19th century with latter alterations.
    a. Dormitory, a hostel set on three floors, with hostel license, has a total GFA of 161sq. Finishes are in fairly good condition.
    b. Augustinian, a ground floor duplex maisonette, with HFP license, has a total GFA of 24sqm. Finishes are not new and in fairly good condition.
    c. St. Mark's, a ground floor maisonette, has a total GFA o 68sqm. Finishes are in fairly good condition.

The total **leasehold market value** of these three properties as described above in conjunction is **Euro 1,100,000** (One Million, one hundred thousand)

19. **Mariner, 121, St. Nicholas Street, Valletta** - The property interest in question consists of a long rental agreement of 10 years whereby VBL is the lessee renting from the landlord. VBL, in turn, sub-lets the property in order to generate income through rental revenue. Term: 10 years (01.04.2016 to 01.04.2026) at a yearly rental of €3,600.00 per annum. The property is currently being sub-let on a long-rental agreement until the end of Feb. 2022. The entire property has a total GFA of 79sqm with a backyard area of 22sqm. The property in question is a ground floor one bedroom maisonette accessed from St. Nicholas Street through a main door and consists of one bedroom, living room, access to internal yard, a bathroom and a backyard. The finishes are of decent quality as parts of the maisonette have been recently refurbished. The original building fabric is late 19th century, early 20th century, with latter additions. The total **leasehold market value** of this property as described above is **Euro 150,000** (One Hundred and Fifty Thousand Euros)

20. **<u>Victoria Terrace, 54, Marsamxett, Valletta</u>** - The property interest in question consists of an emphyteutical deed whereby VBL Plc. have been granted the property for 25 years (until 1st July 2038) with 17 years left on the contract. The contract was started in 2013 at 20,000 euros per annum with an increase of 10% every 10 years. This property consists of a commercial building set over five floors with underlying basement and roof which consists of terrace with scenic panoramic views of sought-after landscapes such as Manoel Island. The ground floor currently operates as office space. The first floor consists of Class 4A office space with bathroom at rear of site. As per PA/3659/15, the ground floor will instead consist of a class 4C Cafeteria. The overall condition of the finishes is good quality. The building has a total GFA of 268sqm. The building is mid 19th century with latter alterations. The total **leasehold market value** of this property as described above is **Euro 835,000** (Eight Hundred and Thirty-Five Thousand)

21. **<u>Operational Center, Fountain Street, Valletta -</u>** The property interest in question consists of a leasehold agreement whereby the garage is rented to VBL for 10 years, with 3years and 10 months left on the lease. The property has been leased from 2014 for 2400 € per annum, increased inflation every 3 years until 31.12.2024. The building is accessed directly from Fountain Street. The garage has a GFA of 31sqm. Property is finished to a decent standard. The total **freehold** value of the property as described above is **Euro 4,200** (Four thousand, Two Hundred Euros)

<u>Third Party Managed Residential Property (Properties having multiple units have been grouped):</u>

22. **<u>Golden Seed & Skyline, St. Nicholas Street, Valletta</u> –**
    a. <u>Golden Seed</u>: The property interest in question consists of a third party management agreement whereby VBL manage the landlord's property. The revenue generated from letting out the property is then split between the landlord and VBL respectively: "While VBL is experimenting with various different revenue sharing models on the Valletta market – the various models are all based on revenues from operation. Practically in all models, the essence of it is that the actual end-result for VBL is equivalent to the split of revenues to

approximately 50-50% of the actual achieved revenues." The entire apartment has a total GFA of 80sqm. The property in question is a fourth floor one bedroom apartment. Finishes are good quality as the property appears to be recently refurbished. The original building fabric is late 19th century, early 20th century with latter additions.

b. Skyline: The property interest in question consists of a third party management agreement whereby VBL manage the landlord's property. The revenue generated from letting out the property is then split between the landlord and VBL respectively: "While VBL is experimenting with various different revenue sharing models on the Valletta market – the various models are all based on revenues from operation. Practically in all models, the essence of it is that the actual end-result for VBL is equivalent to the split of revenues to approximately 50-50% of the actual achieved revenues." The property in question consists of a penthouse level washroom which was converted into a one bedroom apartment. The entire apartment has a total GFA of 28sqm with 60sqm of roof terrace. Finishes are decent quality as the property appears to have parts recently refurbished, however the majority of the property requires refurbishment. that the original building fabric is late 19th century, early 20th century with latter additions.

The total **freehold value** of both of these properties as described above in conjunction is **Euro 440,000** (Four hundred and forty-thousand Euros)

23. **Harbour Gem, 173, Republic Street, Valletta** – The property interest in question consists of a third party management agreement whereby VBL manage the landlord's property. The revenue generated from letting out the property is then split between the landlord and VBL respectively: "While VBL is experimenting with various different revenue sharing models on the Valletta market – the various models are all based on revenues from operation. Practically in all models, the essence of it is that the actual end-result for VBL is equivalent to the split of revenues to approximately 50-50% of the actual achieved revenues." The property in question consists of two apartments at the third floor. Apartment 5, with two bedrooms, has a GFA of 88sqm, whilst Apartment 6, with one bedroom, has a GFA of 92sqm. The finishes are of high quality

as the apartments have been recently refurbished internally. The original building fabric of the block is early 20th century, with latter additions. Both premises operate under HFP licenses. The total **freehold** value of the property as described above is **Euro 880,000** (Eight hundred and eigthy thousand Euros)

24. **Rose of Rhodes, 5, St. Christopher Street, Valletta** - The property interest in question consists of a third party management agreement whereby VBL manage the landlord's property. The revenue generated from letting out the property is then split between the landlord and VBL respectively. "While VBL is experimenting with various different revenue sharing models on the Valletta market – the various models are all based on revenues from operation. Practically in all models, the essence of it is that the actual end-result for VBL is equivalent to the split of revenues to approximately 50-50% of the actual achieved revenues." The property is currently sub-let on a long rental agreement until the end of Feb. 2021. The entire building has a toal GFA of 605sqm. This palazzo is split over four levels. The roof terraces enjoy good scenic views. The finishes are of high quality as the house has been recently refurbished internally. The building is late 18th, early 19th century. The total **freehold** value of the property as described above is **Euro 2,600,000** (Two million, six hundred thousand Euros)

25. **Barraka Room, 11, St. Anthony, Valletta -** The property interest in question consists a third party management agreement between the landlord and VBL whereby the property is managed by VBL and the revenue from renting out the maisonette is split between the landlord and VBL respectively: "While VBL is experimenting with various different revenue sharing models on the Valletta market – the various models are all based on revenues from operation. Practically in all models, the essence of it is that the actual end-result for VBL is equivalent to the split of revenues to approximately 50-50% of the actual achieved revenues." The property itself consists of a ground floor one bedroom maisonette, containing a bedroom, kitchenette and bathroom. The apartment has a GFA of 25sqm. Finishes are in good condition and have been recently refurbished. The building is late 18th, early 19th century. The total **freehold** value of the property as described above is **Euro 125,000** (One hundred and twenty five thousand Euros)

26. **<u>Banoffee, 4, St. Mark Street, Valletta -</u>** The property interest in question consists a third party management agreement between the landlord and VBL whereby the property is managed by VBL and the revenue from renting out the maisonette is split between the landlord and VBL respectively: "While VBL is experimenting with various different revenue sharing models on the Valletta market – the various models are all based on revenues from operation. Practically in all models, the essence of it is that the actual end-result for VBL is equivalent to the split of revenues to approximately 50-50% of the actual achieved revenues." The property has a total GFA of 72sqm. The extent of the property consists of a first floor maisonette. Finishes are old and in fairly good condition, with parts recently refurbished. The original part of the building is late 18th, early 19th century with latter alterations. The total **freehold** value of the property as described above is **Euro 230,000** (Two hundred and thirty thousand Euros)

27. **<u>Orangery Lodge, 63 West Street, Valletta</u>** – This property consists of 2 apartments situated at Second Floor and Fourth Floor respectively having door number 201 and 402. The 2 apartments are in a finished state and have been refurbished under PA/856/13. Apartment 201 operates under an HFP license bearing reference number HPC/4880/1. The building block which these 2 apartments form part of is late 18th, early 19th century. The total value of these 2 apartments as described above is **Euro 650,000** (Six hundred and fifty thousand Euro)

<u>Properties on a Pre-sale Agreement – (Properties having multiple units have been grouped):</u>

28. **<u>Porcelain Donkey, 17 St Dominic Street Valletta -</u>** The property consists of a townhouse spread over 4 floors including its own airspace. An inspection could not be done as access to the property could not be provided by the owner (as specified in clause 1.3 above). An un-cooperative tenant currently resides in the premises. The tenant only seems to only answer to the owner who is currently unavailable to provide access (reason not clear). The client is working towards achieving access as soon as possible. As per the drawings and area provided by the client, the property has a gross floor area of circa 140 square meters including the roof terrace. The building dates approximately during the 18th Century. The property has the potential to build

further considering its context. The property is currently on a Promise of sale agreement yet for the purpose of this valuation it is being assumed to be Freehold. total value of Porcelain Donkey, 17, St. Dominic Street, Valletta, Malta is of **Euro 455,000** (Four Hundred and Fifty Five Thousand Euro).

29. **Coliseum, Zachary Street, Valletta -** The property consists of an existing commercial shopping arcade and formerly used cinema spread over 3 floors. As per the drawings and area provided by the client, the property has a gross floor area of circa 1600 square meters. The property does have the potential to extend more floors yet no permit has been applied at the time of inspection. The building dates approximately during the 19th Century with interventions done in mid to end 20th Century. As per information provided by the client, the property is currently on a Promise of Sale agreement. For the purpose of this valuation, it will be valued as Freehold and inclusive of airspace. The total value of Coliseum inc. airspace, Zachery Street, Valletta, in its current state is of **Euro 12,380,000** (Twelve Million, Three Hundred and Eighty Thousand Euro)

11.*0 - Valuation Conclusions*

The definition of Market Value is based on the RICS Valuation Standards, published by the Royal Institute of Chartered Surveyors.

The Market Value, unless otherwise directed by legislation, is defined as:

> *"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion (see IVS 104 paragraph 30.1)."*

The valuation takes account of the condition of the property as indicated in this report. No inquiries have been made regarding the actual or potential use of other property in the area that may have an effect on the value of the inspected property.

After having considered the above intrinsic factors, approved permits, Local Plan Policies and location, the undersigned considers that, based on open market values the total value of the 27 properties with their various contract/tenure types is Euro **69,156,200** (Sixty Nine Million, One Hundred and Fifty Six Thousand and Two Hundred Euro).

As specified within section 1.4 the total value of each section is as follows:

- Freehold Residential Properties………………………………………… **Euro 27,302,000**
- Freehold Commercial Properties…………………………………………**Euro 17,680,000**
- Residential Properties Owned subject to Emphytuesis………………..**Euro 4,325,000**

Total Value Owned Properties: Euro 49,307,000

- Total Non-Redeemable Emphyteusis & Leasehold Properties ………..**Euro 2,089,200**
- Total Third Party Managed Properties…………..………………..….. **Euro 4,925,000**
- Total Properties on Pre-Sale Agreement …………………………..**Euro 12,835,000**

Regards,

13/07/2021

VBL P.L.C. IPO

Dr Edwin Mintoff

ANNEX III – PROSPECTIVE FINANCIAL INFORMATION

Summary of significant assumptions and accounting policies

A. Introduction

The forecast and projected consolidated Statements of Financial Position, the forecast and projected consolidated Income Statements, and the forecast and projected consolidated Statements of Cash Flows (the "**Prospective Financial Information**" or "**PFI**") of VBL p.l.c. (the "**Company**") and its subsidiaries (collectively the "**Group**") for the five year period ending 31 December 2025 have been prepared to provide financial information for the purposes of inclusion in the Company's Registration Document in connection with the Offers dated 23 July 2021.

The Prospective Financial Information presented in section 11.2 of the Registration Document and within this Annex, together with the assumptions set out below, are the sole responsibility of the Directors of the Company.

The Prospective Financial Information is intended to show a possible outcome based on assumptions relating to anticipated future events which the Directors expect to take place, and on actions which 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 Prospective Financial Information. We draw your attention in particular, to the risk factors set out in the Registration Document, which describe the primary risks associated with the business to which the PFI relates.

The PFI is not intended to and does not provide all the information and disclosures necessary to give a true and fair view of the financial results, financial position, and cash flows of the 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 PFI was formally approved on 12 July 2021 by the Directors, 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 C below.

B. Significant Accounting Policies

The significant accounting policies of the Group are set out in its consolidated audited financial statements for the year ended 31 December 2020. Where applicable, these accounting policies have been consistently applied in the preparation of the Prospective Financial Information in order to ensure that the PFI is comparable with historical financial information.

The PFI shows the projected consolidated financial performance, position and cash flows of the Group in accordance with International Financial Reporting Standards as adopted by the European Union ("**EU-IFRS**") except that, due to the nature of Prospective Financial Information:

- the Prospective Financial Information does not include all the disclosure requirements under EU-IFRS and other laws or securities regulations, including but not limited to the Maltese Companies Act (Cap. 386);
- does not necessarily present line items (including totals and sub-totals) and the classification thereof in the forecast financial performance and financial position in accordance with EU-IFRS; and
- does not consider certain recognition or measurement criteria.

C. Basis of preparation and significant assumptions

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

- the Company will continue to enjoy the confidence of its customers, tenants and bankers throughout the period under consideration;
- there will be no material adverse movements originating from market and economic conditions affecting the real estate market in Malta, employment and job growth, amongst others;
- the rate of inflation will be in line with historic trends;
- the basis and rates of taxation, direct and indirect, will not change materially throughout the period covered by the PFI;
- interest rates will not change materially throughout the period covered by the PFI;
- the local economy and more specifically, the tourism industry will slowly commence its return to "normal" in the second half of 2021, approach its pre-COVID-19 normality in 2022 and reach historical levels shortly thereafter; and
- the Company will enjoy good relations with its employees and contractors throughout the period under consideration.

Other principal assumptions relating to the environment in which the Group operates, factors which the Directors can influence and which underlie the PFI, are the following:

1. Revenue

Revenue predominantly includes rental income from owned, leased and managed properties, as well as other commission-based hospitality income (e.g. – airport transfers, provision of breakfasts, and resale of harbour cruises).

The Group expects FY2021 to continue to be negatively impacted by COVID-19. For this reason, revenue for FY2021 is projected at €0.64 million or 45% of FY2019 revenues.

Revenue is forecast to increase to €2.5 million, €5.2 million, €7.9 million and €9.7 million in FY2022 through to FY2025 respectively.

The Directors' key revenue assumptions are as follows:

Owned, leased and secured property operations

- Completion and commencement of operations of the following properties:
  - FY2022: Casa San Domenico;
  - FY2023: Palazzo Stella Valletta, Orangery 2, Golden Lion, Merchant Palace and Cave;
  - FY2024: Silver Horse Phase 2; and
  - FY2025: Silver Horse Phase 3 and Coliseum.
- Revenue per owned/leased operational square metre on a property by property basis ranges from €250/sqm to €700/sqm depending on the type, use and location of the respective property. Note that:
  - Ground floor, retail area in prime locations (Upper Valletta) commands the higher end of the range (€500/sqm to €700/sqm);
  - Area earmarked for office space is projected at *circa* €300 to €350 per sqm; and
  - Area earmarked for hospitality use is projected in line with rates achieved in FY2019.
- The average revenue per square metre over all of the Company's owned/leased operational portfolio remains in the range of €370/sqm to €420/sqm, which is in line with pre-COVID-19 rates.

Managed units operations

- Third party managed unit operations are assumed based on the currently contracted number of managed units (inclusive of Casa Rooms and Merchant Suites units).
- Revenue ramp-up per third party managed unit is projected at 50% of FY2019 in FY2022, 90% in FY2023 and 100% from FY2024 onwards.
- Casa Rooms' non-Valletta portfolio is assumed to stabilise at around half of the historically achieved revenue per unit in Valletta.

Other

- Gradual growth in commission-based other hospitality income from 3.3% of hospitality revenue in FY2019 to 10.0% by FY2025.

2. Cost of sales and gross profit

Cost of sales include direct costs related to property rentals such as cleaning, housekeeping and share of revenue and/or profit payable to third party owners.

The Group expects cost of sales and gross profit margins for 2021 to be similar to those achieved in 2020.

The PFI adopt the following assumptions for FY2022 to FY2025:

Owned, leased and secured property operations

- The PFI assume the following gross profit margins by property use:
  - 75% for short-let hospitality operations; and
  - 100% for long-let residential operations as well as office, retail and commercial rentals whereby any maintenance requirements are assumed to be recharged to the lessees.

Managed units operations

- The PFI assume the following gross profit margins:
  - 25% for VBL's portfolio of Valletta managed properties; and
  - 10% to 15% for the Casa Rooms portfolio of managed properties.

3. Other operating income

Other operating income relates to miscellaneous income from roof rental to telecom providers and other non-core business income. This income stream is projected at a stable €9k p.a. which increases at an inflationary rate of 2% p.a.

Whilst the Directors do not exclude the sale of property as a way to generate additional other income and part-finance upcoming developments, the PFI assume no property sales during the period FY2021 to FY2025.

4. Administrative expenses

Administrative expenses include payroll costs of office related staff, professional services, marketing costs and other general administrative costs.

Administrative expenses in FY2021 are projected at *circa* 10% higher than FY2020 as a result of the balance between having implemented the cost cutting measures in March 2020 and the assumption that the Group will not benefit from wage supplement grants during 2021.

Administrative expenses are projected to increase by *circa* €0.10 million over FY2019 levels in FY2022 as a result of the non-Executive Directors' salaries and other additional governance and reporting requirements brought about by the listing. Such costs are projected to increase at 2% p.a. thereafter, with an additional €0.05 million increase in FY2024 in line with the growth of VBL's operational property portfolio at the time.

5. Depreciation and amortisation

Depreciation and amortisation predominantly relate to depreciation costs on investment property, property, plant and equipment and leases, as follows:

Property plant and equipment:

- Predominantly includes the Victoria Terrace property which serves as the Company's head office and is depreciated based on the remaining useful life of the lease term of 18 years; and
- Maintenance capital expenditure is depreciated over five years in line with the accounting policies of the Company.

Investment property:

- Depreciation commences once a property is completed and operational;
- Improvements to the properties are depreciated over 50 years as per the accounting policies of the Company. The PFI assume that *circa* 35% of the estimated annual value of investment property relates to improvements to the property; and
- Maintenance capital expenditure is depreciated over five years in line with the accounting policies of the Company.

6. Investment income

Investment income relates to increases in the fair value of investment property after adjusting for acquisition costs, maintenance capital expenditure, capitalised salaries, capitalised interest and depreciation.

Such fair value gains predominantly arise from:

- Acquisition of property at advantageous prices;
- Uplift in the value of property brought about by resolving legal title and/or tenancy issues;
- Completion of property and commencement of operations; and
- Annual increase in rental rates assumed at an inflationary rate of 2.0% p.a. from 2023 onwards.

Investment income is forecasted at €7.5 million for FY2021 and projected at €12.9 million, €8.8 million, €5.1 million and €2.4 million for FY2022 to FY2025 respectively. Such amounts arise from:

- The acquisition of Merchant Palace, Cave, Coliseum and property within Phase 3 of the Silver Horse Block; and
- Property completions and commencement of operations as described in the revenue section above.

7. Net finance costs

Net finance costs include interest costs on existing convertible debt, existing lease liabilities and projected debt requirements. Interest cost relating to debt is projected to be incurred at the following interest rates:

- 4.0% p.a. on an existing third party loan of €2.0 million;
- A low, variable, subsidised interest, as per the existing MDB-backed COVID-19 Guarantee Scheme bank facility of €1.7 million. Such facility is projected to benefit from an interest rate subsidy of up to 2.4% for the first two years with the average interest rate remaining below market levels throughout the loan's term; and
- 4.0% p.a. on any additional debt drawdowns as covered in the long-term borrowings section.

The PFI assumes that 50% of interest paid is capitalised in relation to the acquisition and development of VBL's property portfolio. Interest cost arising from lease liabilities is projected in line with historical figures and in accordance with the accounting policy of the Company.

The PFI assumes no interest income earned on excess cash balances.

8. Tax expense

Income tax expense has been provided for at the final withholding rate of 15% for long-let rental income (predominantly office and retail properties) and at the corporate tax rate of 35% of profit before tax on the Group's remaining operations taking into account any tax deductions deemed applicable.

9. Property, plant and equipment

Property, plant and equipment ("**PPE**") predominantly relates to the leased Victoria Terrace property which serves as the Company's head office. PPE also includes any furniture, fittings and equipment related to the Company's head office.

The PFI include *circa* €15,000 p.a. in maintenance capital expenditure on property, plant and equipment.

10. Investment property

Investment property includes the full portfolio of VBL's owned and leased properties excluding the Company's head office. The value of investment property is projected based on the following assumptions:

Currently finished and operational owned property

- Based on the value attributable to each property as per the FY2020 financial statements and projected to increase at an inflationary rate of 2.0% p.a. from 2023 onwards.

Currently finished and operational leased property

- Based on the value attributable to each property as per the FY2020 financial statements and projected to depreciate based on the remaining lease term.

Owned development stock

- Prior to completion:
  - Based on the value attributable to each property as per the FY2020 financial statements plus any development costs incurred.
- On completion:
  - Based on the Directors' estimates as based the capitalisation of projected rental income on a property by property basis.
  - Capitalisation rates applied average *circa* 5.7% and vary between 4.5% and 7.5% depending on the type, use and location of the respective property.
  - For example, lower capitalisation rates were applied to long-let, prime, upper Valletta properties.

Committed and PoS development stock

- Prior to completion:
  - Based on the value attributable to each property as per the architect's and the Directors' valuations as included in the audited financial statements plus any development costs incurred.
- Value on completion is estimated based on similar assumptions as taken for the owned development stock of properties.

Other investment property

- Based on the value attributable to each property as per the FY2020 financial statements and projected to increase at an inflationary rate of 2.0% p.a. from FY2023 onwards.

Whilst property acquisitions are part of the Group's ongoing operations, the PFI does not include any additional property acquisitions over and above the Committed and PoS development stock.

The PFI assume a total of *circa* €29.5 million in acquisition and development costs for the owned, Committed and PoS development stock during the projections period. This includes an inflationary 2.0% p.a. on development costs incurred in FY2023 onwards. The PFI assume that *circa* €26.3 million of said costs are projected to be paid in cash after adjusting for:

- the €3.0 million which will be paid in shares on acquisition of the Coliseum property; and
- an amount of *circa* €0.20 million which relates to deposits on the purchase of properties as at December 2020.

Investment property also includes an element of recurrent capital expenditure which is estimated at *circa* 3.0% p.a. of annual rental income generated by each property.

11. Deferred tax asset

Deferred tax asset is estimated based on the level of deductible expenses when compared to revenue from hospitality operations. The deferred tax asset is projected to be consumed once the Group's operations experience a significant ramp up in FY2023.

12. Trade and other receivables

Trade and other receivables include general receivables, deposits on purchase of properties, trade receivables, prepayments and other accrued income.

The PFI assume that the properties to which the deposits as at 31 December 2020 relate to are acquired during FY2021, and that the projected Group's financial position as at 31 December 2022 to 31 December 2025 includes no other deposit on purchase of properties.

The remaining trade and other receivables as at 31 December 2021 are projected at the 31 December 2020 levels.

Trade receivables are projected as a percentage of total revenue based on pre-COVID-19 approximations whilst prepayments and accrued income are projected as a percentage of total expenses based on pre-COVID-19 approximations for the years FY2022 to FY2025.

13. Equity

Equity includes share capital, retained earnings and other reserves. The PFI assume that movements in equity are driven by the following:

- €14.4 million in new equity in FY2021 being raised as part of the listing, as follows:
  - €9.5 million in new share capital and share premium issued to the general public (net of issue costs related to the Group);
  - €3.0 million in share capital and share premium issued as part of the consideration for the acquisition of the Coliseum property; and
  - *circa* €1.9 million in share capital and share premium issued following the conversion of pre-IPO convertible debt agreements.
- The remaining increases in equity are driven by the projected annual profit after tax and the FY2020 dividend which is payable in FY2021.

Other reserves predominantly include general reserve and a revaluation reserve which relates to part of the Victoria Terrace property which is being used as the Group's head office. The PFI assume these balances to remain static as per December 2020 levels.

14. Borrowings

Borrowings include bank debt, loans from third parties as well as projected future bank debt, bond issues and/or similar instruments as required.

Borrowings as at 31 December 2020 included:

- €1.7 million in MDB-backed bank facility for working capital financing. Said loan shall be repaid over a 5-year term following a 12 month moratorium on interest and principal.
- €2.0 million third party loan which matures in 2023.

Additional projected borrowings are projected as bullet loans as follows:

- FY2022: €5.0 million debt drawdown;
- FY2023: €8.0 million debt drawdown – of which €2.0 million shall be used to refinance the existing third party loan; and
- FY2024: €1.25 million debt drawdown.

15. Deferred tax liabilities

Deferred tax liabilities are recognised in relation to the Company's property assets at a rate of 5% of the value of such properties, in line with accounting policy of the Company and the tax rate applicable were the Company to sell its properties within 5 years of acquisition.

The PFI assume that any movement in the fair value of investment property is matched by a relative movement in deferred tax liabilities as per the rate disclosed above.

16. Trade and other payables

Trade and other payables include lease liabilities, amounts due on the purchase of properties, deposits on lease agreements, trade payables and other general trade and working capital related payables.

The PFI assume that the amounts due on the purchase of properties as at December 2020 are settled in FY2021, and that the projected Group's financial position as at December 2022 to December 2025 includes no other amounts due on the purchase of properties.

Lease liabilities are assumed to be wound down in line with the lease term for each respective lease.

The remaining trade and other receivables as at December 2021 are projected at December 2020 levels.

The PFI assume that:

- Deposits on lease agreements are projected to increase in line with the projected rental income from office and retail properties.
- Other trade and other payables are projected to increase in line with total expenses.
- VAT receivable balance as at December 2020 is projected to return to a VAT payable balance once the Group's operations start returning towards pre-COVID levels in FY2022.

17. Dividends paid

Dividends projected to be paid in FY2021 of €0.15 million are based on the amount declared and approved by the shareholders for FY2020.

As per its dividend policy, the Group aims to distribute 30% to 50% of annual free cash flows in dividends. Given the Group's intensive development plan for the coming years, and as a result the limited free cash flow generation projected, the current projections do not present the impact of dividend payments on the future cash flow statement.

D. Conclusion

The Directors believe that the assumptions on which the Prospective Financial Information is based are reasonable.

Approved by the Board of Directors on 12 July 2021 and signed on its behalf by:

Andrei Imbroll **Geza Szephalmi**