SUMMARY NOTE

Dated 25 September 2017

This Summary Note 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 Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of the 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013, Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015.

In respect of an issue of:
€45,000,000 4% Secured Bonds 2027
of a nominal value of €100 per Bond issued at par (the "Secured Bonds")

Stivala Group Finance p.l.c.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA WITH COMPANY REGISTRATION NUMBER C 82218

with the joint and several Guarantee* of Carmelo Stivala Group Limited (C 62625)

ISIN: MT0001601203

*Prospective investors are to refer to the Guarantee contained in Annex III of the Securities Note and sections 4.7 and 4.8 of the Registration Document for a description of the Guarantee and the Collateral. Reference should also be made to the sections entitled "Risk Factors" cont ained in the Registration Document and the Securities Note for a discussion of certain risk factors which should be considered by prospective investors in connection with the Secured Bonds and the Guarantee provided by the Guarantor.

Sponsor & Manager	Security Trustee	Legal Counsel	Registrar
CHARTS WEALTH MANAGEMENT • CORPORATE BROKING	CSB GROUP	CAMILLERI PREZIOSI ADVOCATES	MALTA STOCK EXCHANGE plc

THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENTS ARE IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENTS AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENTS.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THESE SECURITIES.

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

APPROVED BY THE DIRECTORS

Michael Stivala   Carlo Stivala   Ivan Stivala   Martin John Stivala   Ann Marie Agius   Francis Gouder   Joseph Brincat

IMPORTANT INFORMATION

THIS SUMMARY NOTE CONSTITUTES PART OF A PROSPECTUS AND CONTAINS INFORMATION IN RELATION TO STIVALA GROUP FINANCE P.L.C. IN ITS CAPACITY AS ISSUER AND CARMELO STIVALA GROUP LIMITED AS GUARANTOR. THIS DOCUMENT INCLUDES INFORMATION GIVEN IN COMPLIANCE WITH: (A) THE COMPANIES ACT, (CAP. 386 OF THE LAWS OF MALTA) AND COMMISSION REGULATION (EC) NO. 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS (AS AMENDED BY COMMISSION DELEGATED REGULATION (EU) NO. 486/2012 OF 30 MARCH 2012, COMMISSION DELEGATED REGULATION (EU) NO. 862/2012 OF 4 JUNE 2012, COMMISSION DELEGATED REGULATION (EU) NO. 759/2013 OF 30 APRIL 2013, COMMISSION DELEGATED REGULATION (EU) NO. 382/2014 OF 7 MARCH 2014 AND COMMISSION DELEGATED REGULATION (EU) NO. 2016/301 OF 30 NOVEMBER 2015); AND (B) THE RULES AND REGULATIONS APPLICABLE TO THE ADMISSION OF SECURITIES ON THE OFFICIAL LIST OF THE MSE.

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

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

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY AND THE MSE, AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES. APPLICATION HAS BEEN MADE TO THE MSE, FOR THE SECURED BONDS TO BE ADMITTED TO THE OFFICIAL LIST OF THE MSE. **A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR.**

THE CONTENTS OF THE ISSUER'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S WEBSITE DO NOT FORM PART OF THIS 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 ANY FINANCIAL INSTRUMENTS AND SECURITIES ISSUED BY THE ISSUER.

ALL THE ADVISORS TO THE ISSUER HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS PROSPECTUS AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION OR RESPONSIBILITY TOWARDS ANY OTHER PERSON. NONE OF THE ADVISORS ACCEPT ANY RESPONSIBILITY TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE CONTENTS OF, AND ANY INFORMATION CONTAINED IN, THE PROSPECTUS, ITS COMPLETENESS OR ACCURACY OR ANY OTHER STATEMENT MADE IN CONNECTION THEREWITH.

THE DIRECTORS OF THE ISSUER CONFIRM THAT WHERE INFORMATION INCLUDED IN THIS PROSPECTUS HAS BEEN SOURCED FROM A THIRD PARTY, SUCH INFORMATION HAS BEEN ACCURATELY REPRODUCED, AND AS FAR AS THE DIRECTORS OF THE ISSUER 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 OR FALL AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. IF YOU NEED ADVICE WITH RESPECT TO THE BOND ISSUE, YOU SHOULD CONSULT A LICENSED STOCKBROKER OR AN INVESTMENT ADVISOR LICENSED UNDER THE INVESTMENT SERVICES ACT (CAP. 370 OF THE LAWS OF MALTA).

THIS DOCUMENT AND ALL AGREEMENTS, ACCEPTANCES AND CONTRACTS RESULTING THEREFROM SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF MALTA, AND ANY PERSON ACQUIRING ANY SECURED BONDS PURSUANT TO THE PROSPECTUS SHALL SUBMIT TO THE JURISDICTION OF THE MALTESE COURTS, WITHOUT LIMITING IN ANY MANNER THE RIGHT OF THE ISSUER TO BRING ANY ACTION, SUIT OR PROCEEDING, IN ANY OTHER COMPETENT JURISDICTION, ARISING OUT OF OR IN CONNECTION WITH ANY PURCHASE OF SECURED BONDS, OR AGREEMENT, ACCEPTANCE OR CONTRACT RESULTING HEREFROM, OR THE PROSPECTUS AS A WHOLE.

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.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS.

This Summary Note is prepared in accordance with the requirements of the Regulation.

Summaries are made up of disclosure requirements known as 'Elements'. These elements are numbered in Sections A – E (A.1– E.7). This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

Except where the context otherwise requires, the capitalised words and expressions used in this Summary Note shall bear the meanings assigned to them in the Registration Document and the Securities Note, as the case may be.

SECTION A INTRODUCTION AND WARNINGS

A.1 Prospective investors are hereby warned that:

i. This summary is being provided to convey the essential characteristics and risks associated with the Issuer and the securities being offered pursuant to this document. This part is merely a summary and therefore should only be read as an introduction to the Prospectus. It is not and does not purport to be exhaustive and investors are warned that they should not rely on the information contained in this summary in making a decision as to whether to invest in the securities described in this document. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor;

ii. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of Malta, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and

iii. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, and who applied for its notification, but only if the summary, when read together with the other parts of the Prospectus: is misleading, inaccurate or inconsistent; or does not provide key information in order to aid investors when considering whether to invest in such securities.

A.2 **Consent required in connection with the use of the Prospectus by the Authorised Financial Intermediaries**

Prospective investors are hereby informed that:

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

   a. in respect of Secured Bonds subscribed for through Authorised Financial Intermediaries during the Offer Period;
   b. to any resale or placement of Secured Bonds subscribed for as aforesaid taking place in Malta;
   c. to any resale or placement of Secured Bonds subscribed for as aforesaid, taking place within the period of 60 days from the date of the Prospectus.

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

SECTION B ISSUER AND GUARANTOR

B.1 (B.19) The legal and commercial name of the Issuer is Stivala Group Finance p.l.c. The legal and commercial name of the Guarantor is Carmelo Stivala Group Limited.

B.2 (B.19) The Issuer was registered in Malta in terms of the Act on 21 August 2017 as a public limited liability company. The Issuer is domiciled in Malta. The Guarantor was registered in Malta in terms of the Act, on 14 November 2013 as a private limited liability company. The Guarantor is domiciled in Malta.

B.4b (B.19) The following is an overview of the most significant recent trends affecting the Issuer and the Guarantor and the market in which the Group operates:

The Issuer is dependent on the business prospects of the Group and, therefore, the trend information of the members of the Group (detailed below) has a material effect on its financial position and prospects.

As at the time of publication of this Prospectus, the Group considers that generally it shall be subject to the normal business risks associated with the business in which the Group operates, and, barring unforeseen circumstances, does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be considered likely to have a material effect on the upcoming prospects of the Group and its business, at least with respect to the current financial year. However, investors are strongly advised to carefully read the risk factors in the Prospectus.

The following is a brief synopsis of the significant trends affecting the key areas of operation of the Group:

The Group's business model remains primarily reliant on the acquisition of real estate for development or re-development and the subsequent operation of that real estate as either (a) 3 star hotel assets, hostels; or (b) residential and commercial property for lease to third parties. In addition, the Group's assets and their operation are concentrated in Malta and are accordingly intimately dependent on the tourism industry and property rental market in Malta.

Hospitality [1]:
Tourism in Malta has in recent years been performing at a strong level and this trend continued in 2016 and in the initial half of 2017. Inbound tourist trips from January to December 2016 amounted to 1.99 million, an increase of 10.2% when compared a year earlier. Within the collective accommodation establishments, the 5 star and 4 star hotels gained 10,878 guests (+2.8%) and 30,779 guests (+4.5%) respectively in 2016 when compared to a year earlier, while there was a decrease of 24,042 guests (-5.7%) in the 3 star category. Other establishments (comprising guesthouses, hostels and tourist villages) registered a year-on-year increase of 20.0% from 57,028 guests in 2015 to 68,461 guests in 2016. Notwithstanding the decline in tourists seeking accommodation in the 3 star category, the Group's performance for 2016 was positive and above the reported industry averages.

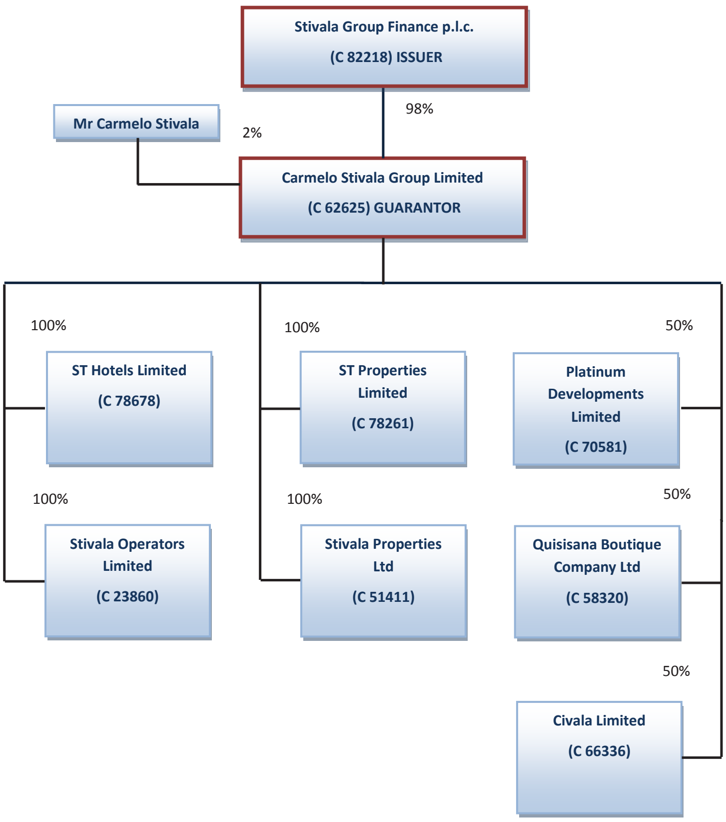
Inbound tourist trips from January to June 2017 reached 990,182, an increase of 19.3% over the same period in 2016. Total guests residing in collective accommodation establishments, in the first six months of 2017, amounted to 848,806, an increase of 14.4% over the prior comparable period. Guests in 3 star hotels between January to June 2017 increased by 27.0%, when compared to the same period in 2016, to 223,176 guests. Other establishments (comprising guesthouses, hostels and tourist villages) registered an increase of 21.5% to 36,121 guests in the first six months of 2017 (January to June 2016: 29,733 guests). The afore-stated positive trend was also reflected in the Group's performance results for the period under review.

Leases of commercial and residential units:
National statistics relating to leases of commercial property and residential units in Malta are currently not captured and therefore it is more difficult to gauge the health of this sector. Notwithstanding the lack of such data, general business sentiment and the continued drive to promote Malta as a regional hub for the provision of business related services has continued to generate a positive trend in the commercial property sector, in particular office space. In addition, Malta's highly skilled and competitive labour costs have also been vital in sustaining this success. This view is substantiated when assessing the lack of availability of large office and commercial space, as well as, the number of projects earmarked for development and which are set to commence in the near future.

The recent growth in a number of sectors in Malta - particularly in the financial, gaming and hospitality sectors - has resulted in an influx of foreign workers to the country, which in turn has increased the demand for residential accommodation. As a consequence, rents for residential units in Malta have gradually increased in the past few years and this trend is expected to continue at least in the near to medium term.

The above-mentioned positive trend in the rental market for residential units was also experienced by the Group and is well positioned to continue to benefit from such demand given that most of its residential properties are situated in the Gzira/Sliema area, which is a highly desirable location in Malta. Income from leases of retail units has also increased on an annual basis and is set to maintain a trend of moderate but consistent year-on-year growth. The Group intends to further expand its portfolio of residential units for rental purposes through acquisition and/or further development of its own properties.

B.5 (B.19) The organisational structure of the Group is depicted below:



*The remaining 50% of Platinum Developments Limited is held by Bastille Malta Trustees Limited as trustee.
*The remaining 50% of Quisisana Boutique Company Limited is held by Edward Calleja (432870M).
*The remaining 50% of Civala Limited is held by John Cilia (262857M).
*Stivala Operators Limited and Stivala Properties Ltd are intended to be liquidated in the near future.

[1] www.nso.gov.mt; Malta Tourism Authority Report 2016.

B.9 (B.19) The financial information set out below has been extracted from the pro forma forecast consolidated financial statements of the Group. The Group in its current state has only been in existence since 5 September 2017 following a rationalisation exercise. The pro forma information presents what Stivala Group Finance p.l.c.'s consolidated financial statements would have looked like had the Group existed in its current form, comprising all its current constituent components, for the forecast period 1 January 2017 to 31 December 2017.

No adjustments to the results, financial position and cash flow statements of the constituent sub-groups were necessary for the purposes of arriving at the pro forma forecast consolidated financial statements except solely to reflect the entries necessary in any process of accounting consolidation.

STIVALA GROUP FINANCE P.L.C.
Condensed Pro Forma Forecast Consolidated Income Statement
for the year ending 31 December 2017

	€'000
Revenue	9,452
EBITDA[1]	4,979
Profit for the year	3,795
Gains on property revaluation, net of tax	97,365
Total comprehensive income	101,160

[1]EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

STIVALA GROUP FINANCE P.L.C.
Condensed Pro Forma Forecast Consolidated Statement of Financial Position
as at 31 December 2017

	€'000
ASSETS	
Non-current assets	190,373
Current assets	9,187
Total assets	**199,560**
EQUITY	
Capital and reserves	121,040
LIABILITIES	
Non-current liabilities	70,963
Current liabilities	7,557
	78,520
Total equity and liabilities	**199,560**

Revenue for the financial year ending 31 December 2017 is expected to amount to €9.5 million, €7.0 million of which is forecasted to be generated by ST Hotels Limited (being the company which took over the operations of Stivala Operators Limited), and the remaining €2.5 million is projected from ST Properties Limited (being the recipient company of the business activities previously conducted by Stivala Properties Ltd). EBITDA for FY2017 is projected to amount to €5.0 million. After taking into account depreciation & amortisation of €1.1 million, operating profit is anticipated to amount to €3.9 million.

During FY2017, the Group changed its policy on accounting for properties from book value to fair market value. As a consequence, a net property revaluation gain of €97.4 million is being recognised in other comprehensive income. The Group's pro forma total comprehensive income for the year ending 31 December 2017 is forecasted at €101.1 million.

The Group's statement of financial position as at 31 December 2017 is projected to comprise total assets of €199.6 million, primarily made up of immovable property as to €189.8 million, other assets of €4.8 million and cash balances amounting to €4.4 million. Equity is expected to amount to €121.0 million, of which €97.4 million consists of the revaluation reserve. Total liabilities are set to amount to €78.5 million and should mainly comprise the issuance of Bonds of €45 million, other loans amounting to €15.1 million, deferred tax liabilities totalling €10.8 million and trade & other payables of €6.9 million. The gearing ratio (being net debt/net debt and shareholders' equity) as at 31 December 2017 is projected at 31.5%.

B.10 (B.19) Not Applicable: the audit reports on the audited financial statements for the years ended 31 December 2014 to 2016 of the Guarantor do not contain any material qualifications.

B.12 (B.19) As at the date hereof, the Issuer has no financial information to report. Accordingly, it is not in a position to assert whether there has been a material adverse change since the date of publication of its latest financial statements. There has been no material adverse change in the prospects of the Guarantor since the date of its last published audited financial statements.

The historical financial information of the Guarantor is set out in the audited financial statements for each of the financial years ended 31 December 2014 to 2016. Save for the restructuring process described hereinafter, there were no significant changes to the financial or trading position of the Guarantor since the end of the financial period to which its last audited financial statements relate.

Extracts of the historical annual financial information of the Guarantor referred to above are set out below:

CARMELO STIVALA GROUP LIMITED
Condensed Income Statement

for the year ended 31 December	2014 (14 mths) €'000	2015 (12 mths) €'000	2016 (12 mths) €'000
Revenue	200	185	185
EBITDA[1]	180	167	122
Total comprehensive income	265	994	184

[1]*EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.*

CARMELO STIVALA GROUP LIMITED
Condensed Statement of Financial Position

as at 31 December	2014 €'000	2015 €'000	2016 €'000
ASSETS			
Non-current assets	1,930	4,181	24,786
Current assets	3,674	7,646	3,173
Total assets	**5,604**	**11,827**	**27,959**
EQUITY			
Capital and reserves	**266**	**1,260**	**1,445**
LIABILITIES			
Non-current liabilities	3,495	6,895	11,763
Current liabilities	1,843	3,672	14,751
Total liabilities	**5,338**	**10,567**	**26,514**
Total equity and liabilities	**5,604**	**11,827**	**27,959**

Carmelo Stivala Group Limited was incorporated in November 2013 to acquire and dispose of property (mainly, commercial and residential units and hotels). Prior to November 2013, all Group properties were acquired by C. Stivala & Sons Limited (C 4510). During the reviewed years, the operation of owned properties was managed by Stivala Operators Limited and Stivala Properties Ltd. In the third quarter of 2017, C. Stivala & Sons Limited was merged into Carmelo Stivala Group Limited, such that all properties of the Stivala Group are now owned by the Guarantor.

In FY2015, the Guarantor generated revenue of €0.2 million (FY2014: €0.2 million) and registered an operating profit of €0.1 million (FY2014: €0.2 million). In the same financial year, profit on disposal of investments amounted to €0.7 million (FY2014: €2,000), while dividends receivable amounted to €0.3 million (FY2014: €0.1 million). Profit for FY2015 amounted to €1.0 million (FY2014: €0.3 million).

In FY2016, revenue generated by the Guarantor amounted to €0.2 million (FY2015: €0.2 million). Due to the impact of depreciation and amortisation of €0.6 million, the Guarantor reported an operating loss of €0.5 million (FY2015: operating profit of €0.1 million). Profit on disposal of investments in FY2016 amounted to €0.6 million (FY2015: €0.7 million) and dividends receivable in the same year amounted to €0.3 million (FY2015: €0.3 million). The Guarantor reported a profit for FY2016 of €0.2 million (FY2015:€1.0 million).

As at 31 December 2016, non-current assets of the Guarantor amounted to €24.8 million, consisting primarily of the Sliema Hotel situated at The Strand, Sliema, which was acquired in May 2016. Equity as at 31 December 2016 amounted to €1.4 million, whilst bank borrowings and related party balances totalled €25.6 million.

The financial information overleaf represents combined (rather than consolidated) historical financial information of the Guarantor for the years ended 31 December 2014, 31 December 2015 and 31 December 2016, as not all companies within the Group were subsidiaries of a unitary holding company. Combined financial statements serve a similar purpose to consolidated financial statements, to present financial data appertaining to a group of companies as if the companies concerned constitute a single enterprise.

CARMELO STIVALA GROUP LIMITED
Extracts from the Combined Income Statement
for the year ended 31 December

	2014	2015	2016
	€'000	€'000	€'000
Revenue	6,557	7,377	9,590
EBITDA[1]	3,568	2,934	6,714
Total comprehensive income	2,083	2,206	4,353

[1]*EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.*

CARMELO STIVALA GROUP LIMITED
Extracts from the Combined Statement of Financial Position
as at 31 December

	2014	2015	2016
	€'000	€'000	€'000
ASSETS			
Non-current assets	21,851	27,255	48,984
Current assets	4,280	7,540	4,293
Total assets	**26,131**	**34,795**	**53,277**
EQUITY			
Capital and reserves	**13,292**	**15,498**	**19,850**
LIABILITIES			
Non-current liabilities	7,612	11,342	24,940
Current liabilities	5,227	7,955	8,487
Total liabilities	**12,839**	**19,297**	**33,427**
Total equity and liabilities	**26,131**	**34,795**	**53,277**

The revenue and profitability as reported in the combined income statement primarily reflects the performance of the operating Subsidiaries, Stivala Operators Limited and Stivala Properties Ltd. Revenue has increased over the reviewed period from €6.6 million in FY2014 to €9.6 million in FY2016, principally due to the initiation of operations of the Sliema Hotel in FY2016. Profit for the year improved from €2.1 million in FY2014 to €2.2 million in FY2015 and €4.4 million in FY2016.

The combined statement of financial position as at 31 December 2016 comprises total assets of €53.3 million, primarily made up of immovable property and improvements amounting to €45.6 million. Such assets were recorded on a historical cost basis. As at 31 December 2016, total borrowings amounted to €29.7 million and capital & reserves amounted to €19.9 million.

B.13 (B.19) Not Applicable: neither the Issuer nor the Guarantor is aware of any recent events which are to a material extent relevant to the evaluation of their solvency.

B.14 (B.19) The Issuer was set up on 21 August 2017 as the ultimate parent company of the Group and as the principal vehicle for further expansion of the Group's hospitality business and mixed use developments. The Issuer does not itself carry on any trading activities apart from the raising of capital and advancing thereof to the Guarantor for the purpose of the latter pushing said funds downwards to its subsidiaries, as and when the demands of their business so require. Accordingly, for the fulfilment of its obligations towards Bondholders, the Issuer is economically dependent on the Group. The Issuer has an authorised share capital of €500,000 and an issued share capital of €300,000, which is 100 per cent paid up. The ownership of the Issuer is described in Element B.16 below.

Following a share transfer agreement dated 5 September 2017, the Issuer now holds 98 per cent of the shares in the Guarantor which in turn holds the shares in the underlying operating Subsidiaries. The remaining two per cent of the shares in the Guarantor are held by the Group's founder, Mr Carmelo Stivala (847533M). The Group now owns its real estate and properties primarily through the Guarantor, which is engaged principally in acquiring and developing the real estate of the Group. The Guarantor is dependent for its cash flows upon the profitability of the operations and performance of its subsidiaries.

B.15 (B.19) The principal objects of the Issuer are set out in clause 3 of the Issuer's Memorandum of Association. These include, but are not limited to, the carrying on the business of a finance and investment company in connection with the ownership, development, operation and financing of the business activities of the Group whether in Malta or overseas, and for such purpose: (i) to lend or advance money or otherwise give credit to any company now or hereinafter forming part of the Group, with or without security and otherwise on such terms as the directors may deem expedient; and (ii) to invest and deal with the moneys of the companies and any company now or hereinafter forming part of the Group in or upon such investments and in such manner as the directors may, from time to time, deem expedient.

The Guarantor is incorporated and registered as a private limited liability exempt company in terms of the Act. The memorandum and articles of association of the Guarantor are registered with the Registrar of Companies. The principal objects of the Guarantor are set out in clause 3 of the memorandum of association of the Guarantor, and these include to acquire and dispose of, by any title valid at law, movable or immovable property, and any rights thereon, whether for commercial or other purposes and to hold the property so acquired, and the consideration for any acquisition or disposal can be by credit or in cash or in kind, including the allotment of shares or debentures of the company, credited as paid up in full or in part as need be; to invest, lease, hire, grant by way of emphyteutical concession or in any other manner employ, improve, manage or develop any of its assets as may from time to time be determined, and to subscribe for, purchase or otherwise acquire, take hold, dispose of or otherwise deal in all kinds of securities including shares, stocks, debentures, debenture stock, bonds, notes, options, and interests in all kinds of companies, corporations, entities, partnerships or other body of persons as the board of directors may determine, and to manage and administer any of the aforementioned property or any other property permitted by law.

B.16 (B.19) The Issuer is fully owned by Carmelo Stivala Trustee Limited which is in turn wholly held by Bastille Malta Trustees Limited. The latter holds the shares in Carmelo Stivala Trustee Limited in its capacity as trustee of two separate groups of trusts, referred to as Group A trusts and Group B trusts. The trusts falling within the ambit of Group A trusts have been set up for the beneficial interest of each of the respective four Stivala brothers Martin John, Ivan, Michael and Carlo. The Group B trusts are composed of a further four trusts which have been set up for the benefit of each of the Stivala brothers as beneficiaries together with their direct descendants and families.

The Issuer holds 98 per cent of the shares in the Guarantor. The remaining two per cent of the shares in the Guarantor are held by the Group's founder, Mr Carmelo Stivala (847533M).

B.17 Not Applicable: Neither the Issuer nor the Guarantor has sought the credit rating of an independent rating agency, and there has been no assessment by any independent rating agency of the Secured Bonds issued by the Issuer.

B.18 (B.19) For the purposes of the Guarantee, the Guarantor irrevocably and unconditionally guarantees to the Security Trustee, for the benefit of the Bondholders, that if for any reason the Issuer fails to pay any sum payable by it to such Bondholder pursuant to the terms and conditions of the Secured Bonds as and when the same shall become due under any of the foregoing, it will pay to the Security Trustee on demand the indebtedness to the Security Trustee.

The obligations of the Guarantor under the Guarantee shall remain in full force and effect until no sum remains payable to any Bondholder pursuant to the issue of the Secured Bonds.

SECTION C SECURITIES

C.1 The Issuer shall issue an aggregate of €45,000,000 in Secured Bonds having a face value of €100 per bond, subject to a minimum holding of €2,000 in Secured Bonds. The Secured Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. On admission to trading the Secured Bonds will have the following ISIN:MT0001601203. The Secured Bonds shall bear interest at the rate of 4% per annum.

C.2 The Secured Bonds are denominated in Euro (€).

C.5 The Secured Bonds are freely transferable and, once admitted to the Official List, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time.

C.8 A Bondholder shall have such rights as are, pursuant to the Securities Note, attached to the Secured Bonds, including the right to:

(i) the repayment of capital;
(ii) the payment of interest;
(iii) the benefit of the Collateral through the Security Trustee, as explained in Element E.3(3) below;
(iv) attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and
(v) enjoy all such other rights attached to the Secured Bonds emanating from the Prospectus.

Following the issue of the Bonds and application of the proceeds, the Security Trustee for the benefit of Bondholders will have the benefit of a first-ranking special hypothec over the Security Property for the full amount of €45,000,000 and interests thereon. In addition to the above, the Security Trustee for the benefit of Bondholders will have the benefit of a pledge over the proceeds from any insurance policy required under clause 5(1)(h) of the Security Trust Deed. Also, the Secured Bonds shall be guaranteed, in respect of both the interest and the principal amount due, by the Guarantor in terms of the Guarantee.

C.9 The issue and allotment of the Secured Bonds is conditional upon: (i) the Secured Bonds being admitted to the Official List of the MSE; and (ii) the Collateral being constituted in favour of the Security Trustee, in accordance with the provisions of the Security Trust Deed. Subject to the Bond Issue becoming unconditional, the Secured Bonds shall bear interest from and including 18 October 2017 at the rate of 4% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The nominal value of the Secured Bonds will be repayable in full upon maturity on the redemption date unless the Secured Bonds are previously re-purchased and cancelled. The first interest payment will be effected on 18 October 2018 (covering the period 18 October 2017 to 17 October 2018). Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Secured Bonds is 4% per annum. The remaining component of Element C.9 is Not Applicable, given that no representative of debt security holders has been appointed.

C.10 Not Applicable: there is no derivative component in the interest payments on the Secured Bonds.

C.11 The Listing Authority has authorised the Secured Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 25 September 2017. Application has been made to the MSE for the Secured Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List. The Bonds are expected to be admitted to the Malta Stock Exchange with effect from 30 October 2017 and trading is expected to commence on 31 October 2017.

SECTION D RISKS

D.2 **Key information on the key risks specific to the Issuer:**

Holding of a Secured Bond involves certain risks. Prospective investors should carefully consider, with their own independent financial and other professional advisors, the following risk factors and other investment considerations as well as all the other information contained in the Prospectus before deciding to acquire Secured Bonds. Prospective Investors are warned that by investing in the Secured Bonds they may be exposing themselves to significant risks that may have the consequence of losing a substantial part of or all of their investment.

This document contains statements that are, or may be deemed to be, "forward-looking statements", which relate to matters that are not historical facts and which may involve projections of future circumstances. They appear in a number of places throughout the Prospectus and include statements regarding the intentions, beliefs or current expectations of the Issuer and/or its Directors. These forward-looking statements are subject to a number of risks, uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer's Directors. No assurance is given that the future results or expectations will be achieved.

Prospective investors are advised to read the Prospectus in its entirety and, in particular, the sections entitled "Risk Factors" in the Registration Document and Securities Note, for an assessment of the factors that could affect the Issuer's and the Guarantor's future performance.

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

An investment in the Issuer and the Secured Bonds may not be suitable for all recipients of the Prospectus and Authorised Financial Intermediaries are to determine the suitability or otherwise of prospective investors' investment in the Secured Bonds before making an investment decision.

The risk factors set out below are a summary of the principal risks associated with an investment in the Issuer and the Secured Bonds – there may be other risks which are not mentioned in this summary.

i. **Risks relating specifically to the Issuer and its business:**

The Issuer has a limited trading record and history of operations. It was set up in August 2017 primarily to raise finance for the Group to acquire and develop properties in accordance with the Group's business strategy. The Issuer is substantially a start-up operation with all the attendant risks that start-ups normally entail. These risks include, but are not limited to, a lack of financial stability.

ii. **Risks relating to the Group and its business:**

General
The Issuer is the ultimate parent company of the Group and given its recent incorporation, does not itself have any trading history. The Group, through the Guarantor and the operational subsidiaries, has a long trading history in the acquisition, development and management of real estate developments that consist principally of hotels, hostels, residential, office and retail property. The Group is exposed to the real estate market as well as to the array of competitive pressures in the operation and management of the hospitality, residential and retail markets.

The Group's assets and their operation are concentrated in Malta and are intimately dependent on the Maltese tourism industry and property rental market.

Risks relating to the political, economic and social environment in which the Group operates
The Group's assets and operations are all situated in Malta. Accordingly, the Group is generally exposed to the economic and political conditions prevalent in Malta, thereby rendering the Group's operations overly exposed to the social, political and economic stability in Malta, which, in the event of downward trend could have a material adverse impact on the operations of the Group and the value of its assets. Such over-exposure to the Maltese market could render investment in the Group riskier than investments in more geographically diversified operations.

The Group's reliance on non-proprietary software systems and third-party information technology providers
To varying degrees, the Group is reliant upon technologies and operating systems (including IT systems) developed by third parties for the running of its business, and is exposed to the risk of failure in such systems. Disruption to those technologies or systems and/or lack of resilience in operational availability could adversely affect the efficiency of the Group's business, financial condition and/or operating results.

The Group's key senior personnel and management have been and remain material to its growth
The Group believes that its growth is largely attributable to the efforts and abilities of the directors and members of its executive management team and other key personnel. If one or more of the members of this team were unable or unwilling to continue in their present position, the Group might not be able to replace them within the short term, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Litigation risk

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

The Group's insurance policies

Historically, the Group has maintained insurance at levels it determines to be appropriate in light of the cost of cover and the risk profiles of the business in which it operates. With respect to losses for which the Group is covered by its policies, it may be difficult and may take time to recover such losses from insurers and the Group may not be able to recover the full amount from the insurer. No assurance can be given that the Group's current insurance coverage would be sufficient to cover all potential losses nor can any assurance be given that an appropriate coverage would always be available at acceptable commercial rates.

Risks relative to changes in laws

As with any business, the Group is at risk to changes in laws and regulations and the timing and effects of changes in the laws and regulations to which it is subject, including changes in the interpretation thereof which cannot be predicted. No assurance can be given as to the impact of any possible judicial decision or change in law or administrative practice after the date of the Prospectus upon the business and operations of Group Companies.

The Group may not be able to realise the benefits it expects from investments made in its properties under development

The Group's business consists of the acquisition, development and operation of real estate projects. Property acquisition and development projects are subject to various specific risks, including the inability to source adequate opportunities, cost overruns, insufficiency of resources to complete the projects, sales transactions not materialising at the prices and the tempo envisaged resulting in a liquidity strain, rental of commercial areas not being effected at the prices and within the timeframes envisaged, higher interest costs, and the erosion of revenue generation. If these risks were to materialise, they would have an adverse impact on the Issuer's revenue generation, cash flows and financial performance.

Renovating, refurbishing or otherwise improving existing properties, and acquiring and developing new and commercially viable properties, is key to the Group's business and growth strategy. The development and/or improvement of the Group's properties in the future presents a number of risks, including: market disruption or oversupply, which may result in the Group being unable to achieve appropriate room rates or lease residential units at the rental levels it anticipates, potentially requiring changes in the Group's pricing strategy that could result in significant losses or charges; and construction delays, cost overruns, lender financial defaults or "acts of God", which could increase overall project costs or result in project cancellations.

Furthermore, the Group is subject to various counter-party risks, including the risk of counter-party default. Such parties may default or fail to perform on their obligations to the Group due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons beyond the Group's control. If such risks, many of which are common to the real estate industry, were to materialise, they could have an adverse impact on the Group's revenue generation, cash flows and financial performance.

The Group's ability to realise the full benefits that it expects from investments made in properties will depend in turn on its ability to assess and minimise these risks in an efficient and cost effective manner. No assurance can be given that the Group will be able to deal with these risks in an efficient and cost effective manner.

The Group may not be able to obtain the capital it requires for the development or improvement of existing or new properties on commercially reasonable terms, or at all

The Group may not be able to secure sufficient financing for its current and future investments. Failure to obtain, or delays in obtaining, the capital required to complete current or future developments and refurbishment projects on commercially reasonable terms, may limit the Group's growth and materially and adversely affect its business, financial condition, results of operations and prospects.

The Group's indebtedness could adversely affect its financial position

The Group has a material amount of debt and may incur additional debt in connection with its future growth in terms of acquisitions and developments. Consequently. a portion of the Group's generated cash flows will be required to make principal and interest payments on the Group's debt. Furthermore, any borrowings under bank credit facilities will likely be at variable interest rates, which could cause the Group to be vulnerable to increases in interest rates.

The agreements regulating the Group's bank debt may impose significant financial covenants on the Group, the covenants of which could limit the Group's ability to obtain future financing, make capital expenditure, withstand a future downturn in business or economic conditions generally or otherwise inhibit the ability to conduct necessary corporate activities.

The Group may be exposed to certain financial risks which the Group may be unable to effectively hedge against

The Group's activities potentially expose it to a variety of financial risks, including market risk (principally interest rate risk and fair value risk), credit risk and risks associated with the unpredictability of financial markets, all of which could have adverse effects on the financial performance of the Group.

iii. **Risks relating to the operations of the Issuer and the Guarantor**

Risks relating to the hospitality industry

The Group's hospitality operations and the results thereof are subject to a number of external factors that could adversely affect its business, many of which are common to the hotel industry and beyond the Group's control, including the following: changes in travel patterns, any increase in or the imposition of new taxes on air travel and fuel, and cutbacks and stoppages on Malta-bound airline routes; changes in laws and regulations on 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; the impact of increased threats of terrorism or actual terrorist events, impediments to means of transportation, extreme weather conditions, natural disasters, travel-related accidents, outbreaks of diseases and health concerns, or other factors that may affect travel patterns and reduce the number of business and leisure travellers; increases in operating costs due to inflation, employment costs, workers' compensation and healthcare related costs, utility costs, increased taxes and insurance costs; and the termination, non-renewal and/or the renewal on less favourable terms of agreements entered into with tour operators.

The impact of any of these factors (or a combination of them) may adversely impact room rates and occupancy levels at the Group's hotels, or otherwise cause a reduction in its revenue, which could have a material adverse effect on the Group's business, financial condition and results of operations.

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.

The Group's hospitality operations are also susceptible to strong and increasing local and global competition, influenced by a variety of determining factors. The level of competition is subject to increase, and such increase or even saturation in the supply of accommodation may negatively impact the Group's sales revenue and profitability in the hospitality sector.

In addition, many of the Group's current and potential competitors may have greater name recognition, a larger customer base and greater financial and other resources than the Group. A decline in the relative competitive strength of the Group and its brands could adversely affect the Group's results of operations. In particular, the Group may be compelled, by the strength of its competitors that are able to supply accommodation and services at lower prices, to reduce its own prices. The ability of the Group to maintain or increase its profitability will be dependent on its ability to offset such decreases in the prices and margins of its accommodation and services.

Material risks relating to real estate development may affect the economic performance and value of any of the Group's projects

There are a number of factors that commonly affect the real estate development industry, many of which are beyond the Group's control, and which could adversely affect the economic performance and value of the Group's projects. Such factors include: changes in global economic conditions particularly in the European Union; changes in the general economic conditions in Malta; general industry trends, including the cyclical nature of the real estate market; changes in local market conditions, such as an oversupply of similar properties, a reduction in demand for real estate or change of local preferences and tastes; possible structural and environmental problems; acts of nature, such as earthquakes and floods, that may damage any of the properties or delay development thereof; and increased competition in the market segment in which the Group operates may lead to an oversupply of residential or commercial properties in such markets, which could lead to a lowering of rental rates and a corresponding reduction in revenue of the Group.

Any of the factors described above could have a material adverse effect on the Group's business, its financial condition and prospects and accordingly on the repayment of the Bond and interest thereon.

The Group may be exposed to environmental liabilities attaching to real estate property

The Group 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 Group may also be required to remove or remedy 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, including asbestos, 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 the Group's business, financial condition, and results of operations.

Currency fluctuations and other regional economic developments may have a material adverse effect on the Group's business, financial condition and results of operations

The Group's operations are exposed, in the case of transactions not denominated in Euro, to foreign currency risk on transactions, receivables and borrowings that are denominated in a currency other than Euro. As a result, exchange gains or losses may arise on the realisation of amounts receivable and the settlement of amounts payable in foreign currencies.

The Group's financial statements, which are presented in Euro, can be affected by foreign exchange fluctuations through both translation risk and transaction risk.

A significant portion of the Group's operating expenses are fixed, which may impede them from reacting quickly to changes in its revenue

A significant portion of the Group's costs are fixed and the Group's operating results are vulnerable to short-term changes in revenues. The Group's inability to react quickly to changes in revenue by reducing operating expenses could have a material adverse effect on its respective business, financial condition and results of operations.

Liquidity risk

The lack of liquidity and alternative uses of real estate investments could significantly limit the Group's ability to respond to adverse changes in the performance of its properties thereby potentially harming their respective financial condition. Furthermore, the Group's strategy to retain properties for rental income rather than to sell one or more of its properties, in a timely fashion, may be a limiting factor in its ability to respond to changing economic, financial and investment conditions.

The real estate market is affected by many factors that are beyond the Issuer's and Guarantor's control.

Development risk

The Group may be subject to risks associated with the development of the real estate acquired by it, including the risk relating to project financing, planning permits, delays, cost over-run, risk of insufficiency of resources, risk of licensing transactions not being effected at the prices and timeframes envisaged, higher interest costs, erosion of revenue generation and the possibility of legal disputes. If these risks were to materialise, they could have an adverse and material effect on the Group's financial condition and the results of its operations.

In addition, for the timely completion of development projects, the Group may place certain reliance on counterparties such as architects, engineers, contractors and sub-contractors, engaged in the demolition, excavation, and construction and finishing of developments. Such counterparties may fail to perform or default on their obligations due to the Group for a variety of reasons which are beyond the Group's control. Failure of such counterparties to perform their obligations owed to the Group could, in turn, materially adversely affect the financial condition of the Group and its future prospects. In addition, the inability of the Group to develop and maintain relationships with highly skilled, competent and reliable counterparties could have a material adverse effect on the Group's development projects.

iv. Risks inherent in Property Valuations

The valuation of property is inherently subjective, due to, among other things, the individual nature of each property and the assumptions upon which the valuation is carried out. Accordingly, there can be no assurance that the valuation referred to in this Prospectus reflects actual values that could be achieved on a sale, even where any such sale were to occur shortly after the valuation date. Actual values may be materially different from any future values that may be expressed or implied by forward-looking statements set out in the valuation or anticipated on the basis of historical trends, as reality may not match the assumptions made. There can be no assurance that such valuation of property will reflect actual market values.

D.3 **Key information on the key risks specific to the Secured Bonds:**

An investment in the Secured Bonds involves certain risks, including those set out below in this section. In deciding whether to make an investment in the Secured Bonds, prospective investors are advised to carefully consider, with their own independent financial and other (including tax, accounting, credit, legal and regulatory) professional advisors, the following risk factors (not listed in order of priority) and other investment considerations, together with all the other information contained in the Prospectus.

i. There can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Nor can there be any assurance that an investor will be able to sell or otherwise trade in the Secured Bonds at or above the Bond Issue Price or at all. A public trading market depends on a number of factors over which the Issuer has no control.

ii. Investment in the Secured Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Secured Bonds.

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

iv. No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Secured Bonds prevailing from time to time.

v. The Secured Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under said Secured Bonds by the Guarantor. The Secured Bonds shall at all times rank *pari passu* without any priority or preference among themselves but, in respect of the Issuer and the Guarantor they shall rank with priority or preference over all unsecured indebtedness of the Issuer and the Guarantor, if any. In view of the fact that the Secured Bonds are being guaranteed by the Guarantor on a joint and several basis, the Security Trustee, for the benefit of itself and the Bondholders, shall be entitled to request the Guarantor to pay both the interest due and the principal amount under said Secured Bonds if the Issuer fails to meet any amount, when due in terms of the Prospectus.

The joint and several Guarantee also entitles the Security Trustee to take action against the Guarantor without having to first take action against the Issuer. The strength of this undertaking on the part of the Guarantor and therefore, the level of recoverability by the Security Trustee from the Guarantor of any amounts due under any of the Secured Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantor. The Guarantee is further

supported by the Collateral over the Security Property. Whilst this grants the Security Trustee a right of preference and priority for repayment over the Security Property, there can be no guarantee that the value of the Security Property over the term of the Secured Bond will be sufficient to cover the full amount of interest and principal outstanding under the Bonds. This may be caused by a number of factors not least of which general economic factors that could have an adverse impact on the value of the Security Property. If such circumstances were to arise or subsist at the time that the Security Interests are to be enforced by the Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Secured Bonds.

Notwithstanding that the Bonds constitute the general, direct, unconditional and secured obligations of the Issuer and the Guarantor, there can be no guarantee that privileges accorded by law in specific situations will not arise during the course of the business of each of the Issuer and the Guarantor which may rank with priority or preference to the Security Interests.

vi. **The issue and allotment of the Secured Bonds is conditional upon the Secured Bonds being admitted to the Official List and on the Security Interest being constituted in favour of the Security Trustee. In the event that either of the aforesaid conditions is not satisfied, the Security Trustee shall return the Bond Issue proceeds to Bondholders.**

vii. **In the event that the Issuer wishes to amend any of the Terms and Conditions of the Bond Issue it shall call a meeting of Bondholders. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.**

viii. **The Terms and Conditions of the Bond Issue are based on the requirements of the Listing Rules of the Listing Authority, the Companies Act and the Commission Regulation EC No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council in effect as at the date of the Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of the Prospectus.**

SECTION E OFFER

E.2b The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €44,380,000, will be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

i. an amount of *circa* €9,129,000 of the proceeds from the Secured Bonds will be used to re-finance outstanding Group banking facilities with FimBank p.l.c. and Bank of Valletta p.l.c., which funds were originally principally utilised to acquire various properties and for capital expenditure purposes;

ii. the amount of €9,000,000 will be used to finance the acquisition of 196, Main Street, St Julian's and development thereof into a block of luxury residential apartments;

iii. the amount of *circa* €11,448,000 is to be utilised for the purpose of acquiring nine apartments, nineteen garages and the remaining undivided share of an office at Qui Si Sana Boutique Apartments, Qui Si Sana Road, Sliema.

Although it is strongly anticipated that a promise of sale will be concluded shortly after the issuance of the Secured Bonds, in the event that such promise of sale is not signed, the Security Trustee undertakes to utilise the funds earmarked for the acquisition of the aforementioned remaining half of Qui Si Sana Boutique Apartments, Sliema for the purpose of refinancing an existing loan with APS Bank Limited, which as at 31 August 2017 amounted to €9,569,000. In such case, the Security Trustee shall, for the purposes of the Security Property granted in terms of this Bond Issue and at its discretion, substitute the un-acquired portion of Qui Si Sana Boutique Apartments with another immovable property owned by the Group, subject to an independent architect's property valuation report confirming that the value of the property being substituted and added to the immovable properties constituting the Security Property is at least equal to the value of the intended purchase of the remaining residential apartments and garages at Qui Si Sana Boutique Apartments;

iv. an amount of *circa* €7,706,200 will be utilised for the purpose of acquiring the property situated at Marguerite Mangion Street, St Julian's;

v. an amount of €4,500,000 shall be used to develop the proposed Azur Hotel, a 101 room hotel in Gzira; and

vi. the remaining balance of the net Bond Issue proceeds equivalent to *circa* €2,596,800 shall be applied towards the costs of acquisition of other properties in accordance with the Group's business development strategy and/or to fund part of the Group's ongoing capital expenditure on own properties.

All proceeds from the Bond Issue shall be held by the Security Trustee pending perfection of the Collateral to secure the Secured Bonds. In terms of the Prospectus and Security Trust Deed, the Security Trustee shall not release any of the Bond Issue proceeds other than such amount as is required to settle the payment specified in para (i) above, until such time as the Collateral is duly constituted in favour of the Security Trustee, in accordance with the provisions of the Security Trust Deed.

The issue and allotment of the Secured Bonds is conditional upon: (i) the Secured Bonds being admitted to the Official List; and (ii) the Collateral being constituted in favour of the Security Trustee in accordance with the provisions of the Security Trust Deed. In this respect and with reference to the amounts to be utilised for the purposes of acquiring the aforementioned immovable property not yet owned by the Group, the Bond proceeds shall only be realised upon the execution and registration of a notarial deed pursuant to which title to the said immovable property is transferred to the Guarantor in a manner satisfactory to the Security Trustee.

In the event that either of the aforesaid conditions is not satisfied, the Security Trustee shall return Bond Issue proceeds to the Bondholders.

E.3 The Issuer and the Guarantor have entered into placement agreements with Authorised Financial Intermediaries, whereby the Issuer and the Guarantor bound themselves to allocate the Secured Bonds to such Authorised Financial Intermediaries. The Authorised Financial Intermediaries in turn bound themselves to subscribe to a specified amount of Bonds subject to, and conditional upon, the Bonds being admitted to the Official List of the Malta Stock Exchange.

The following is a synopsis of the general terms and conditions applicable to the Secured Bonds. A Bondholder is deemed to have invested only after having received, read and understood the contents of the Prospectus, including the full terms and conditions contained in the annexes thereto:

1. Form, Denomination and Title

The Secured Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. The Secured Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of €100 provided that on subscription the Secured Bonds will be issued for a minimum of €2,000 per individual Bondholder. Authorised Financial Intermediaries subscribing to the Secured Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 to each underlying client. Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Secured Bonds may be transferred as provided in the Securities Note.

2. Interest

Details of interest payable on the Secured Bonds are provided in Element C.9 of this Summary Note.

3. Status of the Secured Bonds and Security

The Bonds shall constitute the general, direct and unconditional obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves. In respect of the Guarantor, the Secured Bonds shall rank with priority or preference over all other present and future unsecured obligations of the Guarantor, save for such exceptions as may be provided by applicable law. The payment of the principal under the Bonds and interest thereon shall be secured by a first-ranking special hypothec over the Security Property which the Guarantor has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders. Also, the Secured Bonds shall be guaranteed, in respect of both the interest and the principal amount due, by the Guarantor in terms of the Guarantee.

4. Payments

Payment of the principal amount of a Secured Bond will be made in Euro by the Issuer to the person in whose name such Secured Bonds are registered, with interest accrued up to 18 October 2027 (the "Redemption Date"), by means of direct credit transfer into such bank account as the Bondholder may designate from time to time. Such payment shall be effected within seven days of the Redemption Date. Payment of interest on a Secured Bond will be made to the person in whose name such Secured Bond is registered at the close of business fifteen days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time. Such payment shall be effected within seven days of the Interest Payment Date.

5. Redemption

Unless previously purchased and cancelled, the Secured Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 18 October 2027.

6. Events of Default

Pursuant to the Trust Deed, the Security Trustee may in its absolute and uncontrolled discretion, and shall upon the request in writing of not less than 75% in value of the Bondholders, declare the Secured Bonds to have become immediately due and repayable at their principal amount together with accrued interest, upon the happening of any of the following events: (i) the Issuer shall fail to pay any interest and/or principal on any Secured Bond when due; or (ii) the Issuer shall be in breach of any material obligation contained in the Prospectus; or (iii) a judicial process is levied against any part of the Issuer's property and is not discharged within one month; or (iv) the Issuer stops to pay its debts or ceases or threatens to cease to carry on its business; or (v) the Issuer or the Guarantor is unable to pay its debts within the meaning of article 214(5) of the Act; or (vi) a judicial or provisional administrator is appointed upon the whole or any part of the property of the Issuer or the Guarantor; or (vii) an order is made or an effective resolution is passed for winding up of the Issuer or the Guarantor; or (viii) the Issuer or the Guarantor substantially changes the object or nature of business as currently carried on; or (ix) the Issuer or the Guarantor commits a material breach of any of the covenants or provisions contained in the Trust Deed; or (x) the security constituted by any charge upon the whole or any part of the undertaking or assets of the Issuer or the Guarantor shall become enforceable; or (xi) any representation or warranty made or deemed to be made is or proves to have been incorrect in the sole opinion of the Security Trustee; or (xii) any default occurs relating to any financial indebtedness of the Issuer or the Guarantor in excess of €1 million; or (xiii) any consent required by the Issuer or the Guarantor in connection with the Group's projects is substantially modified in the sole opinion of the Security Trustee; or (xiv) it becomes unlawful at any time for the Issuer or the Guarantor to continue with the development of the Group's projects; or (xv) the Issuer or the Guarantor repudiates the Bonds and/or the Trust Deed; or (xvi) all or a material part of the ownership interests in the Issuer or the Guarantor are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government.

7. *Transferability of the Secured Bonds*

The Secured Bonds are freely transferable and, once admitted to the Official List shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time. All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Secured Bonds and to any applicable laws and regulations. The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer. The Issuer will not register the transfer or transmission of Secured Bonds for a period of 15 days preceding the due date for any payment of interest on the Secured Bonds.

8. *Register of Bondholders*

Certificates will not be delivered to Bondholders in respect of the Secured Bonds in virtue of the fact that the entitlement to Secured Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers, registration numbers and MSE account numbers of the Bondholders and particulars of the Secured Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of Bondholders held at the CSD for the purpose of inspecting information held on their respective account.

9. *Further Issues*

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

10. *Meetings of Bondholders*

The Terms and Conditions of the Secured Bonds may be amended or waived with the approval of the Bondholders at a meeting called for that purpose by the Issuer through the Security Trustee.

11. *Governing Law and Jurisdiction*

The Secured Bonds shall be governed by and shall be construed in accordance with Maltese law. Any legal action, suit, action or proceeding against the Issuer and/or the Guarantor arising out of or in connection with the Secured Bonds shall be brought exclusively before the Maltese Courts and the Bondholder shall be deemed to acknowledge that it is submitting to the exclusive jurisdiction of the Maltese Courts as aforesaid.

E.4 Save for the subscription for Secured Bonds by Authorised Financial Intermediaries, and any fees payable in connection with the Bond Issue to Charts Investment Management Service Limited as Sponsor and Manager, so far as the Issuer is aware no person involved in the Bond Issue has an interest material to the Bond Issue.

E.7 Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €620,000.

EXPECTED TIME-TABLE OF THE BOND ISSUE

1. Offer Period	27 September 2017 to 18 October 2017
2. Private Placement date	18 October 2017
3. Commencement of interest on the Secured Bonds	18 October 2017
4. Expected date of constitution of Security	27 October 2017
5. Expected date of notification of registration	30 October 2017
6. Expected date of admission of the securities to listing	30 October 2017
7. Expected date of commencement of trading in the securities	31 October 2017

REGISTRATION DOCUMENT

Dated 25 September 2017

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 Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013, Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015. This Registration Document is issued pursuant to the requirements of Listing Rule 4.13 of the Listing Rules and contains information about Stivala Group Finance p.l.c.

Issue of €45,000,000 4% Secured Bonds 2027

by

Stivala Group Finance p.l.c.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA WITH COMPANY REGISTRATION NUMBER C 82218

with the joint and several Guarantee* of Carmelo Stivala Group Limited
A private limited company registered in Malta with company registration number C 62625

*Prospective investors are to refer to the Guarantee contained in Annex III of the Securities Note and sections 4.7 and 4.8 of this Registration Document for a description of the Guarantee and the Colleteral. Reference should also be made to the sections entitled "Risk Factors" contained in this Registration Document and the Securities Note for a discussion of certain risk factors which should be considered by prospective investors in connection with the Secured Bonds and the Guarantee provided by the Guarantor.

Sponsor & Manager	Security Trustee	Legal Counsel	Registrar
CHARTS WEALTH MANAGEMENT • CORPORATE BROKING	CSB GROUP	CAMILLERI PREZIOSI ADVOCATES	MALTA STOCK EXCHANGE plc

THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENT IS IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENTS AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENTS.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THESE SECURITIES.

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

APPROVED BY THE DIRECTORS

Michael Stivala	Carlo Stivala	Ivan Stivala	Martin John Stivala	Ann Marie Agius	Francis Gouder	Joseph Brincat

IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION ON STIVALA GROUP FINANCE P.L.C. IN ITS CAPACITY AS ISSUER AND CARMELO STIVALA GROUP LIMITED AS GUARANTOR IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES OF THE LISTING AUTHORITY, THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA) AND COMMISSION REGULATION (EC) NO. 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS AS AMENDED BY COMMISSION DELEGATED REGULATION (EU) NO. 486/2012 OF 30 MARCH 2012, COMMISSION DELEGATED REGULATION (EU) NO. 862/2012 OF 4 JUNE 2012, COMMISSION DELEGATED REGULATION (EU) NO. 759/2013 OF 30 APRIL 2013, COMMISSION DELEGATED REGULATION (EU) NO. 382/2014 OF 7 MARCH 2014 AND COMMISSION DELEGATED REGULATION (EU) NO. 2016/301 OF 30 NOVEMBER 2015.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF SECURITIES OF THE ISSUER OTHER THAN THOSE CONTAINED IN THIS 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 ISSUER OR ITS DIRECTORS OR ADVISORS.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS.

THE DIRECTORS OF THE ISSUER, AS IDENTIFIED UNDER THE HEADING "DIRECTORS" IN SECTION 3.1 OF THIS REGISTRATION DOCUMENT, ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS OF THE ISSUER (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.

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR THE PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES: BY ANY PERSON IN ANY JURISDICTION IN WHICH (I) SUCH OFFER OR INVITATION IS NOT AUTHORISED; OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; (III) OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THE PROSPECTUS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND, ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

THE PROSPECTUS AND THE OFFERING, SALE OR DELIVERY OF ANY BONDS MAY NOT BE TAKEN AS AN IMPLICATION: (I) THAT THE INFORMATION CONTAINED IN THE PROSPECTUS IS ACCURATE AND COMPLETE SUBSEQUENT TO ITS DATE OF ISSUE; OR (II) THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN THE FINANCIAL POSITION OF THE ISSUER OR THE GUARANTOR SINCE SUCH DATE; OR (III) THAT ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS IS ACCURATE AT ANY TIME SUBSEQUENT TO THE DATE ON WHICH IT IS SUPPLIED OR, IF DIFFERENT, THE DATE INDICATED IN THE DOCUMENT CONTAINING THE SAME.

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

SAVE FOR THE OFFERING IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE SECURITIES DESCRIBED IN THE SECURITIES NOTE OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

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

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

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

ALL THE ADVISORS TO THE ISSUER AND THE GUARANTOR NAMED IN THE REGISTRATION DOCUMENT UNDER THE HEADING "ADVISORS TO THE ISSUER AND GUARANTOR" IN SECTION 3.3 OF THIS REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER AND THE GUARANTOR, AS THE CASE MAY BE, IN RELATION TO THIS PUBLIC OFFER AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

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

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

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1. DEFINITIONS

In this Registration Document the following words and expressions shall bear the following meanings except where the context otherwise requires:

Act	the Companies Act (Cap. 386 of the Laws of Malta);
Bond Issue	the issue of the Secured Bonds;
Bondholders	a holder of Secured Bonds to be issued by the Issuer in terms of the Prospectus;
Collateral	the following security granted by the Guarantor in favour of the Security Trustee for the benefit of Bondholders: (a) a first ranking special hypothec over the Security Property; (b) a pledge over the proceeds from any insurance policy required under clause 5(1)(h) of the Security Trust Deed; and (c) the Guarantee;
Company or **Issuer**	Stivala Group Finance p.l.c., a company registered under the laws of Malta with company registration number C 82218 and having its registered office at 143, The Strand, Gzira, Malta;
Directors or **Board**	the directors of the Issuer whose names are set out under the heading "**Identity of Directors, Senior Management, Advisors and Auditors of the Issuer and Guarantor**";
Euro or **€**	the lawful currency of the Republic of Malta;
Group	the Issuer (as parent company), the Guarantor and the Subsidiaries;
Group Company	any one of the companies forming part of the Group. The term "**Group Companies**" shall be construed accordingly;
Guarantee	the joint and several guarantee dated 25 September 2017 granted by the Guarantor as security for the punctual performance of the Issuer's payment obligations under the Bond Issue, subject to the terms and conditions contained in the Security Trust Deed and as the same is held on trust for the benefit of the Bondholders by the Security Trustee. A copy of the Guarantee and a description of the nature, scope and terms of the Guarantee are appended to the Securities Note as Annex III thereto;
Guarantor	Carmelo Stivala Group Limited, a company registered under the laws of Malta with company registration number C 62625 and having its registered office at 143, The Strand, Gzira, Malta;
Listing Authority	the Board of Governors of the Malta Financial Services Authority, appointed as the Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
Malta Stock Exchange or **MSE**	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Prospectus	collectively, the Registration Document, the Securities Note and the Summary Note;
Registration Document	this document in its entirety;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by: Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of supplements to the prospectus; and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of the prospectus and dissemination of advertisements;
Secured Bond(**s**) or **Bond**(s)	the €45,000,000 4% Secured Bonds of a nominal value of €100 payable in full upon subscription and redeemable at the nominal value on the Redemption Date, bearing interest at the rate of 4% per annum, as detailed in the Securities Note;
Securities Note	the securities note issued by the Issuer dated 25 September 2017, forming part of the Prospectus;

Security Property	the following immovable property: (i) 120, The Strand, Gzira, Malta; (ii) nine apartments, 19 garages and the remaining one half undivided share of an office, all situated at Qui Si Sana Boutique Apartments, Qui Si Sana Road, Sliema, Malta (subject to completion of acquisition); (iii) Property situated at Marguerite Mangion Street, St Julian's, Malta (subject to completion of acquisition); (iv) 153/154, The Strand, Gzira, Malta; (v) Bring Apartments, Reid Street, Gzira, Malta; and (vi) 196, Main Street, St Julian's, Malta (subject to completion of acquisition);
Security Trustee or **Trustee**	CSB Trustees and Fiduciaries Limited, a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 40390 and having its registered office at Vincenti Buildings, 28/19, Strait Street, Valletta, Malta, duly authorised to act as a trustee or co-trustee in terms of Article 43(3) of the Trusts and Trustees Act (Cap. 331 of the Laws of Malta);
Security Trust Deed or **Trust Deed**	means the security trust deed entered into between the Security Trustee, the Issuer and the Guarantor on 25 September 2017;
Subsidiaries	means all entities (including structured entities) over which the Issuer has control. In terms of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), a group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity;
Summary Note	the summary note issued by the Issuer dated 25 September 2017, forming part of the Prospectus.

2. RISK FACTORS

PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS, AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS, BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE ISSUER.

SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND NEITHER THE ISSUER NOR THE GUARANTOR IS IN A POSITION TO EXPRESS ANY VIEWS ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING.

THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE ISSUER'S AND/OR GUARANTOR'S FINANCIAL RESULTS AND TRADING PROSPECTS AND ON THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES TO BE ISSUED IN TERMS OF THE PROSPECTUS AND OF THE GUARANTOR TO HONOUR ITS OBLIGATIONS UNDER THE GUARANTEE. THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AS SUCH BY THE DIRECTORS OF THE ISSUER AND THE GUARANTOR AS AT THE DATE OF THE PROSPECTUS, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE ISSUER AND THE GUARANTOR MAY FACE. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE ISSUER'S AND/OR GUARANTOR'S DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL IMPACT ON THE FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE OF THE ISSUER AND/OR GUARANTOR.

NEITHER THE PROSPECTUS NOR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH SECURITIES ISSUED BY THE ISSUER: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION NOR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR THE SPONSOR OR AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, SHOULD PURCHASE ANY SECURITIES ISSUED BY THE ISSUER. PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.

2.1 Forward-looking Statements

The Prospectus and the documents incorporated therein by reference or annexed thereto contain forward-looking statements that include, among others, statements concerning the Issuer's and Guarantor's strategies and plans relating to the attainment of its objectives, capital requirements and other statements of expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts and which may involve predictions of future circumstances. Investors can generally identify forward-looking statements by the use of terminology such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", or similar phrases. These forward-looking statements are inherently subject to a number of risks, uncertainties and assumptions. Important factors that could cause actual results to differ materially from the expectations of the Issuer's and Guarantor's directors include those risks identified under the heading "Risk Factors" and elsewhere in the Prospectus.

Important factors that could cause actual results to differ materially from the expectations of the Issuer's and Guarantor's directors include those risks identified under this section 2 and elsewhere in the Prospectus. As mentioned above, if any of the risks described were to materialise, they could have a material effect on the Issuer's and Guarantor's financial results and trading prospects and the ability of the Issuer to fulfil its obligations under the securities to be issued in terms of the Prospectus and of the Guarantor to honour its obligations under the Guarantee.

Accordingly, the Issuer and Guarantor caution prospective investors that these forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied by such statements, that such statements do not bind the Issuer and Guarantor with respect to future results and no assurance is given that the projected future results or expectations covered by such forward-looking statements will be achieved. All forward-looking statements contained in the Prospectus are made only as at the date hereof. The Issuer, Guarantor and their respective directors expressly disclaim any obligations to update or revise any forward-looking statements contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

Prospective investors are advised to read the Prospectus in its entirety and, in particular, the sections entitled "Risk Factors", for an assessment of the factors that could affect the Issuer's and Guarantor's future performance.

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

2.2 General

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

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

2.3 Risks relating to the Issuer and its Business

The Issuer has a limited trading record and history of operations. It was set up in August 2017 primarily to raise finance for the Group to acquire and develop properties in accordance with the Group's business strategy. The Issuer is substantially a start-up operation with all the attendant risks that start-ups normally entail. These risks include, but are not limited to, a lack of financial stability. Furthermore, the Issuer's operations and the results of its operations are subject to a number of factors that could adversely affect the Group's business, many of which are common to the hotel and real estate industry and beyond the Group's control. In the event that these risks were to materialise they could have a significant impact on the financial position of the Issuer.

2.4 Risks relating to the Group and its Business

General
The Issuer is the ultimate parent company of the Group and given its recent incorporation, does not itself have any trading history. The Group, through the Guarantor and the operational subsidiaries, has a long trading history in the acquisition, development and management of real estate developments that consist principally of hotels, hostels, residential, office and retail property. The Group is exposed to the real estate market as well as to the array of competitive pressures in the operation and management of the hospitality, residential and retail markets.

The Group's business model remains primarily reliant on the acquisition of real estate for development or re-development and the subsequent operation of that real estate as either (a) 3 star hotel assets, hostels; or (b) residential and commercial property for lease to third parties. In addition, the Group's assets and their operation are concentrated in Malta and are accordingly intimately dependent on the tourism industry and property rental market in Malta. Accordingly, the Group's prospects should be considered in the light of the risks and difficulties generally encountered by companies operating in similar markets and industry sectors in Malta.

Risks relating to the political, economic and social environment in which the Group operates
The Group's assets and operations are all situated in Malta. Accordingly, the Group is generally exposed to the economic and political conditions which are prevalent in Malta from time to time, thereby rendering the Group's operations overly exposed to the social, political and economic stability in Malta, which, in the event of downward trend could have a material adverse impact on the operations of the Group and the value of its assets. Such over-exposure to the Maltese market could render investment in the Group riskier than investments in more geographically diversified operations.

The Group's reliance on non-proprietary software systems and third-party information technology providers

To varying degrees, the Group is reliant upon technologies and operating systems (including IT systems) developed by third parties for the running of its business, and is exposed to the risk of failure in such systems. Whilst the Group has service agreements and disaster recovery plans with third party providers of these systems to ensure their continuity and stability, there can be no assurance that the service or systems will not be disrupted. Disruption to those technologies or systems and/or lack of resilience in operational availability could adversely affect the efficiency of the Group's business, financial condition and/or operating results.

The Group's key senior personnel and management have been and remain material to its growth

The Group believes that its growth is largely attributable to the efforts and abilities of the directors and members of its executive management team and other key personnel. If one or more of the members of this team were unable or unwilling to continue in their present position, the Group might not be able to replace them within the short term, which could have a material adverse effect on the Group's business, financial condition and results of operations.

In common with many businesses, the Group will be relying heavily on the contacts and expertise of its directors and senior management teams and other key personnel. Although no single person is solely instrumental in fulfilling the Group's business objectives, there is no guarantee that these objectives will be achieved to the degree expected following the possible loss of key personnel. The loss of the services of any of the key personnel could have, in the short term, a material adverse effect on the Group's business.

Litigation risk

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

The Group's insurance policies

Historically, the Group has maintained insurance at levels determined by the Group to be appropriate in light of the cost of cover and the risk profiles of the business in which the Group operates. With respect to losses for which the Group is covered by its policies, it may be difficult and may take time to recover such losses from insurers. In addition, the Group may not be able to recover the full amount from the insurer. No assurance can be given that the Group's current insurance coverage would be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage would always be available at acceptable commercial rates.

Risks relative to changes in laws

The Group is subject to taxation, environmental and health and safety laws and regulations. As with any business, the Group is at risk in relation to changes in laws and regulations and the timing and effects of changes in the laws and regulations to which it is subject, including changes in the interpretation thereof which cannot be predicted. No assurance can be given as to the impact of any possible judicial decision or change in law or administrative practice after the date of the Prospectus upon the business and operations of Group companies.

The Group may not be able to realise the benefits it expects from investments made in its properties under development

The Group's business consists of the acquisition, development and operation of real estate projects, comprising hotels, hostels, residences, offices and retail spaces. Property acquisition and development projects are subject to a number of specific risks, including the inability to source adequate opportunities, cost overruns, insufficiency of resources to complete the projects, sales transactions not materialising at the prices and the tempo envisaged resulting in a liquidity strain, rental of commercial areas not being effected at the prices and within the timeframes envisaged, higher interest costs, and the erosion of revenue generation. If these risks were to materialise, they would have an adverse impact on the Issuer's revenue generation, cash flows and financial performance.

Renovating, refurbishing or otherwise improving existing properties, and acquiring and developing new and commercially viable properties, is key to the Group's business and growth strategy. The development and/or improvement of the Group's properties in the future presents a number of risks, including: market disruption or oversupply, which may result in the Group being unable to achieve appropriate room rates or lease residential units at the rental levels it anticipates, potentially requiring changes in the Group's pricing strategy that could result in significant losses or charges; and construction delays, cost overruns, lender financial defaults or "acts of God" such as earthquakes, hurricanes, floods or fires, which could increase overall project costs or result in project cancellations.

Furthermore, the Group is subject to various counter-party risks, including the risk of counter-party default, such as prospective lessees defaulting on their obligations with the Group. Such parties (which may include both third parties as well as related parties) may default or fail to perform on their obligations to the Group due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond the Group's control. If such risks, many of which are common to the real estate industry, were to materialise, they could have an adverse impact on the Group's revenue generation, cash flows and financial performance.

The Group's ability to realise the full benefits that it expects from investments made in properties will depend in turn on its ability to assess and minimise these risks in an efficient and cost effective manner. No assurance can be given that the Group will be able to deal with these risks in an efficient and cost effective manner.

The Group may not be able to obtain the capital it requires for the development or improvement of existing or new properties on commercially reasonable terms, or at all

The Group may not be able to secure sufficient financing for its current and future investments. No assurance can be given that sufficient financing will be available on commercially reasonable terms or within the timeframes required by the Group, also taking into account the need from time to time for the Group's hotel properties to undergo renovation, refurbishment or other improvements in the future. Any weakness in the capital markets may limit the Group's ability to raise capital for completion of projects that have commenced or for development of future properties. Failure to obtain, or delays in obtaining, the capital required to complete current or future developments and refurbishment projects on commercially reasonable terms, including increases in borrowing costs or decreases in loan availability, may limit the Group's growth and materially and adversely affect its business, financial condition, results of operations and prospects.

The Group's indebtedness could adversely affect its financial position

The Group has a material amount of debt and may incur additional debt in connection with its future growth in terms of acquisitions and developments. Consequently, a portion of the Group's generated cash flows will be required to make principal and interest payments on the Group's debt. Furthermore, any borrowings under bank credit facilities will likely be at variable interest rates, which could cause the Group to be vulnerable to increases in interest rates.

The agreements regulating the Group's bank debt may impose significant financial covenants on the Group, the covenants of which could limit the Group's ability to obtain future financing, make capital expenditure, withstand a future downturn in business or economic conditions generally or otherwise inhibit the ability to conduct necessary corporate activities.

The Group may be exposed to certain financial risks, including interest rate risk, which the Group may be unable to effectively hedge against

The Group's activities potentially expose it to a variety of financial risks, including market risk (principally interest rate risk and fair value risk), credit risk and risks associated with the unpredictability of financial markets, all of which could have adverse effects on the financial performance of the Group.

Interest rate risk refers to the potential changes in the value of financial assets and liabilities in response to changes in the level of interest rates and their impact on cash flows. The Group may be exposed to the risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows if any future borrowings are made under bank credit facilities set at variable interest rates. Although in such a case the Group seeks to hedge against interest rate fluctuations, this may not always be economically practicable.

Furthermore, the possibility of hedging may become more difficult in the future due to the unavailability or limited availability of hedging counter-parties. An increase in interest rates which is not hedged may have a material adverse effect on the Group's business, financial condition and results of operations.

2.5 Risks relating to the Operations of the Issuer and Guarantor

Risks relating to the hospitality industry

The Group's hospitality operations and the results thereof are subject to a number of external factors that could adversely affect its business, many of which are common to the hotel industry and beyond the Group's control, including the following:

- changes in travel patterns, any increase in or the imposition of new taxes on air travel and fuel, and cutbacks and stoppages on Malta-bound airline routes;
- changes in laws and regulations on 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;
- the impact of increased threats of terrorism or actual terrorist events, impediments to means of transportation (including airline strikes and border closures), extreme weather conditions, natural disasters, travel-related accidents, outbreaks of diseases and health concerns, or other factors that may affect travel patterns and reduce the number of business and leisure travellers;
- increases in operating costs due to inflation, employment costs, workers' compensation and healthcare related costs, utility costs, increased taxes and insurance costs; and
- the termination, non-renewal and/or the renewal on less favourable terms of agreements entered into with tour operators.

The impact of any of these factors (or a combination of them) may adversely impact room rates and occupancy levels at the Group's hotels, or otherwise cause a reduction in its revenue, which could have a material adverse effect on the Group's business, financial condition and results of operations.

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.

The Group's hospitality operations are also susceptible to strong and increasing local and global competition, influenced by a variety of determining factors including accommodation rates, packages variety, quality, availability, reliability, after-sales service and logistics, and the fluctuations in demand for private and shared accommodation alternatives. The level of competition is subject to increase, and such increase or even saturation in the supply of accommodation may negatively impact the Group's sales revenue and profitability in the hospitality sector.

In addition, many of the Group's current and potential competitors may have greater name recognition, a larger customer base and greater financial and other resources than the Group. A decline in the relative competitive strength of the Group and its brands could adversely affect the Group's results of operations. In particular, the Group may be compelled, by the strength of its competitors that are able to supply accommodation and services at lower prices, to reduce its own prices. The ability of the Group to maintain or increase its profitability will be dependent on its ability to offset such decreases in the prices and margins of its accommodation and services.

Material risks relating to real estate development may affect the economic performance and value of any of the Group's projects

There are a number of factors that commonly affect the real estate development industry, many of which are beyond the Group's control, and which could adversely affect the economic performance and value of the Group's projects. Such factors include:

- **changes in global economic conditions particularly in the European Union;**
- **changes in the general economic conditions in Malta;**
- **general industry trends, including the cyclical nature of the real estate market;**
- **changes in local market conditions, such as an oversupply of similar properties, a reduction in demand for real estate or change of local preferences and tastes;**
- **possible structural and environmental problems;**
- **acts of nature, such as earthquakes and floods, that may damage any of the properties or delay development thereof; and**
- **increased competition in the market segment in which the Group operates may lead to an oversupply of residential or commercial properties in such markets, which could lead to a lowering of rental rates and a corresponding reduction in revenue of the Group.**

Any of the factors described above could have a material adverse effect on the Group's business, its financial condition and prospects and accordingly on the repayment of the Secured Bond and interest thereon.

The Group may be exposed to environmental liabilities attaching to real estate property

The Group 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 Group may also be required to remove or remedy 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, including asbestos, 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 the Group's business, financial condition, and results of operations.

Currency fluctuations and other regional economic developments may have a material adverse effect on the Group's business, financial condition and results of operations

The Group's operations are exposed, in the case of transactions not denominated in Euro, to foreign currency risk on transactions, receivables and borrowings that are denominated in a currency other than the Euro. As a result, exchange gains or losses may arise on the realisation of amounts receivable and the settlement of amounts payable in foreign currencies.

The Group's financial statements, which are presented in Euro, can be affected by foreign exchange fluctuations through both: translation risk, which is the risk that the financial statements for a particular period or as of a certain date depend on the prevailing exchange rates of the various currencies against the Euro; and transaction risk, which is the risk that the currency of the costs and liabilities fluctuates in relation to the currency of its revenue and assets, which fluctuation may adversely affect its operating performance.

A significant portion of the Group's operating expenses are fixed, which may impede them from reacting quickly to changes in its revenue

A significant portion of the Group's costs are fixed and the Group's operating results are vulnerable to short-term changes in revenues. The Group's inability to react quickly to changes in revenue by reducing operating expenses could have a material adverse effect on its respective business, financial condition and results of operations.

Liquidity risk

The lack of liquidity and alternative uses of real estate investments could significantly limit the Group's ability to respond to adverse changes in the performance of its properties thereby potentially harming their respective financial condition. Furthermore, the Group's strategy to retain properties for rental income rather than to sell one or more of its properties, in a timely fashion, may be a limiting factor in its ability to respond to changing economic, financial and investment conditions.

The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond the Issuer's and Guarantor's control.

Development risk

The Group may be subject to risks associated with the development of the real estate acquired by it, including the risk relating to project financing, planning permits, delays, cost over-run, risk of insufficiency of resources, risk of licensing transactions not being effected at the prices and timeframes envisaged, higher interest costs, erosion of revenue generation and the possibility of legal disputes. If these risks were to materialise, they could have an adverse and material effect on the Group's financial condition and the results of its operations.

In addition, for the timely completion of development projects, the Group may place certain reliance on counterparties such as architects, engineers, contractors and sub-contractors, engaged in the demolition, excavation, and construction and finishing of developments. Such counterparties may fail to perform or default on their obligations due to the Group, whether due to insolvency, lack of liquidity, economic or market downturn, operational failure or other reasons, all of which are beyond the Group's control. Failure of such counterparties to perform their obligations owed to the Group could, in turn, materially adversely affect the financial condition of the Group and its future prospects. In addition, the inability of the Group to develop and maintain relationships with highly skilled, competent and reliable counterparties could have a material adverse effect on the Group's development projects.

2.6 Risks inherent in Property Valuations

The valuation of property is inherently subjective, due to, among other things, the individual nature of each property and the assumptions upon which the valuation is carried out. Accordingly, there can be no assurance that the valuation referred to in this Prospectus reflects actual values that could be achieved on a sale, even where any such sale were to occur shortly after the valuation date. Actual values may be materially different from any future values that may be expressed or implied by forward-looking statements set out in the valuation or anticipated on the basis of historical trends, as reality may not match the assumptions made. There can be no assurance that such valuation of property will reflect actual market values.

2.7 Risks relating to the Security

The Secured Bonds, as and when issued and allotted, shall constitute the general, direct, and unconditional obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under said Secured Bonds by the Guarantor. The Secured Bonds shall at all times rank *pari passu* without any priority or preference among themselves but, in respect of the Guarantor, they shall rank with priority or preference over all unsecured indebtedness, if any. In view of the fact that the Secured Bonds are being guaranteed by the Guarantor on a joint and several basis, the Security Trustee, for the benefit of itself and the Bondholders, shall be entitled to request the Guarantor to pay both the interest due and the principal amount under said Secured Bonds if the Issuer fails to meet any amount, when due in terms of the Prospectus.

The joint and several Guarantee also entitles the Security Trustee to take action against the Guarantor without having to first take action against the Issuer. The strength of this undertaking on the part of the Guarantor and therefore, the level of recoverability by the Security Trustee from the Guarantor of any amounts due under any of the Secured Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantor.

The Guarantee is further supported by the Collateral that is to be granted over the Security Property. In terms of the Security Trust Deed, the Security Trustee retains the discretion to substitute any one of the immovable properties placed as Security Property with another immovable property owned by the Group, subject to an independent architect's property valuation report, confirming that the value of the property being substituted and added to the immovable properties constituting the Security Property is at least equal to the value of the immovable property which has been removed as a Security Property. Whilst this grants the Security Trustee a right of preference and priority for repayment over the Security Property, there can be no guarantee that the value of the Security Property over the term of the Secured Bond will be sufficient to cover the full amount of interest and principal outstanding under the Bonds. This may be caused by a number of factors not least of which general economic factors that could have an adverse impact on the value of the Security Property. If such circumstances where to arise or subsist at the time that the Collateral is to be enforced by the Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Secured Bonds.

3. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT, ADVISORS AND AUDITORS OF THE ISSUER AND THE GUARANTOR

3.1 Directors

3.1.1 Directors of the Issuer

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

Michael Stivala (499374M)	7, St Anthony, Triq San Tofimu, Sliema, Malta	Executive Chairman
Carlo Stivala (23589M)	Tal-Qroqq Mansions, Flat 4, Triq Tal-Qroqq, Msida, Malta	Executive Director
Ivan Stivala (352278M)	4, Buogainvillea, Triq l-Ornitologija, Kappara, San Gwann, Malta	Executive Director
Martin John Stivala (35672M)	2, Orchidea, Flat 10, Triq Tal-Hriereb, Msida, Malta	Executive Director
Ann Marie Agius (118784M)	42, Triq it-Torri, Qrendi, Malta	Independent Non-Executive Director
Francis Gouder (866550M)	Lotus, Flat 3, Triq it-Tamal, St Julians, Malta	Independent Non-Executive Director
Joseph Brincat (311147M)	1, Gilda Court, Flat 4, Trejqa Albert M. Cassola, Swieqi, Malta	Independent Non-Executive Director

Rudi Xuereb (124679M) of 109, Triq il-Ghajn, Swieqi, Malta, is the company secretary of the Issuer.

THE DIRECTORS OF THE ISSUER ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS OF THE ISSUER (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.

The persons listed under the sub-heading "Advisors to the Issuer and the Guarantor" have advised and assisted the Directors in the drafting and compilation of the Prospectus.

3.1.2 Directors of the Guarantor

Martin John Stivala (35672M)	2, Orchidea, Flat 10, Triq Tal-Hriereb, Msida, Malta	Executive Director
Michael Stivala (499374M)	7, St. Anthony, Triq San Tofimu, Sliema, Malta	Executive Director
Carlo Stivala (23589M)	Tal-Qroqq Mansions, Flat 4, Triq Tal-Qroqq, Msida, Malta	Executive Director
Ivan Stivala (352278M)	4, Buogainvillea, Triq l-Ornitologija, Kappara, San Gwann, Malta	Executive Director

Rudi Xuereb (124679M) of 109, Triq il-Ghajn, Swieqi, Malta, is the company secretary of the Guarantor.

3.2 Senior Management

The four executive Directors are collectively responsible for the executive management of the Company and the Subsidiaries, and together with other senior members of the executive team are responsible for the Issuer's day to day management. Each of the four executive Directors is responsible for the following executive tasks:

Martin John Stivala	Demolition and constructions works in property development
Michael Stivala	General executive management and hotel operations within the Group
Carlo Stivala	Administration and operations of long-term rentals of residential and commercial properties
Ivan Stivala	Finishing and furnishing works of real estate assets of the Group

3.3 Advisors to the Issuer and the Guarantor

Legal Counsel

Name:	Camilleri Preziosi
Address:	Level 3, Valletta Buildings, South Street, Valletta VLT 1103 - MALTA

Sponsor & Manager

Name:	Charts Investment Management Service Limited
Address:	Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913 – MALTA

Registrar

Name:	Malta Stock Exchange p.l.c.
Address:	Garrison Chapel, Castille Place, Valletta VLT 1063 - MALTA

Financial Advisors

Name:	Nexia BT Advisory Services Limited
Address:	The Penthouse, Suite 2, Capital Business Centre, Entrance C, Triq taz-Zwejt, San Gwann SGN 3000 - MALTA

3.4 Auditors of the Issuer and of the Guarantor

Name:	Nexia BT
Address:	The Penthouse, Suite 2, Capital Business Centre, Entrance C, Triq taz-Zwejt, San Gwann SGN 3000 - MALTA

No audited financial statements of the Issuer have been prepared since its incorporation to the date of this Registration Document.

The annual statutory consolidated financial statements of the Guarantor for the financial years ended 31 December 2014, 2015 and 2016 were audited by Nexia BT. Nexia BT is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta).

3.5 Security Trustee

Registered office:

Name:	CSB Trustees & Fiduciaries Limited
Address:	Vincenti Buildings, 28/19 Strait Street, Valletta VLT 1432 - MALTA

Correspondence address:

Name:	CSB Trustees & Fiduciaries Limited
Address:	The Penthouse, Tower Business Centre, Tower Street, Swatar Birkirkara BKR 4013 - MALTA

4. INFORMATION ABOUT THE ISSUER AND THE GROUP

4.1 Introduction

4.1.1 The Issuer

Full Legal and Commercial Name of the Issuer:	Stivala Group Finance p.l.c.
Registered Address:	143, The Strand, Gzira, Malta
Place of Registration and Domicile:	Malta
Registration Number:	C 82218
Date of Registration:	21 August 2017
Legal Form:	The Issuer is lawfully existing and registered as a public limited liability company in terms of the Act.
Telephone Number:	+356 2264 1516
Email:	info@stivalagroup.com
Website:	www.stivalagroup.com

The Issuer was set up as the ultimate parent company of the Group and as the principal vehicle for further expansion of the Group's hospitality business and mixed use developments. The Group has undergone a rationalisation exercise over the past few months in preparation of the Bond Issue, specifically through the establishment of the Issuer as a public limited company organised under the Act and the establishment of a number of subsidiaries that have taken over the operations from a number of other Group companies.

The Issuer has an authorised share capital of €500,000 and an issued share capital of €300,000, which is 100 per cent paid up. The Issuer is fully owned by Carmelo Stivala Trustee Limited which is in turn wholly held by Bastille Malta Trustees Limited. The latter holds the shares in Carmelo Stivala Trustee Limited in its capacity as trustee of two separate groups of trusts, referred to as Group A trusts and Group B trusts. The trusts falling within the ambit of Group A trusts have been set up for the beneficial interest of each of the respective four Stivala brothers Martin John, Ivan, Michael and Carlo. The Group B trusts are composed of a further four trusts which have been set up for the benefit of each of the Stivala brothers as beneficiaries together with their direct descendants and families.

On 5 September 2017, eight share transfer agreements were entered into between the Issuer and Carmelo Stivala Trustee Limited, in its capacity as trustee representing eight ultimate beneficial interests, whereby Carmelo Stivala Trustee Limited in its aforesaid capacity, transferred the shares it held in the Guarantor to the Issuer, in exchange for the issue and allotment of ordinary shares in the Issuer, which shares were issued and allotted to Carmelo Stivala Trustee Limited representing the interests of the ultimate shareholders in the same proportion as the latter's interests in the Guarantor.

The following is a list of the share transfers made by Carmelo Stivala Trustee Limited in the Guarantor to the Issuer in exchange for the issue of the shares by the Issuer to Carmelo Stivala Trustee Limited:

Transferor	**Number of ordinary shares transferred in the Guarantor**	**Nominal value of ordinary shares transferred in the Guarantor**	**Number of ordinary shares allotted in the Issuer**	**Nominal value of ordinary shares allotted in the Issuer**	**Date of share exchange**
Carmelo StivalaTrustee Limited (C 78323)	**674**	**€ 1.00**	**6,882**	**€ 1.00**	**5 September 2017**
Carmelo Stivala Trustee Limited (C 78323)	**674**	**€ 1.00**	**6,882**	**€ 1.00**	**5 September 2017**
Carmelo Stivala Trustee Limited (C 78323)	**674**	**€ 1.00**	**6,882**	**€ 1.00**	**5 September 2017**
Carmelo Stivala Trustee Limited (C 78323)	**674**	**€ 1.00**	**6,882**	**€ 1.00**	**5 September 2017**
Carmelo Stivala Trustee Limited (C 78323)	**526**	**€ 1.00**	**5,618**	**€ 1.00**	**5 September 2017**
Carmelo Stivala Trustee Limited (C 78323)	**526**	**€ 1.00**	**5,618**	**€ 1.00**	**5 September 2017**
Carmelo Stivala Trustee Limited (C 78323)	**526**	**€ 1.00**	**5,618**	**€ 1.00**	**5 September 2017**
Carmelo Stivala Trustee Limited (C 78323)	**526**	**€ 1.00**	**5,618**	**€ 1.00**	**5 September 2017**

Following this share exchange, the Issuer now holds 98 per cent of the shares in the Guarantor, which in turn holds the shares in the underlying operating Subsidiaries. The remaining two per cent of the shares in the Guarantor are held by the Group's founder, Mr Carmelo Stivala (847533M).

The Group's main operations through its Subsidiaries and associated companies are described in section 4.4 of this Registration Document.

4.1.2 The Guarantor

Full Legal and Commercial Name of the Guarantor:	Carmelo Stivala Group Limited
Registered Address:	143, The Strand, Gzira, Malta
Place of Registration and Domicile:	Malta
Registration Number:	C 62625
Date of Registration:	14 November 2013
Legal Form:	The Guarantor is lawfully existing and registered as a private exempt imited liability company in terms of the Act.
Telephone Number:	+356 2264 1516
Email:	info@stivalagroup.com
Website:	www.stivalagroup.com

The Guarantor was established in November 2013 as the holding company of the Group and retained such status until the establishment of the Issuer as part of the rationalisation exercise of the Group referred to in section 4.1.1. The majority of the shares in the Guarantor are owned by the Issuer.

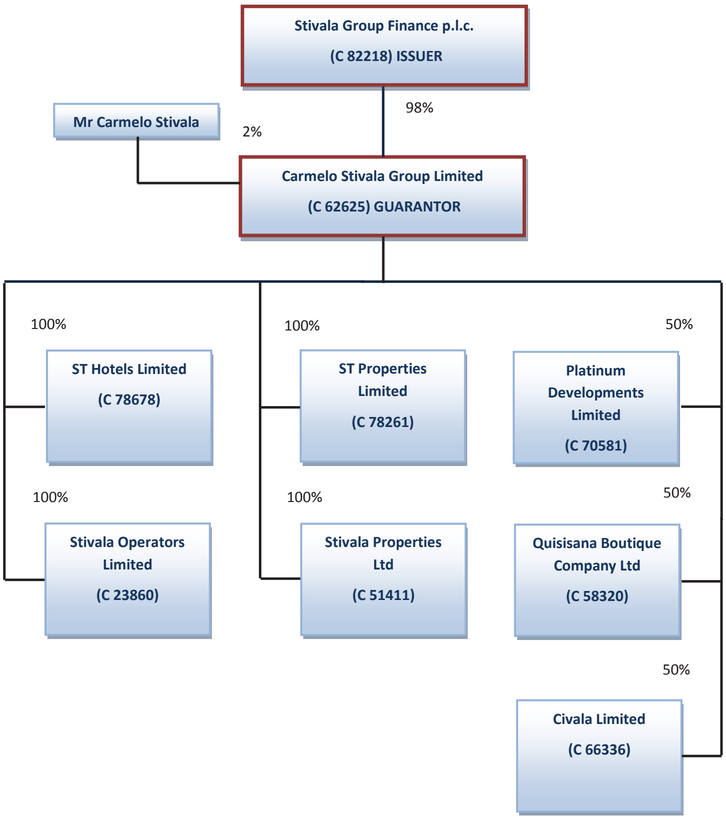
The Guarantor now acts as the Group's property holding company and owns almost all of the Group's immovable property, which property is subsequently leased to and operated by the Subsidiaries, as better explained in section 4.4.

4.2 **Organisational Structure of the Group**

The diagram hereunder illustrates the principal subsidiaries and associates within the organisational structure of the Group.

The Issuer was established as the ultimate parent company and finance arm of the Group on 21 August 2017. It is registered with the Registrar of Companies as a public limited liability company in terms of the Act and bears registration number C 82218.

The Issuer is the 98 per cent shareholder of the Guarantor, which was established as a private exempt limited liability company in Malta under the Act on 14 November 2013 and bears registration number C 62625. The remaining two per cent of the shares of the Guarantor are held by the Group's founder, Mr Carmelo Stivala.



**The remaining 50% of Platinum Developments Limited is held by Bastille Malta Trustees Limited as trustee.*
**The remaining 50% of Quisisana Boutique Company Limited is held by Edward Calleja (432870M).*
**The remaining 50% of Civala Limited is held by John Cilia (262857M).*
**Stivala Operators Limited and Stivala Properties Ltd are intended to be liquidated in the near future.*

The Group conducted a re-organisation over the course of 2016 and 2017 in preparation of the Bond Issue. ST Hotels Ltd (C 78678) and ST Properties Ltd (C 78261) were established as private limited liability companies on 16 December 2016 and 23 November 2016 respectively as subsidiaries within the Group and which have the majority of their shares indirectly owned by the Issuer.

The initial step in the restructuring process entailed the transfer of operations from Stivala Operators Limited (C 23860) and Stivala Properties Ltd (C 51411), these being subsidiary companies of C. Stivala & Sons Limited (C 4510) (a company which is not reflected in the above chart), to the Group. As such, ST Hotels Ltd acquired from Stivala Operators Limited the business, operations, assets and the benefit of all contracts previously pertaining to Stivala Operators Limited, with effect from 1 January 2017. Furthermore, ST Properties Ltd acquired from Stivala Properties Ltd the latter's business, operations and assets with effect from 1 January 2017. Accordingly, as from 1 January 2017, Stivala Operators Limited and Stivala Properties Ltd ceased all trading and operating activities and it is intended that both companies will be liquidated in the near future.

Pursuant to the above, C. Stivala & Sons Limited (which is the parent company of two non-operating subsidiary companies – Stivala Operators Limited and Stivala Properties Ltd - as explained hereinabove), was amalgamated into the Guarantor in terms of a merger process that was finalised during the third quarter of 2017. C. Stivala and Sons Limited previously served as one of the main property holding companies of the Group and therefore following the said merger, the Guarantor now acts as the principal property-holding company of the Group. The operation of the properties is subsequently undertaken by other Group Companies, namely:

(a) ST Properties Ltd, in connection with the commercial and residential properties, which ST Properties Ltd then sub-leases and operates by entering into agreements with third parties; and

(b) ST Hotels Ltd, in connection with hotels and hostels or guesthouses, which ST Hotels Ltd then operates in its own name and for its own risk and benefit.

The Group also has two operating associate companies, both of which are involved in the Group's main activities of leasing commercial and residential properties. Platinum Developments Ltd (C 70581) owns and operates leases of three residential units and one office on the Sliema sea front, whilst Quisisana Boutique Company Ltd (C 58320) is engaged in leasing residential and commercial properties to third parties. It operates a block of 18 apartments, 37 garages and one office situated on the Qui-Si-Sana Seafront in Sliema. A third associate company of the Group, Civala Limited (C 66336), has yet to commence operational activities.

The Group's organisational structure has expanded over the years in line with the Group's development phases and growth. The Group's organisational structure allows the Issuer to keep the strategic direction and development of the Group as its primary focus. Given the current size of the Group, the Issuer's board and management team principally through its executive Directors is focused on achieving the Group's operational objectives.

As the holding company of the Group, the Issuer is ultimately dependent upon the operations and performance of its Subsidiaries and their respective operations. As for the Guarantor, the company is dependent for its cash flows upon the profitability of the operations and performance of its Subsidiaries.

4.3 Historical Development of the Group

The Group's business has evolved over a number of years, dating back to its origins in 1979 when Carmelo Stivala founded C. Stivala & Sons Limited with the object of providing construction and development of real estate to personal and corporate customers. Over the years the Group shifted its focus from an exclusively construction company to a developer of real estate, through the acquisition of real estate, development of those sites and their operation through leases of commercial and residential properties and hotel accommodation. Since 1979, the Group continued to grow and acquired a significant portfolio of real estate. Initially, the strategy was to acquire real estate and apply the Group's experience and expertise in the construction industry, from where it started, to develop and finish those properties with a view to generating revenues from long-term leases of commercial and residential properties whilst retaining the real estate on balance sheet and benefiting from the residual values of the real estate. The Group's strategy was further diversified in 1998 when Stivala Operators Limited was set up with its principal activity to move into the operation of hotels, hostels and short-let accommodation.

Currently, the Group owns and operates two hotels in the 3 star segment (namely, Sliema Hotel and Bayview Hotel), 10 properties comprising hostels and residential apartments for short-let accommodation, and *circa* 54 properties consisting of residential units, commercial space and retail outlets for long-term letting. Further information about the property portfolio is provided in section 4.4.2 below. Through ST Hotels Ltd, the Group also provides taxi services to all clients who use its accommodation.

4.4 Business Overview of the Group

4.4.1 Business Overview

The Issuer does not have any trading record, and was established as the holding company and finance arm of the Group.

The Group's main business is the acquisition of real estate for long term investment purposes, principally in the Gzira, Sliema and St Julian's areas. Once acquired, the Group is engaged in the development or re-development of those properties and their conversion into residential and commercial properties. All real estate is retained by the Group to generate rental revenues, both from short letting and tourist accommodation as well as from long-term residential, office and retail lets. The Group has the following main areas of activity:

- Ownership of real estate – this consists of the identification of sites or real estate that can be developed for subsequent operation either as part of its hospitality operations or for residential or commercial letting;
- Construction and development – the Group undertakes the development and finishing of the real estate identified and acquired, thus allowing greater control by the Group over the costs and timelines of the developments undertaken;
- Hospitality operations – the Group operates properties intended for hospitality purposes consisting of hotels, hostels or apartments for short term accommodation;
- Long-term letting operations – this consists in the letting over the longer term of commercial properties and residential properties owned by the Group.

Group revenue and earnings are derived primarily from the operation of owned hotels, hostels and short let apartments, which business was operated up to 31 December 2016 by Stivala Operators Limited. This business activity accounted for *circa* 80% of the Group's total revenue in 2016. Rentals generated from commercial and long let residential properties were, prior to 1 January 2017, operated by Stivala Properties Ltd.

With effect from 1 January 2017, as part of a Group re-organisation, each of ST Hotels Ltd and ST Properties Ltd acquired the business, operations and assets and liabilities of Stivala Operators Limited and Stivala Properties Ltd, which had undertaken the business of hospitality and property rental since their inception in 1998 and 2010 respectively.

An overview of the financial performance of each of Stivala Operators Limited and Stivala Properties Ltd for the years ended 31 December 2014, 2015 and 2016 is provided in sections 4.4.3 and 4.4.4 below.

4.4.2 Ownership of Real Estate

Until 31 December 2013, C. Stivala & Sons Limited served as one of the main property holding companies of the Group. Following the incorporation of the Guarantor on 14 November 2013, ownership of the Group's immovable property was split between C. Stivala & Sons Limited and the Guarantor. The Guarantor's ownership of the entire Group's real estate portfolio has now been consolidated following the merger of C. Stivala & Sons Limited into the Guarantor, which came into effect in September 2017. The Group now owns its real estate and properties primarily through the Guarantor, which is engaged principally in acquiring and developing the real estate of the Group.

All real estate owned by the Group is operated by the two principal operating subsidiaries – ST Hotels Ltd and ST Properties Ltd - that are responsible for the development and operation of the said real estate.

The Group has a total value of real estate, based on the latest valuation undertaken by Arch. Michael Falzon, in the region of €141,022,000. Further details on the real estate portfolio and the list of properties are included in the condensed valuation report set out in Annex I of this Registration Document.

4.4.3 Hospitality Operations

Hospitality operations during FY2014 to FY2016 were performed by Stivala Operators Limited. The financial information about Stivala Operators Limited is included in the audited financial statements of Stivala Operators Limited for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016. The said statements have been published and are available for inspection at the registered office of the Issuer.

Set out below are highlights taken from the audited financial statements of Stivala Operators Limited for the financial years indicated hereunder.

STIVALA OPERATORS LIMITED
Income Statement

for the year ended 31 December	**2014**	**2015**	**2016**
	€'000	**€'000**	**€'000**
Revenue	5,479	6,000	7,842
Hotels	2,031	2,107	3,155
Hostels and short let apartments	3,295	3,560	4,350
Commercial	153	333	337
Cost of sales	(2,959)	(4,260)	(3,813)
Gross profit	**2,520**	**1,740**	**4,029**
Other net operating costs	(481)	(605)	(1,267)
EBITDA[1]	**2,039**	**1,135**	**2,762**
Depreciation & amortisation	(1,113)	(946)	(948)
Operating profit	**926**	**189**	**1,814**
Gain on disposals/write offs of assets	4	11	1,586
Waiver of related company balance	-	-	(10,190)
Net finance costs	(29)	(13)	(33)
Profit/(loss) before tax	**901**	**187**	**(6,823)**
Taxation	127	155	(553)
Profit/(loss) for the year	**1,028**	**342**	**(7,376)**
Total comprehensive income/(expense)	**1,028**	**342**	**(7,376)**

[1]*EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.*

STIVALA OPERATORS LIMITED
Statement of Financial Position
as at 31 December

	2014	2015	2016
	€'000	€'000	€'000
ASSETS			
Non-current assets			
Intangible assets	-	8	-
Investment property	20	-	-
Property, plant and equipment	8,620	8,399	-
Deferred taxation	387	554	-
	9,027	8,961	-
Current assets			
Inventories	10	13	15
Trade and other receivables	6,046	1,109	855
Current tax assets	252	-	-
Cash and cash equivalents	257	4	40
	6,565	1,126	910
Total assets	**15,592**	**10,087**	**910**
EQUITY			
Capital and reserves			
Share capital	2	2	2
Reserves	4,825	4,825	4,825
Retained earnings	4,683	-	(7,376)
	9,510	**4,827**	**(2,549)**
LIABILITIES			
Non-current liabilities			
Borrowings	384	238	85
Other non-current liabilities	44	29	15
	428	267	100
Current liabilities			
Bank overdraft	173	505	303
Borrowings	138	146	152
Other current liabilities	5,343	4,342	2,904
	5,654	4,993	3,359
	6,082	**5,260**	**3,459**
Total equity and liabilities	**15,592**	**10,087**	**910**

STIVALA OPERATORS LIMITED
Cash Flow Statement
for the year ended 31 December

	2014	2015	2016
	€'000	€'000	€'000
Net cash from operating activities	1,538	5,301	(8,647)
Net cash from investing activities	3,057	(723)	9,031
Net cash from financing activities	(3,958)	(5,163)	(146)
Net movement in cash and cash equivalents	**637**	**(585)**	**238**
Cash and cash equivalents at beginning of year	(553)	84	(501)
Cash and cash equivalents at end of year	**84**	**(501)**	**(263)**

Revenue in **FY2014** amounted to €5.5 million, primarily generated from the operation of the Bayview Hotel, Blubay Hotel and Blubay Fleet Hostel.

The Bayview Hotel is a 3 star 136-room hotel situated on the seafront promenade at The Strand, Gzira. The rooms are equipped with en-suite bathrooms, wi-fi, and other amenities. The property includes a wellness centre, indoor and outdoor pools, a gym and catering outlets.

The Blubay Hotel comprises 54 self catering apartments and is located in Ponsonby Street, Gzira, whilst the Blubay Fleet Hostel consists of 53 self catering apartments situated in Fleet Street, Gzira. Both properties are in close proximity to the Bayview Hotel and as such, guests can make use of the hotel's facilities.

In FY2014, Stivala Operators Limited registered an EBITDA of €2.0 million. After taking into account depreciation and amortisation, net finance costs and taxation, the company reported a profit after tax amounting to €1.0 million.

Revenue in **FY2015** amounted to €6.0 million, an increase of €0.5 million (+9.5%) from a year earlier. The year-on-year growth in revenue was mainly attributable to higher achieved room rates for the hotel; an increase in income from short let apartments and the inclusion of the Waterline Residence situated at The Strand, Gzira, and which comprises five residential units.

EBITDA for the aforesaid financial year amounted to €1.1 million, a decrease of €0.9 million when compared to FY2014. EBITDA for FY2015 was adversely affected by a one off expense amounting to €1.0 million, being arrears relating to water & electricity. Profit for the year amounted to €0.3 million (FY2014: €1.0 million).

Revenue in **FY2016** increased by €1.8 million (+30.7%), from €6.0 million in FY2015 to €7.8 million. In May of the reviewed financial year, Stivala Operators Limited commenced operating the Sliema Hotel, a 70-room 3 star seafront hotel located at The Strand, Sliema. All rooms at the Sliema Hotel are spacious and comprise various amenities such as free wi-fi, satellite TV and en-suite bathroom. Revenue generated from hotels amounted to €3.2 million from €2.1 million in FY2016. The increase of €1.1 million was primarily due to the inclusion of the Sliema Hotel in FY2016. Performance from hostels and short let apartments continued to improve and in FY2016, this sector registered a year-on-year increase of €0.8 million to €4.4 million.

Although FY2016 EBITDA increased from €1.1 million in FY2015 to €2.8 million, Stivala Operators Limited was adversely impacted by a one off item (consisting of a waiver of related company balance of €10.2 million) which resulted in a loss for the year of €7.4 million (FY2015: profit of €0.3 million). As described in section 4.2 above, in 2016, the business of Stivala Operators Limited was transferred to ST Hotels Limited as part of an intra-group exercise. The transaction comprised the transfer of net assets amounting to €10.2 million from Stivala Operators Limited to ST Hotels Limited. The resultant intra-group balances were written-off, wherein Stivala Operators Limited registered a charge in its income statement of €10.2 million, whilst ST Hotels Limited recorded a gain of the same amount.

4.4.4 Property Rentals

Long lets of residential and commercial Group properties to third parties were administered during FY2014 to FY2016 by Stivala Properties Ltd. Such leases typically involve rental periods exceeding six months up to a maximum of eight years. Commercial properties principally comprise restaurants, retail outlets and office space.

The financial information about Stivala Properties Ltd is included in the audited financial statements of Stivala Properties Ltd for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016. The said statements have been published and are available for inspection at the registered office of the Issuer.

Set out below are highlights taken from the audited financial statements of Stivala Properties Ltd for the financial years indicated hereunder:

STIVALA PROPERTIES LTD
Income Statement

for the year ended 31 December	**2014**	**2015**	**2016**
	€'000	**€'000**	**€'000**
Revenue	1,078	1,377	1,748
Commercial	595	656	821
Residential	483	721	927
Cost of sales	(580)	(567)	(393)
Gross profit	**498**	**810**	**1,355**
Other net operating costs	(10)	(31)	(18)
EBITDA[1]	**488**	**779**	**1,337**
Depreciation & amortisation	-	-	-
Operating profit	**488**	**779**	**1,337**
Net finance costs	-	-	-
Profit before tax	**488**	**779**	**1,337**
Taxation	(106)	(179)	(300)
Profit for the year	**382**	**600**	**1,037**
Total comprehensive income	**382**	**600**	**1,037**

[1]*EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.*

STIVALA PROPERTIES LTD
Statement of Financial Position
as at 31 December

	2014 €'000	2015 €'000	2016 €'000
ASSETS			
Current assets			
Trade and other receivables	401	1,101	1,609
Cash and cash equivalents	1	6	40
	402	1,107	1,649
Total assets	**402**	**1,107**	**1,649**
EQUITY			
Capital and reserves			
Share capital	1	1	1
Retained earnings	-	-	-
	1	1	1
LIABILITIES			
Current liabilities			
Trade and other payables	351	955	1,380
Other current liabilities	50	151	268
	401	1,106	1,648
	401	**1,106**	**1,648**
Total equity and liabilities	**402**	**1,107**	**1,649**

STIVALA PROPERTIES LTD
Cash Flow Statement
for the year ended 31 December

	2014 €'000	2015 €'000	2016 €'000
Net cash from operating activities	287	605	1,071
Net cash from investing activities	95	-	-
Net cash from financing activities	(382)	(600)	(1,037)
Net movement in cash and cash equivalents	**-**	**5**	**34**
Cash and cash equivalents at beginning of year	1	1	6
Cash and cash equivalents at end of year	**1**	**6**	**40**

Rents receivable in **FY2014** amounted to €1.1 million, 55% thereof generated from commercial leases whilst the remaining 45% was derived from residential long lets. Cost of sales amounted to €580,000 and represented rents payable to related parties. EBITDA for the reviewed year amounted to €488,000 and profit for the year totalled €382,000.

In **FY2015**, Stivala Properties Ltd increased revenue by 28% from €1.1 million in FY2014 to €1.4 million, principally due to an increase in the number of properties under management. As a result, EBITDA improved from €488,000 in FY2014 to €779,000 in FY2015. Profit for FY2015 amounted to €600,000 (FY2014: €382,000).

Further growth in revenue was registered in **FY2016** as Stivala Properties Ltd reported a year-on-year increase of 27% or €371,000 to €1.7 million. The aforesaid increase was due to an increase in the number of properties subject to long term lease agreements. Such improvement was also reflected in EBITDA, which increased from €779,000 in FY2015 to €1.3 million in FY2016. Stivala Properties Ltd registered a profit for the year of €1.0 million (FY2015: €600,000).

4.5 Development Strategy

The Group's business strategy focuses on achieving positive and sustainable financial and operational results together with long-term appreciation in the value of the Group's real estate portfolio.

In implementing the Group's development strategy, the directors aim to identify and acquire real estate in Malta, particularly in the Sliema, Gzira and St Julian's area, which they believe has the potential to be re-developed and subsequently operated at sustainable operational yields in the hospitality sector or longer term commercial or residential leases.

The Group has been successful in leveraging its experience and expertise in identifying appropriate sites for development and particularly in applying its knowhow of the construction industry to develop those sites. The directors believe that the deployment of the Group's own experience and resources, through its construction and project management arm that undertakes all necessary construction and finishing works of the Group's own developments allow it significant advantages to complete the development and re-development of projects within controlled budgets and tight delivery dates. This reduces the risk of counter-party default, cost overruns and time delays and enables the Group to retain the development phase of its projects within its own control and strategic priorities.

The Group's operations focus principally on the hospitality segment and the letting of commercial and residential units of the Group's own properties. In the hospitality sector, the Group aims to continue to provide services at the Group's hotels in line with the expectations of customers typically seeking accommodation in 3 star hotels as well as in hostels and similar accommodation. The Group aims at adopting and implementing strategies that allow it the flexibility to adapt to changing market conditions particularly in the hospitality sector by rendering its operations in the 3 star hotel segment and its operations in the short-term letting of tourist accommodation as inter-changeable as possible to be able to meet the demands of customers seeking tourist accommodation in this market segment, thus aiming to enhance overall occupancy levels and average room rates.

The directors believe that the commercial and residential letting segment of the Group's business can deliver further growth and generate additional bottom-line results to the Group at marginal increased costs, through further investment in new projects. In this context, the Group believes that current market conditions should support further investment in this segment by continuing to target investments in under-performing properties for re-development in real-estate projects aimed for leases or retail outlets or longer-term accommodation.

From a cost perspective, improved results are being achieved through the implementation of cost-control and energy-efficient measures in Group properties, particularly with increased operational efficiency. These are predominantly evident in the procurement of goods through the increased purchasing power of the Group in Malta and the consolidation and rationalisation of decision making within the Group that on the one hand obviates the need for overly complex and costly management and governance structures and on the other allow greater operational efficiency within the Group.

The Group's strategic plans involve owning and holding real estate for investment purposes; the primary objective being the generation of income from the rental of properties or to generate income from their operations, in particular, in the case of property used for short-letting and tourist accommodation, more specifically, the hotels, hostels and guest houses owned by the Group. Other property is rented out on a long-term basis either for residential purposes, as offices or for retail activities. The Group is continuously seeking to acquire more properties including hotels or guest houses.

4.6 Investments

The principal investments of the Group since 31 December 2016, being the date of the latest audited financial statements, are described hereunder:

(a) Proposed Azur Hotel

One of the Group Companies, ST Hotels Limited is currently developing a 101 room hotel in Belvedere Street, Gzira, as per Planning Authority Permit PA 01467/15. Development commenced in April 2017 and as at the date of this Registration Document, the original buildings have been demolished and excavation works are near completion. An application has been submitted to the Planning Authority (TRK 190134) for the development of the additional two floors comprising a further 80 rooms, hence bringing the total to 181 rooms. Completion is targeted for May 2018.

The proposed property is expected to cost *circa* €4.5 million and will be financed from the net proceeds of the Bond Issue.

(b) 120, The Strand, Gzira

In 2016, the Group acquired a commercial property situated in 120, The Strand, Gzira, comprising *circa* 3,305m^2 of net leasable area. In May 2017, the Group initiated works on the property, including alterations to the façade, re-construction of the seventh floor and development of the eighth and ninth floors (Planning Authority Permit PA 2591/16). Development is expected to be concluded by October 2017 at an estimated cost of €2.5 million, and will be funded from the Group's cash resources.

(c) 196, Main Street, St Julian's

In December 2015, the Group entered into a promise of sale agreement for the acquisition of a residential property, having a footprint measuring 430m² and located at 196, Main Street, St Julian's. The Group plans to demolish the existing property and develop on same site a block consisting of nine luxury residential units, commercial space and garages for a total built up area of *circa* 2,735m². The proposed development is approved as per Planning Authority permits PA 2617/16 and PA 6442/17 6442/17.

The acquisition of the property and development thereafter is estimated to amount to €9.0 million in aggregate, which will be financed from net proceeds of the Bond Issue. Development is expected to start in late 2017 and be completed in late 2018.

(d) Other Investments

The Group intends on making the following investments and will therefore apply part of the Bond proceeds to acquire such investments in the manner outlined below:

- **Acquisition of remaining portion of Qui Si Sana Boutique Apartments:** As mentioned above, the Group already owns one half of the residential units and garages and office situated at Qui Si Sana Boutique Apartments, Sliema. The Group has agreed terms to acquire from a third party the remaining nine residential units, 19 garages and the one half undivided share of the office space at the said Qui Si Sana Boutique Apartments for an amount of €11,448,000, which acquisition will be funded by the Bond Issue proceeds. It is anticipated that the promise of sale agreement will be executed shortly after the issuance of the Secured Bonds.

  Although it is strongly anticipated that a promise of sale will be concluded as stated above, in the event that such promise of sale is not signed, the Security Trustee undertakes to utilise the funds earmarked for the acquisition of the aforementioned remaining half of Qui Si Sana Boutique Apartments, Sliema, for the purpose of refinancing an existing loan with APS Bank Limited, which as at 31 August 2017 amounted to €9,569,000. In such case and with respect to the immovable property given as Security Property for the purposes of this Secured Bond, the Security Trustee shall, at its discretion, substitute the un-acquired portion of Qui Si Sana Boutique Apartments with another immovable property owned by the Group, subject to an independent architect's property valuation report confirming that the value of the property being substituted and added to the immovable properties constituting the Security Property is at least equal to the value of the intended purchase of the remaining residential apartments and garages at Qui Si Sana Boutique Apartments.

- **Property at Marguerite Mangion Street, St Julian's:** On 8 September 2017, the Group entered into a promise of sale agreement to acquire a property situated at Marguerite Mangion Street, St Julian's, which currently houses the EC Language School for an aggregate consideration of €7,706,200.

- **General capital expenditure:** The remaining balance of *circa* €2,596,800 of net Bond Issue proceeds shall be utilised to acquire other properties in accordance with the Group's business development strategy and/or to fund part of the Group's ongoing capital expenditure on own properties.

4.7 Security Property

Security for the fulfilment of the Issuer's obligations in terms of the Bond Issue is to be granted in favour of the Security Trustee for the benefit of Bondholders, by way, *inter alia*, of Collateral over the Security Property described hereunder.

Address	**Valuation as at date of Registration Document (€)**
120, The Strand, Gzira, Malta	12,286,000
Nine apartments, 19 garages and one half undivided share of an office, all situated at Qui Si Sana Boutique Apartments, Qui Si Sana Road, Sliema, Malta (subject to completion of acquisition)	11,448,000
Property situated at Marguerite Mangion Street, St Julian's, Malta (subject to completion of acquisition)	7,706,200
153/154, The Strand, Gzira, Malta	3,390,000
Bring Apartments, Reid Street, Gzira, Malta	3,197,000
196, Main Street, St Julian's, Malta (subject to completion of acquisition)	6,972,800
	45,000,000

In addition to the above, an amount of up to €2,027,200 from net Bond Issue proceeds is to be utilised for the purposes of developing 196, Main Street, St Julian's, Malta, into a block consisting of nine luxury residential units, commercial space and garages. As such, on completion of the afore-mentioned development, the aggregate value of the Security Property will increase from €45,000,000 to €47,027,200.

In terms of the Trust Deed, the Security Trustee shall reserve the right to demand further immovable property owned by the Group to be given as Security Property for the purposes of the Secured Bonds, should at any given time the value of Security Property, pursuant to an independent architect's valuation report, be lower than the nominal value of outstanding Secured Bonds in issue.

The Issuer intends to utilise part of the Secured Bond proceeds to re-finance existing bank loans with FIMBank p.l.c. and Bank of Valletta p.l.c., the outstanding aggregate amount being €9,129,000 as at 31 August 2017. The table below provides a breakdown of the outstanding bank facilities that will be refinanced by means of the Bond Issue proceeds as well as the corresponding charges that will be released once these are settled (to be replaced, where applicable to Security Property (underlined), by the Collateral being created in favour of the Security Trustee for the benefit of Bondholders).

Lending Bank	**Borrower**	**Borrowed Amount**	**Outstanding Balance as at 31 Aug 2017**	**Charged Property**	**Relevant Notes**
FIMBank p.l.c.	Carmelo Stivala Group Limited as principal debtor; C. Stivala & Sons Limited as surety	€6,160,000	€5,221,000	GH/SH/SP on: (i) <u>120, The Strand, Gzira;</u> GH/SH on: (i) Valley Towers, Valley Road, Birkirkara	**H/267/2017**
Bank of Valletta p.l.c.	C. Stivala & Sons Limited	€4,183,701	€3,908,000	GH/SH on: (i) Unnamed and unnumbered block of apartments and garages in Moroni Street, Gzira (ii) Bayview Hotel, The Strand, Gzira	**H /14685/2011; H/4214/2017; H/4217/2014; H/4218/2014; H/4219/2014** ***(Note that GH was waived by R/3430/2015 and R/2221/2016, all SHs remained unaffected)***
			€9,129,000		

(SH: Special Hypothec; GH: General Hypothec; SP: Special Privilege)

Subject to the release of the existing security in place over the Security Property (underlined in the table above) and pursuant to the Security Trust Deed, the Guarantor and the Company agree to jointly and severally between them guarantee the punctual performance by the Company of the Secured Bond obligations by entering into the Guarantee, which shall become effective upon the full subscription of the Secured Bonds. In support of the Guarantee and as part of the Collateral the Guarantor has agreed to grant a first ranking special hypothec over the Security Property for the full amount of €45,000,000 and interests thereon.

In relation to the Security Property which is already owned by the Group and encumbered by security in terms of the above banking facilities, the Security Trustee shall appear on each notarial deed to effect payment and to obtain, if possible and where relevant, subrogation into the rights of the bank which provided the original finance. Pursuant to these deeds, the Security Trustee shall obtain the Collateral over the relevant immovable property forming part of the Security Property and that had secured the bank funding.

The Collateral will secure the claim of the Security Trustee, for the benefit and in the interest of Bondholders, for the repayment of the principal and interest under the Secured Bonds by a preferred claim over the Security Property.

Accordingly, following the issue of the Secured Bonds and application of the Bond Issue proceeds in accordance with the terms of the Securities Note, the Security Trustee will have the benefit of a first ranking special hypothec over the Security Property for the full amount of €45,000,000 and interests thereon.

4.8 Dynamics for Closing

Following the Bond Issue, all proceeds shall be held by the Security Trustee who shall, save for the payment of the expenses related to the Bond Issue, retain all remaining Bond Issue proceeds until all security for the benefit of Bondholders has been duly perfected and registered and the Secured Bonds are admitted to the Official List of the Malta Stock Exchange, as outlined in the Security Trust Deed.

Indeed, the Secured Bonds shall not be admitted to the Official List of the Malta Stock Exchange unless all security has been duly perfected, in accordance with the provisions of the Security Trust Deed. It is expected that within 15 Business Days from the close of the Bond Issue and following allocation of the Secured Bonds:

(I) The Issuer shall appear on notarial deeds to repay the outstanding loans due to FIMBank p.l.c. and Bank of Valletta p.l.c., which as at 31 August 2017 amounted to €9,129,000, as indicated in section 4.7 above. The Security Trustee shall appear on each notarial deed to effect payment and to obtain, if possible, subrogation into the rights of the bank which provided the original finance. Pursuant to these deeds the Security Trustee would obtain the Collateral over the immovable properties already owned by the Group and which had secured the bank funding.

(II) The Issuer and the Guarantor and the Security Trustee will then enter into another notarial deed pursuant to which the Issuer and/or the Guarantor shall constitute first ranking special hypothecs over the other Security Property already owned by the Group and which is not encumbered by any charges or security interests in terms of the banking facilities outlined in section 4.7 above.

Following registration of the notarial deeds described in (I) and (II) above and the presentation to the Security Trustee of the appropriate notes of hypothec, the Security Trustee shall release the remaining net proceeds of the Bond Issue to the Issuer for the purposes and in the manner outlined below, as indicated in the Security Trust Deed:

(i) **Acquisition of 196, Main Street, St Julian's:** The Security Trustee shall appear on the deed of sale and purchase and shall release out of the Bond Issue proceeds the amount of €6,972,800 required to discharge the cash portion of the purchase consideration of the said immovable property and any related costs of acquisition.

(ii) **Development of 196, Main Street, St Julians:** An amount of up to €2,027,200 is to be utilised for the purposes of developing the said existing property into a block consisting of nine luxury residential units, commercial space and garages.

(iii) **Acquisition of nine apartments, 19 garages and the remaining undivided portion of the office situated at Qui Si Sana Boutique Apartments, Sliema:** The Security Trustee shall appear on the deed of sale and purchase and shall release out of the Bond Issue proceeds the amount of €11,448,000 required to discharge the cash portion of the purchase consideration of the said immovable property and any related costs of acquisition.

(iv) **Acquisition of the property situated at Marguerite Mangion Street, St Julian's:** The Security Trustee shall appear on the deed of sale and purchase and shall release out of the Bond Issue proceeds the amount of €7,706,200 required to discharge the cash portion of the purchase consideration of the said immovable property and any related costs of acquisition.

(v) **Development of Azur Hotel:** An amount of €4,500,000 is to be utilised for the development of a 181 room hotel in Belvedere Street, Gzira, completion of which is targeted for May 2018.

(vi) **Other property developments:** An amount of *circa* €2,600,000 will be utilised to acquire other immovable properties in accordance with the Group's business development strategy and/or to fund part of the Group's ongoing capital expenditure on own properties.

With respect to the acquisition of immovable property set out in (i), (iii) and (iv) above, the Security Trustee shall be empowered to take all such measures as it may consider appropriate or necessary to ensure that any portion of the purchase consideration due to the respective seller is paid directly to creditors of the said seller who may have registered security interests over the lands being purchased by the Issuer, so as to ensure that the purchase is made as free and unencumbered of any such security interests and to enable the Security Trustee to take the security interests over the said immovable property in question.

The Guarantor shall also acknowledge itself as the true and lawful debtor of the Issuer for an amount equivalent to the payment effected by the Issuer to repay all bank financing of the Guarantor.

The Bond Issue proceeds are to be made available to the Guarantor by way of an issue of preference shares to the Issuer, whereby the Guarantor shall be issuing and allotting to the Issuer the amount of 45,000,000 cumulative redeemable preference shares having a nominal value of €1.00 each share, having a term of not more than nine and a half years, and which carry a fixed dividend payout of 4.5%.

5. TREND INFORMATION AND FINANCIAL PERFORMANCE

5.1 Trend Information

The Issuer was registered and incorporated on 21 August 2017 as the parent company and finance arm of the Group. As indicated in section 5.2 of this Registration Document, the Issuer has no financial information to report. Accordingly, it is not in a position to assert whether there has been a material adverse change since the date of publication of its latest audited financial statements.

The Issuer is dependent on the business prospects of the Group and, therefore, the trend information of the members of the Group (detailed below) has a material effect on its financial position and prospects.

As at the time of publication of this Prospectus, the Group considers that generally it shall be subject to the normal business risks associated with the business in which the Group operates, and, barring unforeseen circumstances, does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be considered likely to have a material effect on the upcoming prospects of the Group and its business, at least with respect to the current financial year. However, investors are strongly advised to carefully read the risk factors in the Prospectus.

5.1.1 Hospitality[1]

Tourism in Malta has in recent years been performing at a strong level and this trend continued in 2016 and in the initial half of 2017. Inbound tourist trips from January to December 2016 amounted to 1.99 million, an increase of 10.2% when compared a year earlier. Total nights spent by inbound tourists went up by 5.7%, reaching almost 15.0 million nights. During 2016, total guests in collective accommodation establishments surpassed 1.6 million, an increase of 2.1% over the same period in 2015. Within the collective accommodation establishments, the 5 star and 4 star hotels gained 10,878 guests (+2.8%) and 30,779 guests (+4.5%) respectively in 2016 when compared to a year earlier, while there was a decrease of 24,042 guests (-5.7%) in the 3 star category. Other establishments (comprising guesthouses, hostels and tourist villages) registered a year-on-year increase of 20.0% from 57,028 guests in 2015 to 68,461 guests in 2016. Tourism expenditure was estimated at €1.71 billion in 2016, an increase of 4.3% over 2015.

Notwithstanding the decline in tourists seeking accommodation in the 3 star category, the Group's performance for 2016 was positive and above the reported industry averages. The industry average of occupancy in 3 star accommodation reached 78% for the year 2016 – sustaining the same level achieved in the previous year, with Group occupancy registering 81% in each of 2015 and 2016. In addition, whilst the industry average of gross operating profit margin in the 3 star category declined to 34% in 2016 from 43% in 2015, the Group managed to increase its gross operating profit margin to 39% in 2016 from 33% in 2015.

Inbound tourist trips from January to June 2017 reached 990,182, an increase of 19.3% over the same period in 2016. Total nights spent by inbound tourists went up by 11.6%, surpassing 6.5 million nights. Total guests residing in collective accommodation establishments, in the first six months of 2017, amounted to 848,806, an increase of 14.4% over the prior comparable period. Guests in 3 star hotels between January to June 2017 increased by 27.0%, when compared to the same period in 2016, to 223,176 guests. Other establishments (comprising guesthouses, hostels and tourist villages) registered an increase of 21.5% to 36,121 guests in the first six months of 2017 (January to June 2016: 29,733 guests).

Focus will continue to be maintained on increasing arrivals during the winter months and attracting more visitors from new markets to Malta. Moreover, the promotion of Valletta as the European City of Culture in 2018, should further stimulate growth in the local hospitality industry. Meanwhile, the somewhat uncertain future of the national carrier Air Malta poses a concern to further growth in tourist arrivals whilst competition from other Mediterranean countries will likely remain strong.

5.1.2 Leases of Commercial and Residential Units

National statistics relating to leases of commercial property and residential units in Malta are currently not captured and therefore it is more difficult to gauge the health of this sector. Notwithstanding the lack of such data, general business sentiment and the continued drive to promote Malta as a regional hub for the provision of business related services, notably in the financial, i-gaming, back-office services, information technology, aircraft registration and maritime has continued to generate a positive trend in the commercial property sector, in particular office space. In addition, Malta's highly skilled and competitive labour costs have also been vital in sustaining this success. This view is substantiated when assessing the lack of availability of large office and commercial space, as well as, the number of projects earmarked for development and set to commence in the near future.

The recent growth in a number of sectors in Malta - particularly in the financial, gaming and hospitality sectors - has resulted in an influx of foreign workers to the country, which in turn has increased the demand for residential accommodation. As a consequence, rents for residential units in Malta have gradually increased in the past few years and this trend is expected to continue at least in the near to medium term.

The above-mentioned positive trend in the rental market for residential units was also experienced by the Group and is well positioned to continue to benefit from such demand given that most of its residential properties are situated in the Gzira/Sliema area, which is a highly desirable location in Malta. Income from leases of retail units has also increased on an annual basis and is set to maintain a trend of moderate but consistent year-on-year growth. The Group intends to further expand its portfolio of residential units for rental purposes through acquisition and/or further development of own properties.

[1] *www.nso.gov.mt; Malta Tourism Authority Report 2016*

5.2 Selected Financial Information

The Issuer

The Issuer was registered and incorporated on 21 August 2017 as a special purpose vehicle to act as the parent company and financing arm of the Group. The Issuer has, to date, not conducted any business, and has no trading record.

There has not been any significant change in the financial or trading position of the Issuer, which has occurred since the date of its incorporation.

The Guarantor

Since Carmelo Stivala Group Limited shall act as Guarantor to the Bond Issue, the selected financial information of Carmelo Stivala Group Limited is contained in this section of the Registration Document. The historical financial information of Carmelo Stivala Group Limited is set out in the audited financial statements for each of the financial years ended 31 December 2014 to 2016.

Save for the restructuring process described in section 4.2 above and elsewhere in the Registration Document, there has not been any significant change in the prospects or in the financial or trading position of the Guarantor, which has occurred since the date up to which the aforesaid audited financial statements were prepared.

Set out below are summarised extracts from the financial statements of the Guarantor for the years ended 31 December 2014 to 2016.

CARMELO STIVALA GROUP LIMITED
Income Statement

for the year ended 31 December	**2014 (14 mths) €'000**	**2015 (12 mths) €'000**	**2016 (12 mths) €'000**
Revenue	200	185	185
Net operating costs	(20)	(18)	(63)
EBITDA[1]	**180**	**167**	**122**
Depreciation & amortisation	-	(42)	(605)
Operating profit/(loss)	**180**	**125**	**(483)**
Profit on disposal of investments	2	736	556
Dividends receivable	147	254	266
Net finance costs	(8)	(1)	-
Profit before tax	**321**	**1,114**	**339**
Taxation	(56)	(120)	(155)
Profit for the year	**265**	**994**	**184**
Total comprehensive income	**265**	**994**	**184**

[1]*EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.*

CARMELO STIVALA GROUP LIMITED
Statement of Financial Position
as at 31 December

	2014 €'000	2015 €'000	2016 €'000
ASSETS			
Non-current assets			
Investment property	1,929	4,180	20,983
Property, plant & equipment	-	-	3,800
Investments in subsidiaries	-	-	2
Investments in associates	1	1	1
	1,930	4,181	24,786
Current assets			
Trade and other receivables	3,674	7,563	2,365
Cash and cash equivalents	-	83	808
	3,674	7,646	3,173
Total assets	**5,604**	**11,827**	**27,959**
EQUITY			
Capital and reserves			
Share capital	1	1	1
Retained earnings	265	1,259	1,444
	266	**1,260**	**1,445**
LIABILITIES			
Non-current liabilities			
Borrowings	3,495	6,895	11,763
Current liabilities			
Bank overdraft	-	891	-
Borrowings	-	26	3,421
Trade and other payables	1,802	2,704	11,316
Other current liabilities	41	51	14
	1,843	3,672	14,751
	5,338	**10,567**	**26,514**
Total equity and liabilities	**5,604**	**11,827**	**27,959**

CARMELO STIVALA GROUP LIMITED
Cash Flow Statement
for the year ended 31 December

	2014 (14 mths) €'000	2015 (12 mths) €'000	2016 (12 mths) €'000
Net cash from operating activities	(1,568)	(2,671)	13,982
Net cash from investing activities	(1,928)	(1,537)	(20,654)
Net cash from financing activities	3,496	3,400	8,288
Net movement in cash and cash equivalents	-	**(808)**	**1,616**
Cash and cash equivalents at beginning of year	-	-	(808)
Cash and cash equivalents at end of year	-	**(808)**	**808**

Carmelo Stivala Group Limited was incorporated in November 2013 to acquire and dispose of property (mainly, commercial and residential units and hotels). Prior to November 2013, all Group properties were acquired by C. Stivala & Sons Limited. During the reviewed years, the operation of owned properties was managed by Stivala Operators Limited and Stivala Properties Ltd. In the third quarter of 2017, C. Stivala & Sons Limited was merged into Carmelo Stivala Group Limited, such that all properties of the Stivala Group are now owned by the Guarantor.

In FY2015, the Guarantor generated revenue of €0.2 million (FY2014: €0.2 million) and registered an operating profit of €0.1 million (FY2014: €0.2 million). In the same financial year, profit on disposal of investments amounted to €0.7 million (FY2014: €2,000), while dividends receivable amounted to €0.3 million (FY2014: €0.1 million). Profit for FY2015 amounted to €1.0 million (FY2014: €0.3 million).

In FY2016, revenue generated by the Guarantor amounted to €0.2 million (FY2015: €0.2 million). Due to the impact of depreciation and amortisation of €0.6 million, the Guarantor reported an operating loss of €0.5 million (FY2015: operating profit of €0.1 million). Profit on disposal of investments in FY2016 amounted to €0.6 million (FY2015: €0.7 million) and dividends receivable in the same year amounted to €0.3 million (FY2015: €0.3 million). The Guarantor reported a profit for FY2016 of €0.2 million (FY2015: €1.0 million).

As at 31 December 2016, non-current assets of the Guarantor amounted to €24.8 million, consisting primarily of the Sliema Hotel situated at The Strand, Sliema, which was acquired in May 2016. Equity as at 31 December 2016 amounted to €1.4 million, whilst bank borrowings and related party balances totalled €25.6 million.

The Group

Combined Financial Information of the Guarantor for the Years Ended 31 December 2014 to 2016

Until recently, the operating Subsidiaries, Stivala Operators Limited and Stivala Properties Ltd, were wholly owned by C. Stivala & Sons Limited, a holding property company in which the Group's ultimate beneficial owners held an equity shareholding of 96.4%. The latter company was subsequently merged with the Guarantor on 22 September 2017.

The historical financial information set out below for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 represents combined (rather than consolidated) financial statements of the Guarantor, as not all companies within the Group were subsidiaries of a unitary holding company. Combined financial statements serve a similar purpose to consolidated financial statements, to present financial data appertaining to a group of companies as if the companies concerned constitute a single enterprise.

The combined financial information hereunder has been extracted from the audited financial statements for the years ended 31 December 2014 to 2016 of Carmelo Stivala Group Limited, C. Stivala & Sons Limited, Stivala Operators Limited and Stivala Properties Ltd. The financial information relating ST Hotels Limited and ST Properties Limited has been extracted from management accounts for the period 16 December 2016 to 31 December 2016 and 23 November 2016 to 31 December 2016 respectively. The combined financial statements are available for inspection as set out in section 16 below.

No adjustments to the statement of comprehensive income, financial position and cash flow of the Group were necessary for the purposes of arriving at the combined financial information except solely to reflect the entries necessary in any process of accounting consolidation.

CARMELO STIVALA GROUP LIMITED
Combined Income Statement

for the year ended 31 December	**2014**	**2015**	**2016**
	€'000	**€'000**	**€'000**
Revenue	6,557	7,377	9,590
Cost of sales	(1,943)	(3,330)	(1,518)
Gross profit	**4,614**	**4,047**	**8,072**
Net operating costs	(1,046)	(1,113)	(1,358)
EBITDA[1]	**3,568**	**2,934**	**6,714**
Depreciation & amortisation	(1,231)	(1,105)	(1,669)
Operating profit/(loss)	**2,337**	**1,829**	**5,045**
Profit on disposal of investments	2	736	556
Dividends receivable	147	254	266
Net finance costs	(177)	(334)	(379)
Profit before tax	**2,309**	**2,485**	**5,488**
Taxation	(226)	(279)	(1,135)
Profit for the year	**2,083**	**2,206**	**4,353**
Total comprehensive income	**2,083**	**2,206**	**4,353**

[1]*EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.*

CARMELO STIVALA GROUP LIMITED
Combined Statement of Financial Position
as at 31 December

	2014 €'000	2015 €'000	2016 €'000
ASSETS			
Non-current assets			
Intangible assets	-	8	-
Investment property	12,905	14,956	31,593
Property, plant & equipment	8,558	8,337	13,990
Loans	-	3,400	3,400
Other non-current assets	388	554	1
	21,851	**27,255**	**48,984**
Current assets			
Trade and other receivables	4,020	7,370	3,379
Cash and cash equivalents	260	170	914
	4,280	7,540	4,293
Total assets	**26,131**	**34,795**	**53,277**
EQUITY			
Capital and reserves			
Share capital	1	1	1
Incentives and benefits reserve	4,927	4,927	4,925
Retained earnings	8,364	10,570	14,924
	13,292	**15,498**	**19,850**
LIABILITIES			
Non-current liabilities			
Borrowings and other financial liabilities	7,612	11,342	24,940
Current liabilities			
Bank overdraft	173	1,396	323
Borrowings	591	4,130	4,427
Trade and other payables	4,372	2,219	3,454
Other current liabilities	91	210	283
	5,227	7,955	8,487
	12,839	**19,297**	**33,427**
Total equity and liabilities	**26,131**	**34,795**	**53,277**

CARMELO STIVALA GROUP LIMITED
Combined Cash Flow Statement
for the year ended 31 December

	2014 €'000	2015 €'000	2016 €'000
Net cash from operating activities	3,689	(2,999)	9,592
Net cash from investing activities	(5,177)	(2,171)	(21,731)
Net cash from financing activities	2,884	3,857	13,956
Net movement in cash and cash equivalents	**1,396**	**(1,313)**	**1,817**
Cash and cash equivalents at beginning of year	(1,309)	87	(1,226)
Cash and cash equivalents at end of year	**87**	**(1,226)**	**591**

The revenue and profitability as reported in the combined income statement primarily reflects the performance of the operating Subsidiaries, Stivala Operators Limited and Stivala Properties Ltd, which are described in further detail in sections 4.4.3 and 4.4.4 of this Registration Document. Revenue has increased over the reviewed period from €6.6 million in FY2014 to €9.6 million in FY2016, principally due to the initiation of operations of the Sliema Hotel in FY2016. Profit for the year improved from €2.1 million in FY2014 to €2.2 million in FY2015 and €4.4 million in FY2016.

The combined statement of financial position as at 31 December 2016 comprises total assets of €53.3 million, primarily made up of immovable property and improvements amounting to €45.6 million. Such assets were recorded on a historical cost basis. As at 31 December 2016, total borrowings amounted to €29.7 million and capital & reserves amounted to €19.9 million.

Forecast Consolidated Financial Information of the Issuer for the Year Ending 31 December 2017

The Group in its current state has only been in existence since 5 September 2017, following the rationalisation exercise described in section 4.1.1 of this Registration Document. The financial information set out in this review represents pro forma forecast consolidated financial statements. This pro forma information presents what Stivala Group Finance p.l.c.'s consolidated financial statements would have looked like had the Group existed in its current form, comprising all its current constituent components, for the forecast period 1 January 2017 to 31 December 2017.

No adjustments to the results, financial position and cash flow statements of the constituent sub-groups were necessary for the purposes of arriving at the pro forma forecast consolidated financial statements except solely to reflect the entries necessary in any process of accounting consolidation.

The report on the pro forma forecast consolidated financial statements, prepared independently by the financial advisors is appended to the Registration Document as Annex II.

STIVALA GROUP FINANCE P.L.C.
Pro Forma Forecast Consolidated Income Statement
for the year ending 31 December 2017

	€'000
Revenue	9,452
ST Hotels Limited	6,978
ST Properties Limited	2,474
Cost of sales	(3,393)
Gross profit	**6,059**
Other net operating costs	(1,080)
EBITDA[1]	**4,979**
Depreciation & amortisation	(1,123)
Operating profit	**3,856**
Share of results of associated undertakings	250
Net finance costs	(801)
Profit before tax	**3,305**
Taxation	490
Profit for the year	**3,795**
Other comprehensive income	
Gains on property revaluation, net of tax	97,365
Total comprehensive income	**101,160**

[1]EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

STIVALA GROUP FINANCE P.L.C.
Pro Forma Forecast Consolidated Statement of Financial Position
as at 31 December 2017

	€'000
ASSETS	
Non-current assets	
Intangible assets	558
Investment property	174,741
Property, plant and equipment	15,048
Investments in associates	26
	190,373
Current Assets	
Trade and other receivables	3,935
Current tax assets	861
Cash and cash equivalents	4,391
	9,187
Total assets	**199,560**
EQUITY	
Capital and reserves	
Share capital	300
Retained earnings	18,482
Incentives and benefits	4,893
Revaluation reserve	97,365
	121,040
Equity attributable to equity holders of the parent	117,730
Non-controlling interest	3,310
	121,040
LIABILITIES	
Non-current liabilities	
Borrowings	60,145
Other non-current liabilities	10,818
	70,963
Current liabilities	
Trade and other payables	6,917
Other current liabilities	640
	7,557
	78,520
Total equity and liabilities	**199,560**

STIVALA GROUP FINANCE P.L.C.
Pro Forma Forecast Consolidated Cash Flow Statement
for the year ending 31 December 2017

	€'000
Net cash from operating activities	6,379
Net cash from investing activities	(36,464)
Net cash from financing activities	35,188
Net movement in cash and cash equivalents	**5,103**
Cash and cash equivalents at beginning of year	(712)
Cash and cash equivalents at end of year	**4,391**

Revenue for the financial year ending 31 December 2017 is expected to amount to €9.5 million, €7.0 million of which is forecasted to be generated by ST Hotels Limited (being the company that took over the operations of Stivala Operators Limited), and the remaining €2.5 million is projected from ST Properties Limited (being the recipient company of the business activities previously conducted by Stivala Properties Ltd).

ST Hotels Limited is projected to derive *circa* half of revenue from its two hotels – Bayview Hotel and Sliema Hotel – whilst the balance is expected to be generated from hostels, short let apartments and commercial activities. ST Properties Limited is forecasting to generate 58% of aggregate revenue from long lets of residential units and the balance from long term commercial leases.

EBITDA for FY2017 is projected to amount to €5.0 million. After taking into account depreciation & amortisation of €1.1 million, operating profit is anticipated to amount to €3.9 million.

During FY2017, the Group changed its policy on accounting for properties from book value to fair market value. As a consequence, a net property revaluation gain of €97.4 million is being recognised in other comprehensive income. The Group's pro forma total comprehensive income for the year ending 31 December 2017 is forecasted at €101.1 million.

The Group's statement of financial position as at 31 December 2017 is projected to comprise total assets of €199.6 million, primarily made up of immovable property as to €189.8 million, other assets of €4.8 million and cash balances amounting to €4.4 million.

Equity is expected to amount to €121.0 million, of which €97.4 million consists of the revaluation reserve. Total liabilities are set to amount to €78.5 million and should mainly comprise the issuance of Secured Bonds of €45 million, other loans amounting to €15.1 million, deferred tax liabilities totalling €10.8 million and trade & other payables of €6.9 million. The gearing ratio (being net debt/net debt and shareholders' equity) as at 31 December 2017 is projected at 31.5%.

6. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

6.1 Board of Directors and Management of the Issuer

The Issuer is currently managed by a Board consisting of seven Directors entrusted with its overall direction and management, including the establishment of strategies for future development. Its responsibilities include the oversight of the Issuer's internal control procedures and financial performance, and the review of the Issuer's business risks, thus ensuring such risks are adequately identified, evaluated, managed, and minimised. All the Directors have access to independent professional advice at the expense of the Issuer, should they so require.

The executive Directors, together with the Group's executive team, are responsible for acquisitions and development and are entrusted with the Group's day-to-day management. The business address of each Director is the registered office of the Issuer.

6.1.1 Executive Directors

The growth and financial success of the Group can be directly attributed to the individual and collective efforts of the executive Directors of the Issuer who have been instrumental to growing the business of the Group from its inception. Indeed, the diversification of the Group's strategy in 1998 and the subsequent commencement of operation of hotels, hostels and short-let accommodation was driven and led by the executive Directors.

The executive Directors have occupied positions at all levels and in all areas of the Group's business. Nowadays, the executive Directors are entrusted with the Company's day-to-day management of the various sectors of the real estate industry in which the Group operates and are also directors or officers of other companies within the Group.

The executive Directors are supported in this role by several consultants and benefit from the know-how gained by members and officers of the Group.

The executive Directors of the Issuer are Martin John Stivala, Ivan Stivala, Michael Stivala and Carlo Stivala. Michael Stivala acts as the Executive Chairman of the Board.

The following are the curriculum vitae of the executive Directors:

Michael Stivala

Michael Stivala has been actively involved in the Group's business for over 25 years and is a director of a number of Group companies, and is the Group's Executive Chairman. Apart from overseeing the day-to-day operations of the Group, his main responsibilities today are the management of the Group's hotels, guest holders and hostels. Mr Stivala is also the Secretary General of the Malta Developers Association and acted as the vice president of the Malta Hotels and Restaurants Association until 2015.

Carlo Stivala

Carlo Stivala is one of the executive directors on a number of Group companies, and is a manager at ST Properties Ltd. His involvement in the Group's business commenced over 20 years ago and his main responsibilities now include the management of the Group's long leases of residential accommodation and commercial outlets and offices.

Ivan Stivala

Ivan Stivala began working with the Group approximately 23 years ago and is one of the executive directors on a number of Group companies. Ivan Stivala is responsible for the management of the Group's major property finishing works relating to the Group's various projects involving office blocks, hotels and apartments.

Martin John Stivala

Martin John Stivala's experience in the Group extends over 30 years and is also an executive director of a number of Group companies. His main responsibilities are the management of the Group's construction works relating to the Group's various projects involving office blocks, hotels and apartments.

6.1.2 Non-executive Directors

The non-executive Directors' have been appointed to provide specialist support to the executive Directors and their main functions are to monitor the operations of the executive Directors and their performance, as well as to review any proposals tabled by the executive Directors, including proposals for new acquisitions.

The independent non-executive Directors are Ann Marie Agius, Francis Gouder and Joseph Brincat.

The following are the curriculum vitae of the non-executive Directors:

Ann Marie Agius

Dr Ann Marie Agius is a Notary Public by profession. Her main practice areas apart from her notarial practice are trusts, fiduciaries, estate planning, corporate and contract law. Dr Agius worked for a number of years in the Wealth Management/Trust Department of one of Malta's major banks having been entrusted with legal and compliance duties. She has also worked with the Malta Financial Services Authority (the Maltese regulator for financial services) for a number of years before returning to her private practice.

Francis Gouder

Francis Gouder has extensive banking experience, having worked for 45 years in the banking sector, both at branch and head office level, namely Barclays Bank, Mid-Med Bank and HSBC Bank Malta p.l.c. More recently he also worked at Banif Bank Malta p.l.c as an advisor to the executive committee and later head of private banking. He presently holds a number of non-executive directorships, where he also acts as a member of the respective audit committees.

Joseph Brincat

Joseph Brincat has extensive banking experience, having worked for 43 years at Bank of Valletta p.l.c. During his long career at the bank, he was responsible for Bank of Valletta p.l.c.'s administration at Head Office, most of the senior branches (including the bank's flagship branch in Valletta) and two Business Centres, which were independent units focused on providing facilities to established business customers.

6.2 Boards of the Guarantor and Subsidiary Companies

In terms of the Guarantor's memorandum and articles of association, in order to be eligible to sit on the board of directors of the Guarantor, a prospective director must also be a member of the Board of Directors of the Issuer, so as to ensure complete alignment of strategic direction and management decisions. The board of directors of the Guarantor has also adopted the same internal governance rules, disciplines and structures adopted by the Issuer.

Each operational Subsidiary has its own board of directors that is entrusted with the responsibility of the direction and management of each Subsidiary within the strategic parameters established by the Board. The board of each Subsidiary is composed of Directors of the Issuer. Within those strategic parameters the board of each Subsidiary is autonomous in the determination of the appropriate policies for the respective companies and their business and is entrusted with handling the relations with third parties dealing with those companies.

6.2.1 Curriculum Vitae of Directors of the Guarantor

The curriculum vitae of the directors of the Guarantor are mentioned in section 6.1.1 above.

6.3 Directors' Service Contracts

The respective functions of each of the Issuer's executive Directors are regulated by service contracts. A copy of each of these service contracts is available for inspection at the registered office of the Issuer in accordance with the requirements of the Listing Rules.

6.4 Aggregate Emoluments of Directors

In terms of the Memorandum and Articles of Association of the Issuer, the maximum aggregate emoluments of all Directors in any one financial year, and any increases thereto, shall be such amount as may from time to time be determined by the Issuer in general meeting, and any notice convening the general meeting during which an increase in the maximum limit of such aggregate emoluments shall be proposed, shall contain a reference to such fact. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of Directors or other committee of the Directors or general meetings of the Issuer or in connection with the business of the Issuer. The maximum aggregate annual emoluments currently approved by the shareholders in respect of the Board of Directors amount to €24,500.

6.5 Loans to Directors

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

6.6 Removal of Directors

A Director may unless he resigns, be removed by ordinary resolution of the shareholders as provided in sections 139 and 140 of the Act.

6.7 Powers of Directors

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

7. MANAGEMENT STRUCTURE

7.1 General

The Issuer is the finance arm and parent company of the Group and as such does not require an elaborate management structure. The Directors believe that the current organisational structures are adequate for the current activities of the Company and the Group. The Directors will maintain these structures under continuous review to ensure that they meet the changing demands of the business and to strengthen the checks and balances necessary for better corporate governance.

7.2 Management Team

The key members of the Group's management team, apart from the executive Directors, are the following:

Rudi Xuereb – is the Group Financial Controller of the Stivala Group. Prior to joining the Group in 2016, Mr Xuereb held the post of senior accountant at Nexia BT.

Rebecca Stivala –has been employed with the Group since 2011 and presently occupies the post of Group Accounts Manager.

7.3 Conflict of Interest

As at the date of this Prospectus, each of the four executive Directors of the Issuer are directors and officers of a number of Group Companies, and as such are susceptible to conflicts between the potentially diverging interests of the different members of the Group, particularly in connection with advances to be made by the Issuer to the Subsidiaries in undertaking new projects. The four executive Directors are also the ultimate beneficial shareholders of the Issuer.

No private interests or duties unrelated to the Issuer, Guarantor or the Group, as the case may be, have been disclosed by the general management team and management teams of the Subsidiaries which may or are likely to place any of them in conflict with any interests in, or duties towards, the Issuer or the Guarantor, as the case may be.

In addition, in view of the lender-borrower relationship which is to arise between the Issuer and the Guarantor or the Subsidiaries, there may be situations that could give rise to conflicts between the potentially diverging interests of members of the Group.

In these situations the Directors of the Issuer shall act in accordance with the majority decision of those Directors who would not have a conflict in the situation and in line with the advice of outside legal counsel.

To the extent known or potentially known to the Issuer as at the date of this Prospectus, there are no other potential conflicts of interest between any duties of the Directors and of executive officers of the Issuer, and/or the directors of the Guarantor or Subsidiaries, as the case may be, and their respective private interests and/or their other duties, which require disclosure in terms of the Regulation.

7.4 Employees

The Issuer does not have any employees of its own. As at 31 August 2017, the Group employed 95 full-time members of staff, and 10 part-time members of staff.

8. BOARD PRACTICES OF THE ISSUER AND THE GUARANTOR

8.1 Audit Committee

The Audit Committee's primary objective is to assist the Board of the Issuer and the Guarantor in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The Audit Committee oversees the conduct of the internal and external audit and acts to facilitate communication between the Board, management, the external auditors and the internal audit team. The internal and external auditors are invited to attend the Audit Committee meetings. The Audit Committee reports directly to the Board of Directors.

The terms of reference of the Audit Committee include support to the Board of Directors of the Issuer in its responsibilities in dealing with issues of: risk, control and governance, and associated assurance. The Board has set formal terms of establishment and the terms of reference of the Audit Committee which set out its composition, role and function, the parameters of its remit as well as the basis for the processes that it is required to comply with.

Briefly, the Committee is expected to deal with and advise the Board on:

(a) its monitoring responsibility over the financial reporting processes, financial policies and internal control structures;

(b) maintaining communications on such matters between the Board, management and the external auditors; and

(c) preserving the Company's assets by assessing the Company's risk environment and determining how to deal with those risks.

In addition, the Audit Committee also has the role and function of evaluating any proposed transaction to be entered into by the Company and a related party, to ensure that the execution of any such transaction is at arm's length, on a commercial basis and ultimately in the best interests of the Company.

The Committee is made up entirely of non-executive Directors, all of whom are independent, and who are appointed for a period of three years. Francis Gouder, an independent Director of the Issuer, acts as Chairman, whilst Ann Marie Agius and Joseph Brincat act as members of the Audit Committee. The Issuer's company secretary, Rudi Xuereb, acts as secretary to the Audit Committee. In compliance with the Listing Rules, Francis Gouder is considered to be the member competent in accounting and/or auditing matters.

9. COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

Prior to the present Bond Issue, the Issuer was not regulated by the Listing Rules and accordingly was not required to comply with the Code of Principles of Good Corporate Governance forming part of the Listing Rules (the "Code"). As a consequence of the present Bond Issue in accordance with the terms of the Listing Rules, the Issuer is required to comply with the provisions of the Code. The Issuer declares its full support of the Code and undertakes to fully comply with the Code to the extent that this is considered complementary to the size, nature and operations of the Issuer.

The Issuer supports the Code and is confident that the application thereof shall result in positive effects accruing to the Issuer.

Going forward, in view of the reporting structure adopted by the Code, the Issuer shall, on an annual basis in its annual report, explain the level of the Issuer's compliance with the principles of the Code, in line with the comply or explain philosophy of the Code, explaining the reasons for non-compliance, if any.

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

(i) Principle 7 "Evaluation of the Board's Performance"

Under the present circumstances, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of, the Board itself, the Company's shareholders, the market and the rules by which the Issuer is regulated as a listed company.

(ii) Principle 8 "Committees"

- the Issuer does not have a Remuneration Committee as recommended in Principle 8; and
- the Issuer does not have a Nomination Committee as recommended in Principle 8.

Appointments to the Board of Directors are determined by the shareholders of the Company in accordance with the Memorandum and Articles of Association of the Issuer. The Issuer considers that the current members of the Board provide the required level of skill, knowledge and experience expected in terms of the Code. The Issuer is subject to, and supports, the Code forming part of the Listing Rules. The Issuer is confident that the adoption of the Code has resulted in positive effects accruing to the Issuer.

10. HISTORICAL INFORMATION

The historical financial information relating to the Guarantor for the three financial years ended 31 December 2014 to 2016 as audited by Nexia BT are set out in the financial statements of the Guarantor, which are available for inspection as set out in section 16 below.

Section 5.2 above includes combined historical financial information of the Guarantor for the years ended 31 December 2014, 31 December 2015 and 31 December 2016. The said financial information has been extracted from the audited financial statements for the years ended 31 December 2014 to 2016 of Carmelo Stivala Group Limited, C. Stivala & Sons Limited, Stivala Operators Limited and Stivala Properties Ltd. The financial information relating ST Hotels Limited and ST Properties Limited has been extracted from management accounts for the period 16 December 2016 to 31 December 2016 and 23 November 2016 to 31 December 2016 respectively. The combined financial statements are available for inspection as set out in section 16 below.

As indicated in section 5.2 of this Registration Document, there is no historical financial information pertaining to the Issuer.

Save for the restructuring process described in section 4.2 above and elsewhere in the Registration Document, there have been no significant changes to the financial or trading position of the Guarantor since the end of the financial period to which the last audited financial statements relate.

11. LITIGATION

As at the date of this Prospectus, there is a limited number of legal proceedings involving the Guarantor and other members of the Group, in their capacity as either plaintiffs or defendants, in connection with claims arising in the ordinary course of business of the Group. Save as disclosed below, these legal proceedings are not expected to have significant effects on the financial position or profitability of the Issuer, the Guarantor or the Group.

The Guarantor, Stivala Operators Limited and Mr Michael Stivala are party to civil proceedings before the First Hall of the Civil Court and the Court of Magistrates (Malta) brought by a French national claiming damages for personal injuries sustained at a construction site owned by the Group. The proceedings are ongoing and a Court-appointed expert has yet to determine and quantify the damages suffered by the plaintiff as a result of the incident in question. Plaintiff has submitted that total damages due amount to around €130,000. The Issuer is not as at the date hereof in a position to express a view as to the potential outcome of the proceedings or, should the claim be upheld, the final quantum of damages which the defendants may be liable to pay the injured party. In relation to the same incident, proceedings have also been brought by the local Police against the same defendants before the Court of Magistrates (Malta) as a court of criminal inquiry. Such proceedings are also on-going.

12. ADDITIONAL INFORMATION

12.1 Share Capital of the Issuer

The authorised share capital of the Issuer is €500,000 divided into 500,000 Ordinary Shares of a nominal value of €1.00 each. The issued share capital of the Issuer is €300,000 divided in 300,000 Ordinary Shares of a nominal value of €1.00 each, each share being 100 per cent paid up and subscribed for, allotted and taken up by Carmelo Stivala Trustee Limited which in turn is held by Bastille Malta Trustees Limited for the benefit of the Stivala brothers and their respective direct descendants and families.

The authorised share capital of the Issuer may be increased by an ordinary resolution of the shareholders in general meeting. Shares can be issued when and under those conditions decided by extraordinary resolution of the shareholders in general meeting.

Each ordinary share confers the right to one vote at general meetings of the Issuer. All ordinary shares rank *pari passu* in all respects.

The shares of the Issuer are not listed on the Malta Stock Exchange and no application for such listing has been made to date.

It is not expected that the Issuer will issue, during the next financial year, any shares, whether fully or partly paid up, in consideration for cash or otherwise.

There is no capital of the Issuer which is currently under option, nor is there any agreement by virtue of which any part of the capital of the Issuer is to be put under option. There are no arrangements, known to the Issuer, which may at a subsequent date result in a change in control of the Issuer.

The Issuer adopts measures in line with the Code to ensure that the relationship of the Issuer the rest of the Group and/or with the shareholder, are retained at arm's length, including, in respect of both the Issuer and the Group, adherence to rules on related party transactions set out in Chapter 5 of the Listing Rules requiring the vetting and approval of any related party transaction by the Audit Committee, in which the majority is constituted by independent non-executive Directors of the Issuer.

12.2 Memorandum and Articles of Association of the Issuer

12.2.1 Objects

The principal objects of the Issuer are set out in clause 3 of the Issuer's Memorandum of Association. These include, but are not limited to, the carrying on the business of a finance and investment company in connection with the ownership, development, operation and financing of the business activities of the Group whether in Malta or overseas, and for such purpose: (i) to lend or advance money or otherwise give credit to any company now or hereinafter forming part of the Group, with or without security and otherwise on such terms as the directors may deem expedient; and (ii) to invest and deal with the moneys of the companies and any company now or hereinafter forming part of the Group in or upon such investments and in such manner as the directors may, from time to time, deem expedient.

12.2.2 Appointment of Directors

At present, in terms of clause 8 of the Issuer's Memorandum and Articles, the management and administration of the Issuer shall be managed by a Board of Directors which shall be composed of not less than two and not more than 10 directors.

In terms of Article 55.1 of the Issuer's Articles of Association, a shareholder holding not less than 25% of the Issuer's issued share capital having voting rights, or a number of shareholders who between them hold not less than 25% of the Issuer's share capital having voting rights (the "Qualifying Shareholding"), shall be entitled to appoint one Director for every such Qualifying Shareholder, by letter to the Issuer. Any shareholder who does not qualify to appoint Directors in terms of the above, and who has not aggregated his holdings with those of other shareholders for the purposes of appointing a Director(s), shall be entitled to participate and vote in an election of Directors to take place once in every year at the Issuer's annual general meeting.

12.2.3 Powers of Directors

The Directors are vested with the management of the Issuer, and their powers of management and administration emanate directly from the Memorandum and Articles of Association and the law. The Directors are empowered to act on behalf of the Issuer and in this respect have the authority to enter into contracts, sue and be sued in representation of the Issuer. In terms of the Memorandum and Articles of Association they may do all such things that are not by the Memorandum and Articles of Association reserved for the shareholders in general meeting.

Directors may not vote on any proposal, issue, arrangement or contract in which they have a personal material interest.

The maximum limit of aggregate emoluments of the Directors is, in terms of the Memorandum and Articles of Association, to be established by the shareholders in general meeting. Within that limit the Directors shall have the power to vote on remuneration to themselves or any number of their body. Any increases in the maximum limit of Directors' aggregate emoluments have to be approved by the Company in the general meeting.

In terms of the Memorandum and Articles of Association, the Board of Directors may exercise all the powers of the Issuer to borrow money and give security therefor, subject to the limit established in the Memorandum and Articles of Association. That limit is currently three times the Issuer's capital and reserves. The shareholders in general meeting have the overriding authority to change, amend, restrict and/or otherwise modify such limit and the Directors' borrowing powers.

There are no provisions in the Issuer's Memorandum and Articles of Association regulating the retirement or non-retirement of Directors over an age limit.

12.3 Share Capital of the Guarantor

The authorised and issued share capital of the Guarantor is €4,895 divided into 4,895 Ordinary Shares of a nominal value of €1.00 each. 98 per cent of the paid up Ordinary shares have been subscribed for, allotted and fully taken up by the Issuer. The remaining two per cent of the Guarantor's share capital is held by the founder of the Group, Mr Carmelo Stivala.

Following the Bond Issue, the Guarantor shall be increasing its authorised share capital and shall be issuing and allotting to the Issuer the amount of 45,000,000 cumulative redeemable preference shares having a nominal value of € 1.00 each share, having a term of not more than nine and a half years, and which carry a fixed dividend payout of 4.5%.

The authorised share capital of the Guarantor may be increased by an ordinary resolution of the shareholders in general meeting. Shares can be issued when and under those conditions decided by extraordinary resolution of the shareholders in general meeting.

Each ordinary share confers the right to one vote at general meetings of the Guarantor. All ordinary shares rank *pari passu* in all respects.

There is no capital of the Guarantor which is currently under option, nor is there any agreement by virtue of which any part of the capital of the Guarantor is to be put under option. There are no arrangements, known to the Guarantor, which may at a subsequent date result in a change in control of the Guarantor

12.4 Memorandum and Articles of Association of the Guarantor

12.4.1 Objects

The Guarantor has been incorporated and registered as a private exempt limited liability exempt company in terms of the Act. The memorandum and articles of association of the Guarantor are registered with the Registrar of Companies. The principal objects of the Guarantor are set out in clause 3 of the memorandum of association of the Guarantor, and these include to acquire and dispose of, by any title valid at law, movable or immovable property, and any rights thereon, whether for commercial or other purposes and to hold the property so acquired, and the consideration for any acquisition or disposal can be by credit or in cash or in kind, including the allotment of shares or debentures of the company, creditor as paid up in full or in part as need be; to invest, lease, hire, grant by way of emphyteutical concession or in any other manner employ, improve, manage or develop any of its assets as may from time to time be determined, and to subscribe for, purchase or otherwise acquire, take hold, dispose of or otherwise deal in all kinds of securities including shares, stocks, debentures, debenture stock, bonds, notes, options, and interests in all kinds of companies, corporations, entities, partnerships or other body of persons as the board of directors may determine, and to manage and administer any of the aforementioned property or any other property permitted by law.

A copy of the memorandum and articles of association of the Guarantor may be inspected during the lifetime of this Registration Document at the registered office of the Issuer and the Registry of Companies.

12.4.2 Appointment of Directors

At present, in terms of the memorandum and articles of association of the Guarantor, the board of directors of the Guarantor shall consist of not less than one and not more than five directors. Directors shall be appointed by means of an ordinary resolution of the shareholders of the Guarantor in general meeting.

In terms of the memorandum and articles of association of the Guarantor, in order to qualify as a director of the Guarantor, the prospective director must also be a member of the Board of Directors of the Issuer.

12.4.3 Powers of Directors

The directors are vested with the management of the Guarantor, and their powers of management and administration emanate directly from the memorandum and articles of association and the law. The directors are empowered to act on behalf of the Guarantor and in this respect have the authority to enter into contracts, sue and be sued in representation of the Guarantor. In terms of the memorandum and articles of association they may do all such things that are not by the memorandum and articles of association or the law reserved for the shareholders in general meeting.

In terms of the Guarantor's memorandum and articles of association, the board of directors may exercise all the powers of the Guarantor to borrow money, and to hypothecate or charge its undertaking property and uncalled capital, or any part thereof, and to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability or obligations of the company or any third party.

There are no provisions in the Guarantor's memorandum and articles of association regulating the retirement or non-retirement of directors over an age limit.

13. MATERIAL CONTRACTS

Each of the Issuer and the Guarantor has not entered into any material contracts which are not in the ordinary course of their respective business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's or the Guarantor's ability to meet its obligations to security holders in respect of the securities being issued pursuant to, and described in, the Securities Note.

14. PROPERTY VALUATION REPORT

The Issuer commissioned Arch. Michael Falzon to issue a property valuation report in relation to the properties owned by the Guarantor. The business address of Arch. Michael Falzon is at Falzon & Cutajar Architects and Civil Engineers, 45, Triq il-Wied, Birkirkara BKR 9015, Malta.

Listing Rule 7.4.3 provides that property valuations to be included in a prospectus must not be dated (or be effective from) more than 60 days prior to the date of publication of the prospectus. The valuation report is dated 28 August 2017.

A condensed version of the report compiled by Arch. Michael Falzon of Falzon & Cutajar Architects and Civil Engineers, is annexed to this Registration Document as Annex I. The full report is available for inspection as set out in section 16.

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

Save for the valuation report prepared in relation to the Group properties and contained in Annex I to the Registration Document, the accountants' report on the pro forma forecast consolidated financial statements included in Annex II of the Registration Document, and the financial analysis report set out as Annex IV to the Securities Note, the Prospectus does not contain any statement or report attributed to any person as an expert. The valuation report, accountants' report and financial analysis summary have been included in the form and context in which they appear with the authorisation of Arch. Michael Falzon of Falzon & Cutajar Architects and Civil Engineers, 45, Triq il-Wied, Birkirkara BKR 9015, Malta, Nexia BT Advisory Services Limited of The Penthouse, Suite 2, Capital Business Centre, entrance C, Triq taz-Zwejt, San Gwann SGN 3000, Malta and Charts Investment Management Service Limited of Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913, Malta respectively, that have given and have not withdrawn their consent to the inclusion of their respective reports herein. Arch. Michael Falzon, Nexia BT Advisory Services Limited and Charts Investment Management Service Limited do not have any interest in the Issuer. The Issuer confirms that the valuation report, accountants' report and the financial analysis report have been accurately reproduced in the Prospectus and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

The sourced information contained in section 5.1 has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading.

16. DOCUMENTS AVAILABLE FOR INSPECTION

For the duration period of this Registration Document the following documents (or copies thereof) shall be available for inspection at the registered address of the Issuer:

(a) Memorandum and Articles of Association of the Issuer and the Guarantor;
(b) Audited financial statements of the Guarantor for the financial years ended 31 December 2014 to 2016;
(c) Audited financial statements of each of the Group Subsidiaries for the financial years ended 31 December 2014 to 2016, where applicable;
(d) Combined financial statements of the Guarantor for the financial years ended 31 December 2014 to 2016;
(e) Pro forma forecast consolidated financial statements of the Issuer for the financial year ending 31 December 2017, together with the Accountants' Report thereon;
(f) Independent Expert's property valuation report dated 28 August 2017 and prepared at the Issuer's request in respect of the Group's properties;
(g) Financial analysis summary dated 25 September 2017 and prepared by Charts Investment Management Service Limited;
(h) The Guarantee;
(i) The Security Trust Deed;
(j) Directors' service contracts; and
(k) The letter of confirmation drawn up by Nexia BT and dated 25 September 2017.

Documents (a), (b), and (g) are also available for inspection in electronic form on the Issuer's website www.stivalagroup.com.

ANNEX I – CONDENSED ARCHITECT'S VALUATION REPORT

FALZON & CUTAJAR
ARCHITECTS & CIVIL ENGINEERS

Michael F. Falzon B. Arch, A.&C.E.,
Ian Cutajar B.E.&A.(Hons), A.&C.E.,

45, Valley Road, B'Kara BKR 9015, Malta
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MFF/829B-361

28 August 2017

The Board of Directors
Stivala Group Finance p.l.c.
143, The Strand
Gzira GZR 1026

Condensed valuation report
– immovable properties owned by Carmelo Stivala Group Limited

1.0 INTRODUCTION

In accordance with your instructions, the undersigned in the capacity of warranted architect and civil engineer has carried out a valuation of the immovable properties indicated herein, all located in Malta. The detailed valuation report which includes the undersigned's opinion of the values of the properties, is submitted herewith. The effective date of the valuation is 28 August 2017.

2.0 PURPOSE OF VALUATION

2.1 It is understood that the purpose of the valuation is for inclusion with the Prospectus, to be published in connection with a proposed Public Bond issue by Stivala Group Finance p.l.c., in accordance with the Listing Rules published by the Malta Financial Services Authority. The valuation has been prepared in accordance with Chapter 7 of the said Listing Rules, and with the disclosure requirements related to property companies seeking listing on the Malta Stock Exchange.

2.2 I understand that our express consent will be needed in writing for this report, or parts thereof, to be included in the Prospectus of the Stivala Group Finance p.l.c. public offer. Prior to our consent I will require sight of the final draft of the Prospectus.

2.3 The valuation has been carried out by the undersigned, as an external and independent valuer in terms of, and with regard given to, the RICS Valuation and Professional Standards Manual. As a non-RICS regulated member of a firm over which RICS cannot exert control, the undersigned declares that in preparing this valuation the undersigned has made his best effort to comply with the RICS valuation standards.

2.4 The undersigned declares that he has visited all the sites and the properties to better understand the characteristics and qualities of the various properties in Malta, and to identify any obvious defects that could influence the values of the properties, and to confirm their current uses. It is noted that these inspections were not intended to be building surveys and do not constitute such. All properties in Malta were inspected by the undersigned between 6 May 2017 and 26 June 2017.

2.5 This valuation has been prepared solely for the above mentioned purpose and is not suitable for any other use. In accordance with standard practice, neither the whole, nor any part of this valuation, nor any reference thereto, may be included in any document

Michael Falzon - Mob: 7947 6296 • Ian Cutajar - Mob: 7920 7159
Office also at: 8, Market Street, Qrendi QRD 1170, Malta

published without the prior written approval of the undersigned for the context in which it may appear.

2.6 The undersigned has performed his work in accordance with applicable professional standards and accepted practice for this type of engagement. His duties in relation to this work are owed solely to Stivala Group Finance p.l.c. and accordingly he does not accept any responsibility for loss occasioned to any third party acting or refraining from action as a result of the present report.

3.0 DECLARATION OF INDEPENDENCE

The undersigned confirms his status as an external independent valuer, without any financial interest in Stivala Group Finance p.l.c. and/or the Stivala Group.

4.0 BASIS OF VALUATION

4.1 The valuation is based on the Open Market Value which provides the same result as Market Value as defined in the RICS Valuation Standards, namely *"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 acted knowledgeably, prudently and without compulsion"*.

4.2 This basis of value describes an exchange between parties that are unconnected and operating fully in the market place and ignores any price distortion by special value or synergistic value. The valuation of the properties is based on open market value for existing use in terms of section 7.4.4 of the Listing Rules issued by the Listing Authority (which is equivalent to the present capital value in existing state).

4.3 The properties included in section 10.0 below principally comprise hotels, hostels and short term rental units. Each of the said properties is utilised and operated for a specific purpose, resulting in its value being intrinsically linked to the returns that an owner of the property can generate through its use. For this reason the Market Value has been arrived at having regard to each property's trading potential. We have thus considered the free cash flows arising from the projected income streams that the owner could be expected to derive from the operation of the property. These projected free cash flows were discounted to present value using the Group's weighted average cost of capital. Charlie's Guest House; properties comprising 28/30/32/34/36, Reid Street, Gzira & 121 – 125, Cameron Street, Gzira; and Tal-Balal Works Yard are all included in section 10.0 and have been valued using the comparability methodology described hereunder.

The income approach was primarily used for the purpose of valuing the properties included in section 11.0 below and 120, The Strand, Gzira described in section 8.0 below, which are generally let on long lease agreements. We have therefore considered the gross rental income of each property and divided it by the average market capitalisation rate. 14 – 19, Ponsonby Street, Gzira and Qui Si Sana Boutique

Apartments, Qui Si Sana Seafront, Sliema are both included in section 11.0 and have been valued using the comparability methodology described hereunder.

The valuation of properties described in section 8.0 (with the exception of 120, The Strand, Gzira) and section 9.0, as well as Charlie's Guest House, properties comprising 28/30/32/34/36, Reid Street, Gzira & 121 – 125, Cameron Street, Gzira and Tal-Balal Works Yard (included in section 10.0), and 14 – 19, Ponsonby Street, Gzira and Qui Si Sana Boutique Apartments, Qui Si Sana Seafront, Sliema (included in section 11.0), are based on comparisons of recent sales transactions involving comparable properties in Malta, together with the experience of the undersigned in such valuations, and analysis of data available on the property market.

5.0 SUBJECT OF VALUATION

The properties included in this Report are divided into four sections, namely:

- Properties in course of development;
- Properities held for future development;
- Properties used for business purposes; and
- Properties rented to third parties.

6.0 ASSUMPTIONS

An assumption can be defined as a supposition taken to be true. Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuation, certain assumptions were made and reliance was made on certain sources of information. The undersigned believes that the assumptions made are reasonable taking into account the personal knowledge of the properties and the contents of reports and other information made available. However, in the event that any of the information or assumptions on which the valuations are based are subsequently found to be incorrect, then our valuation conclusion may also be incorrect or invalid.
With reference to our valuation of each property under the headings 'properties used for business purposes' and 'properties rented to third parties', we have made the following assumptions in the preparation of our Report:

- The building is in a good state of repair;

- All building services and any associated controls or software are in working order and free from defect;

- The property is not contaminated and no contaminative or potentially contaminative uses has ever been carried out on it;

- There are no abnormal ground conditions, nor archaeological remains present which might adversely affect the present or future occupation, development or value of the property;

- All buildings have been erected either prior to planning control or in accordance with planning permissions and have the benefit of permanent planning consents or existing use rights for their current use;

- This valuation is based solely on visual observations made during our inspections and does not consider hidden defects in the structure, finishes and equipments and services in the premises;

- The property complies with all applicable laws and regulations, including those relating to health and safety;

- Only relatively minor costs will be incurred if any modification or alteration is necessary in order for the property to comply with the provisions of relevant disability and access laws;

- In so far as the property is rented to third parties, there are no tenants' improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;

- In so far as the property is rented to third parties, the current trade-related use of the property will continue throughout the period of the lease;

- The property is, in all respects, insured against all usual risks at normal, commercially acceptable premiums;

- The property constitutes a fully equipped operational entity which has in place, and will continue to have over the period of the lease (if applicable), all the necessary licenses and other enablers required to continue trading.

With reference to our valuation of each property under the headings 'properties in course of development' and 'properties held for future development', we have made the following assumptions in the preparation of our Report:

- The property is not contaminated and no contaminative or potentially contaminative uses has ever been carried out on it;

- There are no abnormal ground conditions, nor archaeological remains present which might adversely affect the present or future occupation, development or value of the property;

- This valuation is based solely on visual observations made during our inspections and does not consider hidden defects in the ground.

The valuation is based on the assumption that the property will only be encumbered by privileges and hypothecs necessary for its financing and operation. Any other mortgages, and/or other bank loans & facilities are not considered in this valuation. The details of effective mortgages and privileges are referred to in Annex I of this report.

The valuation does not reflect any liability to tax, stamp duty and any other transaction costs arising on the disposal or acquisition of the property.

All measurements, areas and ages quoted in our report are approximate.

No special assumptions have been relied upon in the preparation of the Report.

7.0 SOURCES OF INFORMATION

We have relied on the following information provided to us by Carmelo Stivala Group Limited or their advisors or which was otherwise in the public domain:

- The purchase agreement entered into with respect to each of the properties;
- Drawings of technical plans for each property;
- Audited financial information dated 31 December 2016, including financial projections;
- The existing lease agreements in-place with respect to each of the properties, except for vacant properties;
- Planning Authority permits and permit drawings with respect to the developed properties;
- A written declaration by Carmelo Stivala Group Limited that none of the Directors nor promoters have had an interest in any acquisitions or disposals of any of the properties during the two (2) years preceding this valuation, as described in Article 7.4.8 of the Listing Rules;
- A written declaration by Carmelo Stivala Group Limited confirming that they have provided us with copies of all relevant agreements for the properties;
- Other relevant details in relation to the properties.

8.0 PROPERTIES IN COURSE OF DEVELOPMENT

<u>Site at 47/48/49/50/51/52/53/54 Belvedere Street, Gzira (proposed "Azur Hotel")</u>

This property currently has a permit for a 101 room hotel that is under construction (PA 1467/15). An application for an additional two floors comprising another 80 rooms has been submitted to the Planning Authority (TRK 190134). Development commenced in April 2017 and is expected to be completed by May 2018 at an estimated cost of €4,500,000.

The property in caption is freehold and has been valued at a total amount of **€3,400,000**. The capital value of the property (at current prices) after development has been completed is estimated at €8,000,000.

120, The Strand, Gzira

The property currently comprises a commercial block having *circa* 3,305m^2 of office space. In terms of Planning Authority permit PA 2591/16, alterations to the facade are currently underway, including the re-construction of the seventh floor and the development of the eighth and ninth floors into office space. Construction works commenced in May 2017 and should be concluded by October 2017 at an estimated cost of €2,500,000.

The property in caption is freehold and has been valued at a total amount of **€12,286,000**. The capital value of the property (at current prices) after development has been completed is estimated at €14,800,000.

9.0 PROPERTIES HELD FOR FUTURE DEVELOPMENT

Site at 26/28/30/32 and 50/52/56/58/60/62 Coleridge Street, Gzira and 116/117/118/119 Ponsonby Street, Gzira ("Proposed Montana Hostel")

This property currently has a permit for a 225 room hostel on part of the site (PA 0398/14). An application for its extension to include the whole site has been submitted to the Planning Authority (PA 5370/17).

The development is expected to commence in 2020 and should be completed within a 12 to 15 month period, at an estimated cost of €3,500,000.

The property in caption is freehold and has been valued at a total amount of **€5,200,000**. The capital value of the property (at current prices) after development has been completed is estimated at €8,700,000.

Site for proposed 'ST Tower', Testaferrata Street, Ta' Xbiex

This property consists of a dilapidated block of flats on a site of 865m^2 and is to be redeveloped as a commercial property with *circa* 7,300m^2 of office space. As at the date of this Report, no Planning Authority application has been submitted.

The Stivala Group expects to initiate development in 2019 and completion is set for 18 to 24 months thereafter. The estimated cost of development is *circa* €6,500,000.

The property in caption is freehold and has been valued at a total amount of **€8,000,000**. The capital value of the property (at current prices) after development has been completed is estimated at €14,500,000.

10.0 PROPERTIES USED FOR BUSINESS PURPOSES

Address	Current Use	Approx. Age of Property (years)	Tenure	Valuation (€)
Blubay Fleet Hostel, Fleet Street, Gzira	46 room hostel	10	Freehold	2,409,000
Moroni Residence, Moroni Street, Gzira	43 apartments (in addition, 6 garages, 4 parking spaces and 1 store are rented to third parties)	14	Freehold	2,987,000
Blubay Hotel, Ponsonby Street, Gzira	53 studio apartments (in addition, 1 restaurant and 1 shop are rented to third parties)	3	Freehold	4,480,000
Bring Apartments, Reid Street, Gzira	14 residential units (in addition, 11 garages and 1 shop are rented to third parties)	4	Freehold	3,197,000
Bayview Hotel, The Strand, Gzira	136 room 3-star hotel	12	Freehold	19,128,000
Charlie's Guest House, Valley Road, Msida	a guest house, 1 apartment and 3 garages	30	Freehold	1,500,000
Sliema Hotel, The Strand, Sliema	70 room 3-star hotel	40	Freehold	11,500,000
28/30/32/34/36, Reid Street, Gzira and 121 – 125, Cameron Street, Gzira	11 residential units (in addition, various small residential houses are rented to third parties)	18	Freehold	3,767,000
8, Reid Street, Gzira	3 residential units	6	Freehold	540,000
20, Coleridge Street, Gzira	2 residential units	15	Freehold	511,000
134/135, The Strand, Gzira	8 residential units (in addition, 4 shops are rented to third parties)	9	Freehold	2,720,000

153/154, The Strand, Gzira	11 residential units (in addition, 3 shops and 2 offices are rented to third parties)	9	Freehold	3,390,000
Tal-Balal Works Yard, Tal-Balal	plot of land situated outside development zone	2	Freehold	250,000
TOTAL				**56,379,000**

11.0 PROPERTIES RENTED TO THIRD PARTIES

Address	Current Use	Approx. Age of Property (years)	Tenure	Valuation (€)
Moroni Residence, Moroni Street, Gzira *	6 garages, 4 parking spaces and 1 store	14	Freehold	-
51/55 Moroni Street, Gzira	10 residential units	10	Freehold	1,106,000
Blubay Hotel, Ponsonby Street, Gzira *	1 restaurant and 1 shop	10	Freehold	-
Bring Apartments, Reid Street, Gzira *	11 garages and 1 shop	4	Freehold	-
123, Ponsonby Street, Gzira	1 ground floor maisonette and garage	40	Freehold	158,000
28/30/32/34/36, Reid Street, Gzira and 121 – 125, Cameron Street, Gzira *	various small residential houses	40	Freehold	-
134/135, The Strand, Gzira *	4 shops	9	Freehold	-
153/154, The Strand, Gzira *	2 shops and 2 offices	9	Freehold	-
Valley Towers, Valley Road, Birkirkara	3 shops, 14 offices and 2 large garages	13	Freehold	1,948,000
91, Cameron Street, Gzira	1 maisonette	40	Freehold	19,000
110/112/114 Carlo Manche Street, Gzira	12 residential units and 1 large garage	2	Freehold	2,299,000
120 Carlo Manche Street, Gzira	1 maisonette	30	Freehold	105,000
14, Coleridge Street, Gzira	1 maisonette	30	Freehold	126,000
Petit Paradis, G. Bencini Street, Gzira	3 residential units and 1 garage	10	Freehold	1,650,000
14 – 19, Ponsonby Street, Gzira	7 residential units and 3 shops	5	Freehold	1,000,000

41 Ponsonby Street, Gzira	1 shop	7	Freehold	149,000
112, Ponsonby Street, Gzira	1 shop and basement	5	Freehold	174,000
306, Rue D'Argens, Gzira	1 shop	30	Freehold	134,000
Taj Mahal, 122, The Strand, Gzira	1 catering outlet with airspace	30	Freehold	597,000
136A, The Strand, Gzira	1 shop with kitchen and outdoor seating	10	Freehold	263,000
Waterline Residence, 176/177, The Strand, Gzira	2 shops and 6 residential units	12	Freehold	1,457,000
26/28/30/32, Coleridge Street, Gzira ^	2 residential units and 1 garage	30	Freehold	-
14, Reid Street, Gzira	1 shop	10	Freehold	193,000
44, Coleridge Street, Gzira	1 maisonette	40	Freehold	132,000
7, Reid Street, Gzira	1 shop	20	Freehold	193,000
101, Moroni Street, Gzira	8 residential units and 1 large garage	8	Freehold	1,604,000
165/166, The Strand, Gzira	1 shop and 6 residential units	7	Freehold	2,299,000
108/109, Ponsonby Street, Gzira	3 domestic stores, 3 residential units and 1 shop with basement	3	Freehold	562,000
2, Sir Patrick Stuart Street, Gzira	1 shop with basement	5	Freehold	140,000
Bishop Caruana Mansions, 15, Bishop Caruana Street, Msida	5 garages, 11 residential units and 2 shops with basement	10	Freehold	1,158,000
Alavits Showroom, Bishop Caruana Street, Msida	showroom	10	Freehold	221,000
199, Conception Street, Msida	1 garage with trading licence	20	Freehold	61,000
43, New Street, Msida	a maisonette and a shop	2	Freehold	319,000
St Louis Mansions, St Louis Street, Msida	7 residential units and 1 garage	5	Freehold	1,966,000
Orchidea Apartments, Tal-Hriereb Street, Msida	10 residential units and 6 parking spaces	12	Freehold	2,545,000
Tal-Qroqq Mansions, Tal-Qroqq Street, Msida	4 residential units and 1 public service garage	14	Freehold	579,000
Tower Mansions, Tower Gate Street, Msida	12 residential units and 1 large garage	11	Freehold	1,983,000

	with 16 car spaces			
Vista Point Residence Hostel, University Street, Msida	31 residential units, 1 shop, 1 garage, and an office	3	Freehold	4,967,000
Centre Point, Valley Road, Msida	1 shop and 4 offices	9	Freehold	579,000
122/122A, Home Space, Misrah il-Barrieri Street, Sta Venera	1 showroom, 1 large garage and 3 offices	13	Freehold	1,439,000
4/5, Pace Street, Sliema	13 residential units, 2 basement stores and 1 garage	1	Freehold	1,299,000
Margaret Island, 71, The Strand, Sliema	1 shop including kitchen and storage area	10	Freehold	1,106,000
Qui Si Sana Boutique Apartments, Qui Si Sana Seafront, Sliema	18 car spaces, 9 residential units and one half undivided share of office space	3	Freehold	10,800,000
14, Ta' Xbiex Sea Front, Msida	2 residential units and 1 shop	1	Freehold	316,000
Tigne Mansions, 44, Qui Si Sana Sea Front, Sliema	15 residential units and 4 garages	3	Freehold	1,580,000
41/42/43, The Strand, Sliema	3 residential units and 3 shops	3	Freehold	6,266,000
Waterline Front Place, 67, The Strand, Sliema	1 shop	15	Freehold	878,000
125, Fleet Street, Gzira	1 maisonette	40	Freehold	88,000
5, Ponsonby Street, Gzira	1 shop	30	Freehold	263,000
81/83/85/87, Carlo Manche Street, Gzira	9 residential units, 1 domestic store	3	Freehold	351,000
120, The Strand, Gzira *	10 levels of office space	15	Freehold	-
5, Coleridge Street, Gzira	1 terraced house	30	Freehold	53,000
169, The Strand, Gzira	1 maisonette	30	Freehold	123,000
162, The Strand, Gzira	1 shop	20	Freehold	509,000
TOTAL				**55,757,000**

* The property is partly used for business purposes and partly rented to third parties. As such, the full value of the said property is included in section 10.0 under the heading "Properties used for business purposes".

^ The property forms part of the proposed Montana Hostel described in further detail in section 9.0 under the heading "Properties held for future development". As such, the full value of this property is included in the afore-stated section 9.0.

The property valuation is included in section 8.0 "Properties in course of development".

The commercial and residential units are leased to third parties for durations of between 6 months and 8 years. The aggregate rent receivable for the financial year ending 31 December 2017 is projected at €2,474,000.

12.0 VALUATION SUMMARY

On the basis of information set out in this document, the estimated market value of all the above-mentioned properties in their existing state at the date of valuation is being valued at a total of **€141,022,000**.

13.0 GENERAL

13.1 In carrying out the work, the undersigned has relied on information from third parties not employed by him and this information has been assumed to be true and correct. His work was also based on information relating to the operations of Carmelo Stivala Group Limited and other related entities and other information provided to him by management of the Stivala Group. The undersigned has not sought to establish the reliability of this information. His reliance on, and the use of this information, should not be construed as an expression of his opinion on it except as, and to the extent that, he may otherwise indicate in his Report. The undersigned does not accept responsibility or liability for the impact on his analysis and conclusions of any inaccuracies in such information.

13.2 This document contains certain statements, estimates and projections. The assumptions on which these estimates and projections have been based may or may not prove to be correct. Actual results are likely to be different from the projections since anticipated events frequently do not occur as expected and the variation may be material. No representation is made as to the accuracy of such statements, estimates and projections.

13.3 A significant degree of judgement is involved when selecting methods and basis for valuation and a significant number of items which may be subsequently considered when arriving at such valuations, including growth in future earnings and related free cash flows. It follows that valuations are not a prediction of price or a guarantee of value, and whilst the undersigned's valuation is one which is considered to be both reasonable and defensible, others may arrive at a different conclusion. The variation between projected and actual results may be material and such variation may materially affect the value of the properties. The analysis set out in this document takes into account information known and made available to us up to the time of its preparation and is therefore current as to the report date.

13.4 This Report may not be quoted, or referred to, or distributed, in whole or in part, without the prior written consent of the undersigned. Such consent for part of or the whole Report to be copied or disclosed to any third party, or otherwise quoted or referred to in whole or in part, is on the basis that the undersigned does not owe such third parties any duty of care as a result of giving such consent.

This valuation was carried out by the undersigned, a partner in the firm 'Falzon & Cutajar of 45, Valley Road, Birkirkara. The undersigned is a qualified architect (perit) with 48 years experience in valuations of property. The undersigned is in possession of the diploma of A&CE, and a warrant (No. 64) issued by the Government of Malta granting him the right to practice as a 'Perit', which practice includes the preparation of valuations.

Michael F. Falzon B.Arch., A&CE

ANNEX I : LIST OF EFFECTIVE HYPOTHECS AND PRIVILEGES

Lending Bank	Borrower	Borrowed Amount	Charged Property	Relevant Notes
APS Bank Limited	C. Stivala and Sons Ltd as principal debtor; Carmelo Stivala Group Limited and Stivala Operators Limited as surety	€ 10,000,000	GH/SH for €10,000,000 on: (i) 48-53, Ponsomby Street, Gzira; (ii) Unnumbered block of 5 studio flats in Martin Court, University Street, Msida; (iii) divided part of complex to be built on Casa Qui Si Sana, Triq Xatt ta' Qui-Si-Sana, Sliema; (iv) 60, The Strand Sliema, (v) 59, Sliema Hotel, The Strand, Sliema	**H/5431/2016**
FIMBank p.l.c.	Carmelo Stivala Group Limited as principal debtor; C. Stivala & Sons Limited as surety	€ 6,160,000	GH/SH/SP on: (i) 120, The Strand, Gzira; GH/SH on: (i) Valley Towers, Valley Road, Birkirkara	**H/267/2017**
Bank of Valletta p.l.c.	C. Stivala & Sons Limited	€ 4,183,701	GH/SH on: (i) Unnamed and unnumbered block of apartments and garages in Moroni Street, Gzira (ii) Bayview Hotel, The Strand, Gzira	**H/14685/2011; H/4214/2017; H/4217/2014; H/4218/2014 H/4219/2014 (Note that GH was waived by R/3430/2015 and R/2221/2016, all SHs remained unaffected)**

(GH: General Hypothec; SH: Special Hypothec; SP: Special Privilege)

Nexia BT

The Directors
Stivala Group Finance p.l.c.
143, The Strand
Gzira
Malta

25th September 2017

Dear Sirs,

Accountant's report on the pro forma consolidated financial information of Stivala Group Finance p.l.c.

We report on the pro forma consolidated financial position forecast, consolidated cash flow position forecast, and consolidated profit forecast hereinafter, collectively being referred to as pro forma consolidated financial information, of Stivala Group Finance p.l.c. for the year ending 31st December 2017, set out in annex II of Stivala Group Finance p.l.c.'s Registration Document dated 25th September 2017.

Directors' responsibility

It is the responsibility of the Directors of Stivala Group Finance p.l.c. "the Directors" to the pro forma consolidated financial information, together with the material assumptions upon which they are based, in accordance with the requirements of the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004.

Accountant's responsibility

It is our responsibility to form an opinion as required by Listing Rule 5.40 and 5.52 as issued by the Listing Authority of the Malta Financial Services Authority and Annex I item 13.2 of EU Regulation EC 809/2004 as to the proper compilation of the pro forma consolidated financial information, in so far as the application of the underlying accounting policies and accuracy of calculations are concerned, and to report that opinion to you.

Since the pro forma consolidated financial information and the assumptions on which they are based relate to the future and may therefore be affected by unforeseen events, we do not express an opinion on the possibility of achievement of the results as set out in the profit forecast or the achievement of the pro forma financial position or on the underlying assumptions.

Work performed

Our work included an evaluation of the procedures undertaken by the Directors as to the proper compilation of the pro forma consolidated financial information, in so far as they have been properly compiled on the basis stated and that the basis of accounting used for their compilation is consistent with the accounting policies to be adopted by Stivala Group Finance p.l.c.

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

Nexia BT

During the course of the engagement, we have not performed an audit or a review of the financial information for the period 1st January 2017 to 18th May 2017, which information was used by the Directors to compile the pro forma forecasts for the year ending 31st December 2017.

Opinion

In our opinion, the pro forma consolidated financial information have been properly compiled on the basis of the underlying stated assumptions stated and the basis of accounting used is consistent with the accounting policies to be adopted by Stivala Group Finance p.l.c.

Save for any responsibility which we may have to those persons to whom this opinion is expressly addressed, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our opinion, required by and given solely for the purposes of complying with the Listing Rules, consenting to its inclusion in the Prospectus. Readers are cautioned that the pro forma consolidated financial information forecast may not be appropriate for any other purpose other then as mentioned herein.

Yours faithfully,

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Mr Luke Cann, Director
For and on behalf of NEXIA BT Advisory Services Limited

Contents

1. Summary of significant assumptions and accounting policies

1.1 Introduction

The pro forma consolidated profit forecast for the year ending 31st December 2017 and pro forma consolidated financial and cash flow position forecast as at 31st December 2017, of Stivala Group Finance p.l.c. are set out in Annex II, hereinafter, collectively being referred to as pro forma consolidated financial information.

This pro forma consolidated financial information has been prepared, for illustrative purposes only, to provide information about the profit forecast for the year ending 31st December 2017 and pro forma consolidated financial and cash flow position forecast of Stivala Group Finance p.l.c., hereinafter referred to as "the Group". Stivala Group Finance p.l.c. was incorporated on 21st August 2017 under the terms of the Companies, Act Chapter 386 of the laws of Malta.

Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. The pro forma consolidated financial information has been prepared for inclusion in the Prospectus of Stivala Group Finance p.l.c. dated 25th September 2017 (the "Prospectus").

The pro forma consolidated financial information has been based on the following unaudited financial information:

i) the aggregated financial position of Carmelo Stivala Group Limited for the period 1st Janaury 2017 to 18th May 2017; and

ii) Forecast financial information for the ST Properties Limited, ST Hotels Limited, Stivala Operators Limited, Stivala Properties Limited, Civala Limited, Platinum Developments Limited, and Quisisana Boutique Company Limited covering the period 1st January to 31st December 2017.

The pro forma consolidated financial information, are based on stated assumptions which the Directors believe to be reasonable. These assumptions have been based on the nature and size of the intended level of operations and reflect current economic conditions. The Directors exercised due care and diligence in adopting these assumptions.

No adjustments to the results, financial position and cash flow statements of the constituent sub-groups were necessary for the purposes of arriving at the pro forma forecast consolidated financial statements except solely to reflect the entries necessary in any process of accounting consolidation.

The pro forma consolidated financial information was formally approved on the 14th September 2017 and the stated assumptions are judgements made at that date. The assumptions that the Directors believe are significant to the pro forma financial information are disclosed herein.

Actual results are likely to be different from those indicated in the pro forma consolidated profit forecast and pro forma consolidated financial and cashflow position forecasted because events and circumstances frequently do not occur as expected and those differences may be material.

1.2 The Group

On 18th May 2017, C.Stivala & Sons Limited was merged into Carmelo Stivala Group Limited. As part of this merger, Carmelo Stivala Group Limited acquired all the properties previously owned by C.Stivala & Sons Limited.

On 5th September 2017, Stivala Group Finance p.l.c. acquired a 98% shareholding in Carmelo Stivala Group Limited from Carmelo Stivala Trustee Limited

Therefore, with the acquisition of 98% shareholding in Carmelo Stivala Group Limited, Stivala Group Finance p.l.c. acquired 98% ownership of ST Properties Limited, ST Hotels Limited, Stivala Operators

Limited, Stivala Properties Limited, and 49% shareholding in Civala Limited, Platinum Developments Limited, and Quisisana Boutique Company Limited.

The consolidated activities resulting from the above described transactions have been captured in the pro forma consolidated financial information for a year 1st January 2017 and ending 31st December 2017. Accordingly, the pro forma consolidated profit forecast has been compiled as if the Group was in existence prior to the date that the Stivala Group Finance p.l.c. was incorporated and the date of acquisition of acquired entities, reflecting a full year of operation in order to provide more meaningful information to potential investors.

Similarly, the forecasted financial and cashflow position as at 31st December 2017 incorporates the consolidated operating activities forecasted for the 12 month period ending 31st December 2017.

1.1 Basis of preparation

The bases of preparation relating to the environment in which the Group operates which are outside the Directors' control and which underlie the pro forma consolidated financial information are the following:

A) The Group will continue to enjoy the confidence of its customers, and bankers throughout the period under consideration;
B) The pro forma consolidated financial information is based on the continuation of the Group's existing activities in the provision of hospitality services and renting of commercial and residential units;
C) There will be no material adverse events which will have an impact on the activities of the Group either directly or indirectly;
D) The basis and rates of taxation, both direct and indirect, will not change materially during 2017;
E) The Group will enjoy good relations with its employees through the period under consideration;
F) The Group will retain its current employees and will manage to recruit additional employees necessary to meet its forecast demand under similar terms and conditions; and
G) The rate of inflation throughout the period under consideration will not exceed that experienced in the last few years.

1.2 Significant accounting policies

The significant accounting policies of the Guarantor are set out in its audited financial statements for the financial year ended 31st December 2016. Where applicable, these accounting policies, in so far as they relate to recognition and measurement criteria, have been consistently applied in the preparation of the pro forma consolidated financial information.

1.3 Revenue

The Group's pro forma revenue for the year ending 31st December 2017, is forecasted on the basis of achieved income from the operations of the existing hotels and hostels, and rental income from both commercial and residential properties. Revenue mainly arises from:

- The hotel operations carried out principally through the Sliema Hotel and the Bayview Hotel & Apartments.
- The operations of Blubay Hostel and Fleet apartments; and
- The renting of residential and commercial properties.

All the above-mentioned activities are carried out in Malta. The key underlying assumptions applied in projecting the above revenues are the following:

- The revenue from the hotel operations was based on the level of occupancy and average achieved room rate (AARR), that the Group achieved in 2016.
- Similarly, the revenue from the hostels, were primarily based on both the same level of occupancy and rates that the Group achieved in 2016.
- The revenues from the rental of commercial and residential properties were based on the actual contracts which the Group has with the current tenants including the yearly increase rates which are catered for in the contracts.

1.4 Cost of sales

The cost of sales has been estimated at 64% of revenue. The cost of sales primarily consist of the purchases of consumables which are used in the hotel operations, payroll costs of personnel employed with the hotels operations and other direct costs. These expenses have been projected at the levels experienced in the recent years, an increase in line with inflations which is projected at 1.8% per annum.

1.5 Administrative expenses

Administrative expenses consist primarily of payroll costs, directors' fees, advertising costs, professional fees, listing fees, depreciation and other general expenses.

All expenses have been projected on the basis of the expenses that the Group incurred in 2016 except for an allowance for additional costs that have been committed to strengthen the Group's management and corporate governance. These include, inter alia, the recruitment of non-executive directors which will enhance governance at Board level, and the cost of implementing an internal audit function.

1.6 Finance costs

Finance costs relate primarily consist of the projected interest cost which the Group will pay to bond holders.

1.7 Depreciation

Depreciation is calculated on the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives. The depreciation charge is based on the Guarantor's fixed asset base adjusted for forecast additions and disposals during the year and on the following depreciation rates:

- Improvements 1%
- Buildings 1%
- Furniture and fittings 10%
- Motor vehicles 20%
- Kitchen equipment 20%
- Computer equipment 20%
- Plant and machinery 20%
- Office equipment 20%

1.8 Taxation

Current taxation is provided at 35% of the Group's chargeable income for the period. Where appropriate, the Group is assumed to opt for the final tax of 15% on gross income derived from rentals. Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

1.9 Gain on property revaluation

Before 1st January 2017, investment property was initially recognised as cost, including transaction cost, lest impairment cost. After initial recognition, investment property was stated at cost less accumulated depreciation and less accumulated impairment losses.

As from 1st January 2017, the Group changed its accounting policy in respect of investment property to fair value. Therefore, after initial recognition, investment property is stated at fair value.

An architect's valuation was carried out on 28th August 2017 to establish a fair value of the properties of the Group.

1.10 Working capital

The Group's working capital mainly comprises trade and other receivables together with trade and other payables. Current trade and other payables include amounts relating to rental income received in advance and payables in respect of capital expenditures and development costs. Those payables that are expected to be settled within the period covered by the projections have been included in the pro forma consolidated financial information.

Other than as mentioned above, in the pro forma consolidated financial information, settlement of trade receivables and trade payables has been projected to occur within the credit periods in place as at 18th May 2017. The Directors, having made due and careful enquiry, are of the opinion that in the absence of unforeseen circumstances outside their control, the working capital available to the Group will be sufficient for the carrying out of its business.

1.11 Conclusion

The Directors believe that the assumptions on which the pro forma consolidated profit forecast and the pro forma consolidated financial and cashflow position forecasted are based are reasonable.

Approved by the board of directors on 14th September 2017 and signed on their behalf by:

Mr Michael Stivala
Chairman

Mr Carlo Stivala
Director

Mr Martin John Stivala
Director

Mr Ivan Stivala
Director

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2. Pro forma consolidated profit forecast

Stivala Group Finance p.l.c

for the year ending 31st December 2017

	Proforma € 000s
Revenue	9,452
Cost of sales	(3,394)
Gross profit	6,059
Administrative expenses	(1,080)
EBITDA	4,979
Depreciation	(1,122)
EBIT	3,856
Share of results of associated undertakings	250
Finance costs	(801)
Profit before tax	3,305
Income tax	490
Profit for the year	**3,795**
Attributable to:	
Equity holders of the parent	3,707
Non-controlling interest	88
	3,795
Other comprehensive income	
Gains on property revaluation	108,184
Taxation	(10,818)
Other comprehensive income net of taxation	97,365
Total comprehensive income	**101,160**
Attributable to:	
Equity Holders of the parent	99,137
Non-controlling interest	2,023
	101,160

3. Pro forma consolidated statement of financial position forecast

Stivala Group Finance p.l.c

As at 31st December 2017

	Proforma € 000s
Assets	
Non-current assets	
Intangible asset	558
Investment property	174,741
Property, plant and equipment	15,048
Investments in associates	26
	190,373
Current assets	
Trade and other receivables	3,936
Tax recoverable	861
Cash and cash equivalents	4,391
Total current assets	9,187
Total assets	**199,560**
Equity and liabilities	
Capital and reserves	
Share capital	300
Retained earnings	18,482
Incentives and benefits	4,893
Revaluation reserve	97,365
Total equity	121,041
Equity attributable to equity holders of the parent	117,731
Non-controlling interest	3,310
	121,041
Non-current liabilities	
Long term borrowings	9,454
Debt securities in issue	45,000
Loans from UBOs	3,691
Third party loan	2,000
Deferred tax liability	10,818
Total-non current liabilities	70,963
Current liabilities	
Trade and other payables	6,916
Tax payable	640
Debt securities in issue	-
Total current liabilities	7,556
Total liabilities	78,519
Total equity and liabilities	**199,560**

4. Pro forma consolidated cash flow position forecast

Stivala Group Finance p.l.c

As at 31st December 2017

	Proforma € 000s
Cash flows from operating activities:	
EBITDA	4,979
Adjustments for:	
Share of profit from associates	250
Adjusted EBITDA	5,229
Working capital changes:	
Trade and other receivables	(693)
Trade and other payables	2,658
Cash flow from operations	7,194
Taxation payable	(14)
Interest payable	(801)
Net cash flows from operations	**6,379**
Cash flows from investing activities:	
Acquisition of investment property	(33,726)
Acquisition of property, plant and equipment	(2,119)
Bond issue cost	(620)
Net cash flows from investing activities	**(36,464)**
Cash flows from financing activities:	
Movement in bank borrowings	(10,062)
Bond proceeds / repayment	45,000
Proceeds from the issue of shares	250
Net cash flows from financing activities	**35,188**
Movement in cash at hand and in bank	5,103
Cash at hand and in bank at start of the year	(712)
Cash at hand and in bank at end of the year	**4,391**

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SECURITIES NOTE

Dated 25 September 2017

This document is a Securities Note issued in accordance with the provisions of Chapter 4 of the Listing Rules published by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of the 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013, Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015. This Securities Note is issued pursuant to the requirements of Listing Rule 4.14 of the Listing Rules and contains information about the Secured Bonds being issued by Stivala Group Finance p.l.c. The Listing Authority has approved the admission to listing and trading of the Secured Bonds on the Official List of the Malta Stock Exchange. This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about the Issuer.

In respect of an issue of:
€45,000,000 4% Secured Bonds 2027
of a nominal value of €100 per Bond issued at par (the "Secured Bonds")

Stivala Group Finance p.l.c.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA WITH COMPANY REGISTRATION NUMBER C 82218

with the joint and several Guarantee* of Carmelo Stivala Group Limited (C 62625)

ISIN: MT0001601203

*Prospective investors are to refer to the Guarantee contained in Annex III of this Securities Note and sections 4.7 and 4.8 of the Registration Document for a description of the Guarantee and the Collateral Reference should also be made to the sections entitled "Risk Factors" contained in the Registration Document and this Securities Note for a discussion of certain risk factors which should be considered by prospective investors in connection with the Secured Bonds and the Guarantee provided by the Guarantor.

Sponsor & Manager	Security Trustee	Legal Counsel	Registrar
Charts – Wealth Management • Corporate Broking	CSB Group	Camilleri Preziosi – Advocates	Malta Stock Exchange plc

THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENTS ARE IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENTS AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENTS.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THESE SECURITIES.

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

APPROVED BY THE DIRECTORS

Michael Stivala | Carlo Stivala | Ivan Stivala | Martin John Stivala | Ann Marie Agius | Francis Gouder | Joseph Brincat

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IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY STIVALA GROUP FINANCE PLC (THE "**ISSUER**") OF €45,000,000 SECURED BONDS 2027 OF A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 4% PER ANNUM PAYABLE ANNUALLY ON 18 OCTOBER OF EACH YEAR. THE NOMINAL VALUE OF THE BOND WILL BE REPAYABLE IN FULL AT MATURITY ON THE REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION (THE "**BONDS**" OR "**SECURED BONDS**");

THIS SECURITIES NOTE:

A. CONTAINS INFORMATION ABOUT THE ISSUER, THE GUARANTOR AND THE SECURED BONDS IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE ACT AND THE REGULATION, AND SHOULD BE READ IN CONJUNCTION WITH THE REGISTRATION DOCUMENT ISSUED BY THE ISSUER; AND

B. SETS OUT THE CONTRACTUAL TERMS UNDER WHICH THE SECURED BONDS ARE ISSUED BY THE COMPANY AND ACQUIRED BY A BONDHOLDER WHICH TERMS SHALL REMAIN BINDING UNTIL THE REDEMPTION DATE OF THE SECURED BONDS UNLESS THEY ARE OTHERWISE CHANGED IN ACCORDANCE WITH THE TERMS OF THIS SECURITIES NOTE.

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

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

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

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

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

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

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

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

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

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

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

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

1 DEFINITIONS

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

Act	the Companies Act (Cap. 386 of the Laws of Malta);
Applicant/s	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
Application/s	the application to subscribe for Secured Bonds made by an Applicant/s by completing an Application Form/s and delivering same to any of the Authorised Financial Intermediaries;
Application Form	the form of application of subscription for Secured Bonds, a specimen of which is contained in Annex I of this Securities Note;
Authorised Financial Intermediaries	the financial intermediaries whose details appear in Annex II to this document;
Bond Issue or **Offer**	the issue of the Secured Bonds;
Bondholder	a holder of Secured Bonds;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
Collateral	the following security granted by the Guarantor in favour of the Security Trustee for the benefit of Bondholders: (a) a first ranking special hypothec over the Security Property; (b) a pledge over the proceeds from any insurance policy required under clause 5(1)(h) of the Security Trust Deed; and (c) the Guarantee;
CSD	the Central Securities Depository of the Malta Stock Exchange having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063;
Deed of Hypothec	a deed to be entered into by and between the Trustee and the Issuer in the acts of Dr Notary Robert Muscat whereby the Issuer constitutes in favour of the Trustee that part of the Collateral which according to law requires the execution of a notarial deed;
Euro or **€**	the lawful currency of the Republic of Malta;
Exchange, Malta Stock Exchange or **MSE**	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta, and bearing company registration number C 42525;
Group	the Issuer, the Guarantor and the Subsidiaries;
Group Company	any one of the companies forming part of the Group. The term "**Group Companies**" shall be construed accordingly;
Guarantee	the joint and several guarantee dated 25 September 2017 granted by the Guarantor as security for the punctual performance of the Issuer's payment obligations under the Bond Issue, subject to the terms and conditions contained in the Security Trust Deed and as the same is held on trust for the benefit of the Bondholders by the Security Trustee. A copy of the Guarantee and a description of the nature, scope and terms of the Guarantee are appended to the Securities Note as Annex III thereto;
Guarantor	Carmelo Stivala Group Limited, a limited liability company duly registered and validly existing under the laws of Malta with company registration number C 62625 and with its registered office at 143, The Strand, Gzira, Malta;
Interest Payment Date	18 October of each year between and including each of the years 2018 and the year 2027, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Issue Date	expected on 30 October 2017;
Issuer or **Company**	Stivala Group Finance p.l.c., a public limited liability company duly registered and validly existing under the laws of Malta with company registration number C 82218 and with its registered office at 143, The Strand, Gzira, Malta;
Listing Authority	the Board of Governors of the Malta Financial Services Authority, appointed as the Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
Listing Rules	the listing rules of the Listing Authority;
Offer Period	the period between 27 September 2017 and 18 October 2017 during which the Secured Bonds are on offer;

Official List	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
Prospectus	collectively the Registration Document, Summary Note and this Securities Note (each as defined in this Securities Note);
Redemption Date	18 October 2027;
Redemption Value	the nominal value of each Bond (€100 per Secured Bond);
Registrar	Malta Stock Exchange plc, a public limited liability company duly registered and validly existing under the laws of Malta with company registration number C 42525 and with its registered office at Garrison Chapel, Castille Place, Valletta, VLT 1063, Malta;
Registration Document	the registration document issued by the Issuer dated 25 September 2017, forming part of the Prospectus;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of supplements to the prospectus; and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of the prospectus and dissemination of advertisements;
Secured Bond(s) or **Bond(s)**	the €45,000,000 4% Secured Bonds of a nominal value of €100 payable in full upon subscription and redeemable at the nominal value on the Redemption Date, bearing interest at the rate of 4% per annum, as detailed in this Securities Note;
Securities Note	this document in its entirety;
Security Property	the following immovable property: i. 120, The Strand, Gzira, Malta; ii. nine apartments, 19 garages and the remaining one half undivided share of an office, all situated at Qui Si Sana Boutique Apartments, Qui Si Sana Road, Sliema, Malta (subject to completion of acquisition); iii. Property situated at Marguerite Mangion Street, St Julian's, Malta (subject to completion of acquisition); iv. 153/154, The Strand, Gzira, Malta; v. Bring Apartments, Reid Street, Gzira, Malta; and vi. 196, Main Street, St Julian's, Malta (subject to completion of acquisition);
Security Trustee	CSB Trustees and Fiduciaries Limited, a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 40390 and having its registered office at Vincenti Buildings, 28/19, Strait Street, Valletta, Malta, duly authorised to act as a trustee or co-trustee in terms of article 43(3) of the Trusts and Trustees Act (Cap. 331 of the Laws of Malta);
Sponsor & Manager	Charts Investment Management Service Limited, an authorised financial intermediary licensed by the Malta Financial Services Authority and a member of the MSE and a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 7944 and having its registered office at Valletta Waterfront Vault 17, Pinto Wharf, Floriana, FRN 1913, Malta;
Summary Note	the summary note issued by the Issuer dated 25 September 2017, forming part of the Prospectus;
Terms and Conditions	the terms and conditions of issue of the Secured Bonds set out in this Securities Note;
Trust Deed or **Security Trust Deed**	the security trust deed signed between the Issuer, the Guarantor and the Security Trustee on 25 September 2017; and
Trust Property	the rights attaching to and emanating from the Trust Deed and the benefit of the security created by virtue of the Collateral for the benefit of Bondholders.

2 RISK FACTORS

The value of investments can go up or down and past performance is not necessarily indicative of future performance.

The nominal value of the Secured Bonds will be repayable in full upon maturity on the redemption date unless the Secured Bonds are previously re-purchased and cancelled. The Issuer shall redeem the Secured Bonds on the Redemption Date.

An investment in the Secured Bonds involves certain risks including those described below. Prospective investors should carefully consider, with their own independent financial and other professional advisors, the following risk factors and other investment considerations as well as all the other information contained in the Prospectus before deciding to make an investment in the Secured Bonds. The sequence in which the risks below are listed is not intended to be indicative of any order of priority or of the extent of their consequences.

Neither this Securities Note, nor any other parts of the Prospectus or any other information supplied in connection with the Secured Bonds: (i) is intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by the Issuer or the Guarantor or the Sponsor & Manager or Authorised Financial Intermediaries that any recipient of this Securities Note or any other part of the Prospectus or any other information supplied in connection with the Prospectus or any Secured Bonds, should purchase any Secured Bonds.

Accordingly prospective investors should make their own independent evaluation of all risk factors, and should consider all other sections in this document.

2.1 Forward Looking Statements

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

2.2 General

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

a) has sufficient knowledge and experience to make a meaningful evaluation of the Secured Bonds, the merits and risks of investing in the Secured Bonds and the information contained or incorporated by reference in the Prospectus or any applicable supplement;

b) has sufficient financial resources and liquidity to bear all the risks of an investment in the Secured Bonds, including where the currency for principal or interest payments is different from the prospective investor's currency;

c) understands thoroughly the terms of the Secured Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

d) be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

2.3 Risks Relating to the Secured Bonds

- **Orderly and Liquid Market**

  The existence of an orderly and liquid market for the Secured Bonds depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Issuer's Secured Bonds at any given time and the general economic conditions in the market in which the Secured Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Secured Bonds will develop, or, if it develops, that it will continue. Accordingly, there can be no assurance that an investor will be able to sell or otherwise trade in the Secured Bonds at or above the Bond Issue Price or at all.

- **Subsequent Changes in Interest Rates**

  Investment in the Secured Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Secured Bonds.

- **Currency Risk**

  Any investor whose currency of reference is not the Euro shall bear the risk of any fluctuations in exchange rates between the currency of denomination of the Secured Bonds (€) and the Bondholder's currency of reference.

- **Changes in Circumstances**

No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Secured Bonds prevailing from time to time. If such changes take place they could have an adverse effect on the market price for the Secured Bonds.

- **Collateral and the Guarantee**

The Secured Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under said Secured Bonds by the Guarantor. The Secured Bonds shall at all times rank *pari passu* without any priority or preference among themselves but, in respect of the Guarantor, they shall rank with priority or preference over all unsecured indebtedness, if any. In view of the fact that the Secured Bonds are being guaranteed by the Guarantor on a joint and several basis, the Security Trustee, for the benefit of itself and the Bondholders, shall be entitled to request the Guarantor to pay both the interest due and the principal amount under said Secured Bonds if the Issuer fails to meet any amount, when due in terms of the Prospectus.

The joint and several Guarantee also entitles the Security Trustee to take action against the Guarantor without having to first take action against the Issuer. The strength of this undertaking on the part of the Guarantor and therefore, the level of recoverability by the Security Trustee from the Guarantor of any amounts due under any of the Secured Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantor. The Guarantee is further supported by the Collateral over the Security Property. Whilst this grants the Security Trustee a right of preference and priority for repayment over the Security Property, there can be no guarantee that the value of the Security Property over the term of the Secured Bond will be sufficient to cover the full amount of interest and principal outstanding under the Bonds. This may be caused by a number of factors not least of which general economic factors that could have an adverse impact on the value of the Security Property. If such circumstances were to arise or subsist at the time when the Collateral is to be enforced by the Security Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Secured Bonds.

Notwithstanding that the Bonds constitute the general, direct and unconditional obligations of the Issuer and in relation to the Guarantor the general, direct, unconditional and secured obligations, there can be no guarantee that privileges accorded by law in specific situations will not arise during the course of the business of each of the Issuer and the Guarantor which may rank with priority or preference to the Collateral.

- **Conditions Precedent**

The attention of prospective investors in the Secured Bonds is drawn to the concluding paragraph of section 4.1 of this Securities Note, which provides that the issue and allotment of the Secured Bonds is conditional upon the Secured Bonds being admitted to the Official List and on the Collateral being constituted in favour of the Security Trustee, and that in the event that either of the aforesaid conditions is not satisfied, the Security Trustee shall return Bond Issue proceeds to Bondholders.

- **Changes to Terms and Conditions**

In the event that the Issuer wishes to amend any of the Terms and Conditions of this Bond Issue it shall call a meeting of Bondholders in accordance with the provisions of section 5.12 of this Securities Note. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

- **Changes in Law**

The Terms and Conditions of this Bond Issue are based on the requirements of the Listing Rules of the Listing Authority, the Companies Act and the Commission Regulation EC No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council in effect as at the date of the Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.

- **Property Valuations**

The valuations referred to in the Prospectus are prepared by an independent qualified architect in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors (RICS). In providing a market value of the respective properties, 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. There can be no assurance that such property valuations and property-related assets will reflect actual market values.

3 PERSONS RESPONSIBLE

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

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

4 ESSENTIAL INFORMATION

4.1 REASONS FOR THE ISSUE AND USE OF PROCEEDS

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €44,380,000, will be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

i. **Re-financing existing bank loans**: an amount of *circa* €9,129,000 of the proceeds from the Secured Bonds will be used to re-finance outstanding Group banking facilities with FimBank p.l.c. and Bank of Valletta p.l.c., which funds were originally principally utilised to acquire various properties and for capital expenditure purposes;

ii. **Acquisition and development of 196, Main Street, St Julian's:** the amount of €9,000,000 will be used to finance the acquisition of 196, Main Street, St Julian's and development thereof into a block of luxury residential apartments, as detailed in section 4.6 of the Registration Document;

iii. **Acquisition of the remaining half of Qui Si Sana Boutique Apartments, Sliema:** the amount of *circa* €11,448,000 is to be utilised for the purpose of acquiring nine apartments, 19 garages and the remaining undivided share of an office at Qui Si Sana Boutique Apartments, Sliema.

   Although it is strongly anticipated that a promise of sale will be concluded shortly after the issuance of the Secured Bonds, in the event that such promise of sale is not signed, the Security Trustee undertakes to utilise the funds earmarked for the acquisition of the aforementioned remaining half of Qui Si Sana Boutique Apartments, Sliema for the purpose of refinancing an existing loan with APS Bank Limited, which as at 31 August 2017 amounted to €9,569,000. In such case, the Security Trustee shall, for the purposes of the Security Property granted in terms of this Bond Issue and at its discretion, substitute the un-acquired portion of Qui Si Sana Boutique Apartments with another immovable property owned by the Group, subject to an independent architect's property valuation report confirming that the value of the property being substituted and added to the immovable properties constituting the Security Property is at least equal to the value of the intended purchase of the remaining residential apartments and garages at Qui Si Sana Boutique Apartments.

iv. **Acquisition of property at Marguerite Mangion Street, St Julian's:** an amount of *circa* €7,706,200 will be utilised for the purpose of acquiring the property situated at Marguerite Mangion Street, St Julian's;

v. **Development of Azur Hotel:** an amount of €4,500,000 shall be used to develop the proposed Azur Hotel as further described in section 4.6 of the Registration Document; and

vi. **Other property developments:** the remaining balance of the net Bond Issue proceeds equivalent to *circa* €2,596,800 shall be applied towards the costs of acquisition of other properties in accordance with the Group's business development strategy and/or to fund part of the Group's ongoing capital expenditure on own properties.

All proceeds from the Bond Issue shall be held by the Security Trustee pending perfection of the Collateral to secure the Secured Bonds, in accordance with the provisions of the Security Trust Deed.

In terms of the Prospectus and Security Trust Deed, the Security Trustee shall not release any of the Bond Issue proceeds other than such amount as is required to settle the payment specified in para (i) above, until such time as the Collateral is duly constituted in favour of the Security Trustee, in accordance with the provisions of the Security Trust Deed.

The issue and allotment of the Secured Bonds is conditional upon: (i) the Secured Bonds being admitted to the Official List; and (ii) the Collateral being constituted in favour of the Security Trustee in accordance with the provisions of the Security Trust Deed. In this respect and with reference to the amounts to be utilised for the purposes of acquiring the aforementioned immovable property not yet owned by the Group, the Bond Issue proceeds shall only be realised upon the execution and registration of a notarial deed pursuant to which title to the said immovable property is transferred to the Guarantor in a manner satisfactory to the Security Trustee.

In the event that either of the aforesaid conditions is not satisfied, the Security Trustee shall return Bond Issue proceeds to the Bondholders.

4.2 EXPENSES

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €620,000. There is no particular order of priority with respect to such expenses.

4.3 ISSUE STATISTICS

Amount:	€45,000,000;
Form:	The Secured Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD;
Denomination:	Euro (€);
ISIN:	MT0001601203;
Minimum amount per subscription:	Minimum of €2,000 and multiples of €100 thereafter;
Redemption Date:	18 October 2027;
Plan of Distribution:	The Secured Bonds are open for subscription by all categories of investors and the general public;
Bond Issue Price:	At par (€100 per Bond);
Status of the Bonds:	The Secured Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves. The Secured Bonds shall be guaranteed in respect of both the interest due and the principal amount under said Secured Bonds by the Guarantor in terms of the Guarantee. In respect of the Guarantor, the Secured Bonds shall rank with priority or preference to all other present and future unsecured obligations of the Guarantor, save for such exceptions as may be provided by applicable law, and with first ranking and priority over the Security Property;
Listing:	The Listing Authority has approved the Secured Bonds for admissibility to listing and subsequent trading on the Offical List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the Secured Bonds to be listed and traded on its Official List;
Placement Agreements:	The Issuer and the Guarantor have entered into conditional placement agreements with the Authorised Financial Intermediaries whereby the Secured Bonds have been made available for subscription on 18 October 2017;
Offer Period:	27 September 2017 to 18 October 2017, both days included;
Interest:	4% per annum;
Interest Payment Date(s):	Annually on 18 October as from 18 October 2018 (the first interest payment date);
Governing Law of Bonds:	The Bonds are governed by and shall be construed in accordance with Maltese law;
Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

4.4 INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

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

4.5 SECURITY

The Secured Bonds are secured and Bondholders shall have the benefit of the following security:

(a) a first ranking special hypothec over the Security Property;
(b) a pledge on insurance proceeds; and
(c) the Guarantee.

The security shall be constituted in favour of the Security Trustee for the benefit of all Bondholders from time to time registered in the CSD.

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

The Security Trustee's role includes holding of the Collateral for the benefit of the Bondholders and the enforcement of the said Collateral upon the happening of certain events. The Security Trustee shall have no payment obligations to Bondholders under the Secured Bonds which remain exclusively the obligations of the Issuer (or, in the case of default by the Issuer, of the Guarantor).

4.6 CONSENT FOR USE OF PROSPECTUS

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

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

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

None of the Issuer, the Sponsor & Manager, the Security Trustee or any of their respective advisors take any responsibility for any of the actions of any Authorised Financial Intermediary, including their compliance with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to a resale or placement of Secured Bonds.

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

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

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

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

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

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

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

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

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

5.1 GENERAL

Each Bond forms part of a duly authorised issue of 4% Secured Bonds 2027 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €45,000,000 (except as otherwise provided under section 5.11 "Further Issues"). The Issue Date of the Bonds is 30 October 2017.

a. The currency of the Bonds is Euro (€).
b. Subject to admission to listing of the Bonds to the Official List of the MSE, the Secured Bonds are expected to be assigned ISIN: MT0001601203.
c. Unless previously purchased and cancelled, the Bonds shall be redeemable at par on the Redemption Date.
d. The issue of the Secured Bonds is made in accordance with the requirements of the Listing Rules, the Act, and the Regulation.
e. The Bond Issue is not underwritten.
f. There are no special rights attached to the Secured Bonds other than the right of the Bondholders to the payment of capital and interest and in accordance with the ranking specified in section 5.2 hereunder.

5.2 RANKING OF THE SECURED BONDS

The Secured Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves. The Secured Bonds shall be guaranteed in respect of both the interest due and the principal amount under said Secured Bonds by the Guarantor in terms of the Guarantee. In respect of the Guarantor, the Secured Bonds shall rank with priority or preference to all other present and future unsecured obligations of the Guarantor, save for such exceptions as may be provided by applicable law, and with first ranking and priority over the Security Property.

Pursuant to the Trust Deed, the Guarantor with respect to the property owned by it, has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders as Beneficiaries, a special hypothec over the Security Property.

The special hypothec will secure the claim of the Security Trustee, for the benefit and in the interest of Bondholders, for the repayment of the principal and interest under the Bonds by a preferred claim over the Security Property.

Accordingly, following the issue of the Bonds and application of the proceeds as set out above, the Security Trustee for the benefit of Bondholders will have the benefit of a special hypothec over the Security Property for the full amount of €45,000,000.

5.3 RIGHTS ATTACHING TO THE SECURED BONDS

This Securities Note in its entirety contains the Terms and Conditions of issue of the Secured Bonds and creates the contract between the Issuer and a Bondholder. Any and all references to the Terms and Conditions of the Secured Bonds shall be construed as a reference to all and each section of this Securities Note. A Bondholder shall have such rights as are, pursuant to this Securities Note, attached to the Secured Bonds, including:

i. the repayment of capital;
ii. the payment of interest;
iii. the benefit of the Collateral through the Security Trustee;
iv. the right to attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and
v. enjoy all such other rights attached to the Secured Bonds emanating from the Prospectus.

5.4 INTEREST

The Secured Bonds shall bear interest from and including 18 October 2017 at the rate of 4% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 18 October 2018 (covering the period 18 October 2017 to 17 October 2018). Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. In terms of article 2156 of the Civil Code (Cap. 16 of the Laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Secured Bonds is barred by the lapse of five years.

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

5.5 YIELD

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Secured Bonds is 4% per annum.

5.6 REGISTRATION, FORM, DENOMINATION AND TITLE

Certificates will not be delivered to Bondholders in respect of the Secured Bonds. The entitlement to Secured Bonds will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Bondholders and particulars of the Secured Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of bondholders held at the CSD for the purpose of inspecting information held on their respective account.

The CSD will issue, upon a request by a Bondholder, a statement of holdings to such Bondholder evidencing his/her/its entitlement to Secured Bonds held in the register kept by the CSD.

The Secured Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiples of €100 provided that on subscription the Secured Bonds will be issued for a minimum of €2,000 per individual Bondholder. Authorised Financial Intermediaries subscribing to the Secured Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 to each underlying client.

Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Secured Bonds may be transferred as provided below under the heading "Transferability of the Bonds" in section 5.10 of this Securities Note.

5.7 PAYMENTS

Payment of the principal amount of Secured Bonds will be made in Euro by the Issuer to the person in whose name such Secured Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder may designate from time to time, provided such bank account is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven days of the Redemption Date. The Issuer shall not be responsible for any loss or delay in transmission. Upon payment of the Redemption Value the Secured Bonds shall be redeemed and the appropriate entry made in the electronic register of the Secured Bonds at the CSD.

In the case of Secured Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment the Issuer and/or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Secured Bonds.

Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business 15 days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven days of the Interest Payment Date. The Issuer shall not be responsible for any loss or delay in transmission.

All payments with respect to the Secured Bonds are subject in all cases to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Secured Bonds shall be made net of any amount which the Issuer is or may become compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.

No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

5.8 REDEMPTION AND PURCHASE

Unless previously purchased and cancelled, the Secured Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 18 October 2027.

Subject to the provisions of this section 5.8, the Issuer may at any time purchase Secured Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.

All Secured Bonds repurchased by the Issuer shall be cancelled forthwith and may not be re-issued or re-sold.

5.9 EVENTS OF DEFAULT

Pursuant to the Trust Deed, the Security Trustee may in its absolute and uncontrolled discretion, and shall upon the request in writing of not less than 75% in value of the Registered Beneficiaries, by notice in writing to the Issuer and the Guarantor declare the Secured Bonds to have become immediately due and repayable at their principal amount together with accrued interest, upon the happening of any of the following events ("**Events of Default**"):

(a) the Issuer fails to effect the payment of interest under the Bonds on an Interest Payment Date and such failure continues for a period of 60 days after written notice thereof by the Security Trustee to the Issuer;

(b) the Issuer fails to pay the principal amount of a Bond on the date fixed for its redemption; and such failure continues for a period of 60 days after written notice thereof by the Security Trustee to the Issuer;

(c) the Issuer fails duly to perform or shall otherwise be in breach of any other material obligation contained in the Prospectus and such failure shall continue for 60 days after written notice thereof shall have been given to the Issuer by a Bondholder;

(d) in terms of article 214(5) of the Act, a Court order or other judicial process is levied or enforced upon or sued out against any part of the property of the Issuer and is not paid out, withdrawn or discharged within one month;

(e) the Issuer stops payment of its debts or ceases or threatens to cease to carry on its business;

(f) the Issuer or the Guarantor is unable to pay its debts within the meaning of article 214(5) of the Act, or any statutory modification or re-enactment thereof;

(g) a judicial or provisional administrator is appointed upon the whole or any part of the property of the Issuer or the Guarantor; and such appointment is certified by the Security Trustee to be prejudicial, in its opinion, to the Bondholders;

(h) an order is made or an effective resolution is passed for winding up of the Issuer or the Guarantor, except for the purpose of a reconstruction, amalgamation or division, the terms of which have been approved in writing by the Security Trustee;

(i) the Issuer or the Guarantor substantially changes the object or nature of its business as currently carried on;

(j) the Issuer or the Guarantor commits a breach of any of the covenants or provisions contained in the Trust Deed and on its part to be observed and performed and the said breach still subsists for 30 days after having been notified by the Security Trustee (other than any covenant for the payment of interests or principal monies owing in respect of the Bonds);

(k) the security constituted by any hypothec, pledge or charge upon the whole or any part of the undertaking or assets of the Issuer or the Guarantor shall become enforceable and steps are taken to enforce the same and the taking of such steps shall be certified in writing by the Security Trustee to be in its opinion prejudicial to the Bondholders;

(l) any representation or warranty made or deemed to be made or repeated by or in respect of the Issuer or the Guarantor is or proves to have been incorrect in any material respect in the sole opinion of the Security Trustee;

(m) any material indebtedness of the Issuer or the Guarantor is not paid when properly due or becomes properly due and payable or any creditor of the Issuer or the Guarantor (as the case may be) becomes entitled to declare any such material indebtedness properly due and payable prior to the date when it would otherwise have become properly due or any guarantee or indemnity of the Issuer or the Guarantor in respect of indebtedness is not honoured when properly due and called upon; PROVIDED THAT for the purposes of this provision, material indebtedness shall mean an amount exceeding €1,000,000;

(n) any consent, permit, authorisation, licence or approval of, or registration with, or declaration to governmental, statutory or public bodies, or authorities or courts, required by the Issuer or the Guarantor in connection with the Group's projects and their development and construction; or pursuant to the execution, delivery, validity, enforceability or admissibility in evidence hereof, or the performance by the Issuer of its obligations hereunder, is substantially modified in the sole opinion of the Security Trustee, or is not granted, or is revoked, or terminated, or expires and is not renewed, or otherwise ceases to be in full force and effect;

(o) it becomes unlawful at any time for the Issuer or the Guarantor to perform all or any of its obligations hereunder or to develop the Group's projects or to continue with the development of these projects;

(p) the Issuer or the Guarantor repudiates, or does or causes or permits to be done any act or thing evidencing an intention to repudiate the Bonds and/or the Trust Deed; or

(q) all, or in the sole opinion of the Security Trustee, a material part, of the undertakings, assets, rights, or revenues of or shares or other ownership interests in the Issuer or the Guarantor are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government.

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

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

5.10 TRANSFERABILITY OF THE BONDS

The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time.

Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.

All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.

The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer.

The Issuer will not register the transfer or transmission of Bonds for a period of 15 days preceding the due date for any payment of interest on the Bonds.

5.11 FURTHER ISSUES

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

5.12 MEETINGS OF BONDHOLDERS

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

A meeting of Bondholders shall be called by the Directors by giving the Security Trustee not less than 21 days' notice in writing. Upon receiving due notice from the Directors, the Security Trustee shall call such meeting by giving all Bondholders listed on the register of Bondholders as at a date being not more than 30 days preceding the date scheduled for the meeting, not less than 14 days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment to the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section 5.12 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

The amendment or waiver of any of the provisions of and/or conditions contained in this Securities Note, or in any other part of the Prospectus, may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.

A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose at least two Bondholders present, in person or by proxy, representing not less than 50% in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within 30 minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven days, and not later than 15 days, following the original meeting. At an adjourned meeting: the number of Bondholders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.

Any person who in accordance with the Memorandum and Articles of Association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.

Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions which are required to be taken at the meeting, the Directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.

The voting process shall be managed by the company secretary of the Issuer under the supervision and scrutiny of the auditors of the Issuer and the Security Trustee.

The proposal placed before a meeting of Bondholders shall only be considered approved if at least 60% in nominal value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.

Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

5.13 AUTHORISATIONS AND APPROVALS

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a Board of Directors' resolution passed on 14 September 2017. The Guarantee being given by the Guarantor in respect of the Secured Bonds has been authorised by a resolution of the board of directors of the Guarantor dated 14 September 2017.

5.14 REPRESENTATIONS AND WARRANTIES

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

i. it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business as it is now being conducted and to hold its property and other assets under legal title; and
ii. it has the power to execute, deliver and perform its obligations under the Prospectus and that all necessary corporate, shareholder and other actions have been duly taken to authorise the execution, delivery and performance of the same, and further that no limitation on its power to borrow or guarantee shall be exceeded as a result of the Terms and Conditions or the Prospectus.

The Prospectus contains all relevant material information with respect to the Issuer and the Guarantor and all information contained in the Prospectus is in every material respect true and accurate and not misleading, and there are no other facts in relation to the Issuer and/or the Guarantor, their respective businesses and financial position, the omission of which would, in the context of the issue of the Secured Bonds, make any statement in the Prospectus misleading or inaccurate in any material respect.

5.15 NOTICES

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

5.16 GOVERNING LAW AND JURISDICTION

The Secured Bonds are governed by and shall be construed in accordance with Maltese law.

Any legal action, suit or proceedings against the Issuer and/or the Guarantor arising out of or in connection with the Secured Bonds and/or the Prospectus shall be brought exclusively before the Maltese courts.

6 TAXATION

6.1 GENERAL

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

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

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

6.2 MALTA TAX ON INTEREST

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is instructed by a Bondholder to receive the interest gross of any withholding tax, or if the Bondholder does not fall within the definition of "recipient" in terms of Article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such Bondholder net of a final withholding tax, currently at the rate of 15% (10% in the case of certain types of collective investment schemes) of the gross amount of the interest, pursuant to Article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta). Bondholders who do not fall within the definition of a "recipient" do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder is not obliged to declare the interest so received in his income tax return (to the extent that the interest is paid net of tax). No person shall be charged to further tax in respect of such income. The Issuer will render an account to the Maltese Commissioner for Revenue of all amounts so deducted but will not specify the identity of the recipient.

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

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

6.3 EXCHANGE OF INFORMATION

In terms of applicable Maltese legislation, the Issuer and/or its agent are required to collect and forward certain information (including, but not limited to, information regarding payments made to certain Bondholders) to the Commissioner for Revenue. The Commissioner for Revenue will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions.

6.4 MALTESE TAXATION ON CAPITAL GAINS ON TRANSFER OF THE BONDS

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

6.5 DUTY ON DOCUMENTS AND TRANSFERS

In terms of the Duty on Documents and Transfers Act (Cap. 364 of the Laws of Malta), duty is chargeable *inter alia* on the transfer or transmission *causa mortis* of marketable securities. A marketable security is defined in the said legislation as "a holding of share capital in any company and any document representing the same". Consequently, the Bonds should not be treated as constituting marketable securities within the meaning of the legislation and therefore, the transfer/transmission thereof should not be chargeable to duty.

Furthermore, even if the Bonds are considered marketable securities for the purposes of the Duty on Documents and Transfers Act, in terms of article 50 of the Financial Markets Act (Cap. 345 of the Laws of Malta) as the Bonds constitute financial instruments of a company quoted on a regulated market Exchange, as is the MSE, redemptions and transfers of the Bonds should, in any case, be exempt from duty.

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

7 TERMS AND CONDITIONS OF THE BOND ISSUE

7.1 EXPECTED TIMETABLE OF THE BOND ISSUE

1. Offer Period	27 September 2017 to 18 October 2017
2. Private Placement date	18 October 2017
3. Commencement of interest on the Secured Bonds	18 October 2017
4. Expected date of constitution of Security	27 October 2017
5. Expected date of notification of registration	30 October 2017
6. Expected date of admission of the securities to listing	30 October 2017
7. Expected date of commencement of trading in the securities	31 October 2017

7.2 TERMS AND CONDITIONS OF APPLICATION

The following terms and conditions shall be read in conjunction with all the other terms and conditions relative to and regulating the contractual relationship created between the Issuer and the Guarantor on the one hand and the Security Trustee and Bondholders on the other.

7.2.1 The issue and allotment of the Secured Bonds is conditional upon: (i) the Secured Bonds being admitted to the Official List of the MSE; and (ii) the Collateral being constituted in favour of the Security Trustee, in accordance with the provisions of the Security Trust Deed. In the event that either of the aforesaid conditions is not satisfied within 15 Business Days of the close of the Offer Period, any Application monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form.

7.2.2 Applications may be lodged with any Authorised Financial Intermediary by not later than 12:00 hours on 18 October 2017.

7.2.3 By submitting a signed Application Form, the Applicant is thereby confirming to the Issuer and the Authorised Financial Intermediary through whom the Application is made that: (i) the Applicant's remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured on its first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application. Furthermore the Applicant will not be entitled to receive a registration advice or to be registered in the register of Bondholders, unless the Applicant makes payment in cleared funds and such consideration is accepted by the respective Authorised Financial Intermediary (which acceptance shall be made in the Authorised Financial Intermediary's absolute discretion and may be on the basis that the Applicant indemnifies the Authorised Financial Intermediary against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of the Applicant's remittance to be honoured on first presentation).

7.2.4 The contract created by the Issuer's acceptance of an Application filed by a prospective Bondholder through an Authorised Financial Intermediary shall be subject to all the Terms and Conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer.

7.2.5 If an Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have duly bound his principal, or the relative corporation, corporate entity, or association of persons, and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such representative may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Issuer and the Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to appear on the Application Form.

7.2.6 In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each of the joint Applicants, and liability therefor is joint and several. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first-named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional Applicants" in the Application Form or joint holders in the register, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

7.2.7 In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner).

7.2.8 Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of 18 years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of 18 years.

7.2.9 The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.

7.2.10 No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.

7.2.11 It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

7.2.12 Subject to all other terms and conditions set out in the Prospectus, an Authorised Financial Intermediary reserves the right to reject, in whole or in part, or to scale down, any Application, including multiple or suspected multiple Applications, and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Authorised Financial Intermediary is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.

7.2.13 The Secured Bonds will be issued in multiples of €100. The minimum subscription amount of Secured Bonds that can be subscribed for by Applicants is €2,000. The completed Application Forms are to be lodged with any of the Authorised Financial Intermediaries. Submission of Application Forms must be accompanied by the full price of the Secured Bonds applied for, in Euro. Payment may be made either in cash or by cheque payable to the respective Authorised Financial Intermediary. In the event that any cheque accompanying an Application Form is not honoured on its first presentation, the Authorised Financial Intermediary reserves the right to invalidate the relative Application Form.

7.2.14 In the event that an Applicant has not been allocated any Bonds or has been allocated a number of Bonds which is less than the number applied for, the Applicant shall receive a full refund or, as the case may be, the balance of the price of the Bonds applied for but not allocated, without interest, by credit transfer to such account indicated in the Application Form, at the Applicant's sole risk within five Business Days from the date of final allocation. The respective Authorised Financial Intermediary or the Issuer shall not be responsible for any charges, loss or delay arising in connection with such direct credit transfer.

7.2.15 For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2008 (Legal Notice 180 of 2008, as subsequently amended), all Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the "Members' Code of Conduct" appended as Appendix 3.6 of the MSE Bye-Laws, irrespective of whether the Authorised Financial Intermediaries are Exchange Members or not. Such information shall be held and controlled by the Malta Stock Exchange in terms of the Data Protection Act (Cap. 440 of the Laws of Malta) for the purposes and within the terms of the MSE's data protection and privacy policy as published from time to time.

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

a agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the Guarantor and the issue of the Bonds contained therein;

b warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects and in the case where an MSE account number is indicated in the Application Form, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant;

c authorises the Issuer and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta). The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates;

d confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;

e agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta) and regulations made thereunder, and that such monies will not bear interest;

f agrees to provide the Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application;

g warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond or his/her Application;

h warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;

i represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;

j agrees that unless such Application is made with Charts Investment Management Service Limited as Authorised Financial Intermediary, Charts Investment Management Service Limited will not, in its capacity of Sponsor & Manager, treat the Applicant as its customer by virtue of such Applicant making an Application for the Bonds, and that Charts Investment Management Service Limited will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their suitability for the Applicant;

k agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form;

l renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds.

7.3 PLAN OF DISTRIBUTION AND ALLOTMENT

The Secured Bonds shall be allocated to Authorised Financial Intermediaries pursuant to placement agreements, details of which are included in section 7.4 below.

Subscriptions shall be made through any of the Authorised Financial Intermediaries, subject to a minimum subscription amount of €2,000 in nominal value of Secured Bonds and in multiples of €100 thereafter.

The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta), and regulations made thereunder. Such monies will not bear interest while retained as aforesaid.

Dealings in the Secured Bonds shall not commence prior to: (i) the Secured Bonds being admitted to the Official List; and (ii) the Collateral being constituted in favour of the Security Trustee.

7.4 PLACING AGREEMENT

The Issuer and the Guarantor have entered into placement agreements with Authorised Financial Intermediaries, whereby the Issuer and the Guarantor bound themselves to allocate the Secured Bonds to such Authorised Financial Intermediaries. The Authorised Financial Intermediaries in turn bound themselves to subscribe to a specified amount of Bonds subject to, and conditional upon, the Bonds being admitted to the Official List of the Malta Stock Exchange.

In terms of the placement agreements, Authorised Financial Intermediaries may subscribe for Secured Bonds for their own account or for the account of underlying customers, and shall in addition be entitled to either distribute to the underlying customers any portion of the Secured Bonds subscribed for upon commencement of trading, or submit Application Forms directly in the name of their underlying customers. In either case, subscription amounts made by Applicants through Authorised Financial Intermediaries, including those made under nominee, shall be in multiples of €100, subject to a minimum subscription amount of €2,000 in Bonds by each individual Bondholder/underlying customer.

Each placement agreement, which is subject to the terms of the Prospectus, will become binding on all parties thereto on the respective placement agreement date, subject to the Issuer having received all subscription proceeds in cleared funds on the placement date.

7.5 PRICING

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

7.6 ALLOCATION POLICY

The Issuer shall allocate the Secured Bonds to Authorised Financial Intermediaries pursuant to the placement agreements entered into with the Issuer and Guarantor, details of which can be found in section 7.4 above.

7.7 ADMISSION TO TRADING

i. The Listing Authority has authorised the Secured Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 25 September 2017.

ii. Application has been made to the Malta Stock Exchange for the Secured Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List of the Malta Stock Exchange.

iii. The Bonds are expected to be admitted to the Malta Stock Exchange with effect from 30 October 2017 and trading is expected to commence on 31 October 2017.

7.8 ADDITIONAL INFORMATION

Save for the financial analysis summary set out as Annex IV, the Securities Note does not contain any statement or report attributed to any person as an expert.

The financial analysis summary has been included in the form and context in which it appears with the authorisation of Charts Investment Management Service Limited of Valletta Waterfront, Vault 17, Pinto Wharf, Floriana, FRN 1913, Malta, which has given and has not withdrawn its consent to the inclusion of such report herein.

Charts Investment Management Service Limited does not have any material interest in the Issuer or Guarantor. The Issuer confirms that the financial analysis summary has been accurately reproduced in the Securities Note and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

ANNEX I – SPECIMEN APPLICATION FORM

Stivala Group Finance p.l.c.

€45,000,000 4% SECURED BONDS 2027

Please read the Notes overleaf before completing this Application Form. Mark 'X' if applicable.

Application number

A APPLICANT *(see notes 2 to 7)*

☐ Non-Resident ☐ Minor (under 18) ☐ Body Corporate/Body of Persons ☐ CIS-Prescribed Fund

B TITLE (MR/MRS/MS/….)	FULL NAME & SURNAME / REGISTERED NAME		
ADDRESS/ REGISTERED OFFICE			POSTCODE
MSE A/C NO. (IF APPLICABLE)	ID CARD / PASSPORT / COMPANY REG. NO.	TEL. NO.	MOBILE NO. *(mandatory for e-portfolio registration)*

☐ **Please register me for e-portfolio**

C ADDITIONAL (JOINT) APPLICANTS *(see note 4) (please use additional Application Forms if space is not sufficient)*

TITLE (MR/MRS/MS/….)	FULL NAME & SURNAME	ID CARD / PASSPORT NO.
TITLE (MR/MRS/MS/….)	FULL NAME & SURNAME	ID CARD / PASSPORT NO.

D MINOR'S PARENTS / LEGAL GUARDIAN/S (see note 5) (to be completed ONLY if the Applicant is a minor)

TITLE (MR/MRS/MS/….)	FULL NAME & SURNAME	ID CARD / PASSPORT NO.
TITLE (MR/MRS/MS/….)	FULL NAME & SURNAME	ID CARD / PASSPORT NO.

E I/WE APPLY TO PURCHASE AND ACQUIRE *(see notes 8 and 9)*

AMOUNT IN FIGURES €	AMOUNT IN WORDS

Stivala Group Finance p.l.c. 4% Secured Bonds 2027 (the "Bonds") (minimum €2,000 and in multiples of €100 thereafter) at the Bond Issue Price (at par), as defined in the Prospectus dated 25 September 2017 (the "**Prospectus**"), payable in full upon application under the Terms and Conditions of the Bonds as set out in the Prospectus.

F RESIDENT - WITHHOLDING TAX DECLARATION *(see note 10 and 11a) (to be completed ONLY if the Applicant is a Resident of Malta)*

☐ I/We elect to have Final Withholding Tax deducted from my/our interest.

☐ I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).

G NON-RESIDENT – DECLARATION FOR TAX PURPOSES (see note 3, 11 & 11a) *(to be completed ONLY if the Applicant is a Non-Resident)*

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

☐ I/We am/are **NOT** Resident in Malta but I/we am/are Resident in the European Union.

☐ I/We am/are **NOT** Resident in Malta and I/we am/are **NOT** Resident in the European Union.

H INTEREST AND REDEMPTION MANDATE *(see note 12) (completion of this panel is MANDATORY)*

BANK	IBAN

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

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

Date

Authorised Financial Intermediary's Stamp

Authorised Financial Intermediary's Code

NOTES ON HOW TO COMPLETE THIS APPLICATION FORM AND OTHER INFORMATION

The following notes are to be read in conjunction with the Prospectus dated 25 September 2017 regulating the Bond Issue

1. This Application is governed by the Terms and Conditions of the Application contained in Section 7.2 of the Securities Note dated 25 September 2017 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.

2. The Application Form is to be completed in BLOCK LETTERS.

3. Applicants who are Non-Residents in Malta for tax purposes, must indicate their passport number in Panel B and complete Panel G. The relative box in Panel A must also be marked appropriately.

4. Applicants are to insert full personal details in Panel B. In the case of an Application by more than one person (including husband and wife) full details of all individuals, including I.D. card numbers, must be given in Panels B and C **but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 7 below).**

   Upon submission of an Application Form, Bondholders who opt to have an online e-Portfolio facility (by marking the relative box in Panel B), will receive by mail at their registered address a handle code to activate the new e-Portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to Secured Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on https://eportfolio.borzamalta.com.mt/. Further details on the e-portfolio are found on https://eportfolio.borzamalta.com.mt/Help.

5. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. The relative box in Panel A must also be marked appropriately. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.

6. In the case of a body corporate, the name of the entity exactly as registered, and the registration number are to be inserted in Panel B. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.

7. **APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MSE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THIS APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE EFFECTED.**

8. Applications must be for a minimum of €2,000 and thereafter in multiples of €100.

9. Applications must be accompanied by the relevant subscription amount in Euro.

10. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will be obliged to declare interest so received in the tax return. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a prescribed fund (having indicated their status in the appropriate box in Panel A) will have final withholding tax (currently 10%), deducted from interest payments.

    In terms of Section 6.2 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of Article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of final withholding tax,(currently 15%) of the gross amount of interest, pursuant to Article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta).

11. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.

    11a. The contents of Notes 10 and 11 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.

12. Interest and redemption proceeds will be credited to the account indicated in Panel H or as otherwise amended by the Bondholder/s during the term of the Bond.

13. Authorised Financial Intermediaries are to submit completed Application Forms representing the total amount committed in terms of the Placement Agreement as mentioned in Section 7.4 of the Securites Note by latest 14:00 on 18 October 2017. The Issuer reserves the right to refuse any Application which appears to be in breach of the Terms and Conditions of the Application as contained in the Prospectus.

14. By completing and delivering an Application Form you (as the Applicant(s)) acknowledge that:

    a. the Issuer may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);

    b. the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and

    c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds on offer will be repayable in full upon redemption. An investor should consult an independent financial advisor, licensed under the Investment Services Act (Cap. 370 of the Laws of Malta), for advice.

ANNEX I I – AUTHORISED FINANCIAL INTERMEDIARIES

NAME	ADDRESS	TELEPHONE
Bank of Valletta p.l.c.	BOV Centre, Cannon Road, St Venera SVR 9030	22751732
Calamatta Cuschieri Investment Services Ltd	Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034	25688130
Charts Investment Management Service Ltd	Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913	21224106
FINCO Treasury Management Ltd	Level 5, The Mall Complex, The Mall, Floriana FRN 1470	21220002
Jesmond Mizzi Financial Advisors Ltd	67/3 South Street, Valletta VLT 1105	23265696
Mediterranean Bank plc	10, St Barbara Bastion, Valletta VLT 1961	25574400
Michael Grech Financial Investment Services Ltd	The Brokerage, Level 0A St Marta Street, Victoria VCT 2550, Gozo	21554492

ANNEX I I I – THE GUARANTEE

Carmelo Stivala Group Limited

143, The Strand, Gzira, Malta

To: CSB Trustees and Fiduciaries Limited
The Penthouse, Tower Business Centre
Tower Street, Swatar, Birkirkara,
MALTA
(hereinafter together with its lawful successors and assigns referred to as the "Security Trustee").

25 September 2017

Dear Sirs,

Re: GUARANTEE & INDEMNITY

We, Carmelo Stivala Group Limited, a company registered in Malta and bearing company registration number C 62652 (hereinafter together with lawful successors and assigns referred to as the "Guarantor"), having noted that:

I. by virtue of a prospectus dated 25 September 2017 issued by Stivala Group Finance p.l.c. (the "**Issuer"**) in connection with the issue of €45,000,000 4% Secured Bonds 2027 (as the same may be amended, varied or supplemented hereinafter referred to as the "**Prospectus**") the Issuer shall, under the joint and several guarantee of the Guarantor, issue up to €45,000,000 in Secured Bonds at an annual interest rate of 4% to be redeemed and finally repaid on 18 October 2027 subject to the terms and conditions of the Prospectus (the "**Secured Bonds**"), a copy of which is hereto attached and marked "**Annex I**";

II. the majority of the Guarantor's shares are owned by the Issuer;

III. it is a condition precedent for the issuance of the Secured Bonds that, *inter alia*, the Guarantor executes and grants this Guarantee and Indemnity (hereinafter referred to as "**Guarantee**") of the obligations of the Issuer above referred to in favour of the Security Trustee; and

IV. the Guarantor has agreed to the conclusion and execution of this Guarantee in favour of the Security Trustee.

NOW, THEREFORE, THE GUARANTOR IS HEREBY COVENANTING IN FAVOUR OF THE SECURITY TRUSTEE AS FOLLOWS:

1. INTERPRETATION

In this Guarantee, unless the context otherwise requires:

(a) terms and expressions defined in or construed for the purposes of the Prospectus shall have the same meanings or be construed in the same manner when used in this Guarantee, unless defined otherwise in this Guarantee;

(b) "**Indebtedness**" means any and all moneys, obligations and liabilities now or hereafter due, owing or incurred by the Issuer under the Secured Bonds to the Bondholders (whether alone and/or with others) in terms of the Prospectus and in any and all cases whether for principal, interests, capitalised interests, charges, disbursements, or otherwise and whether for actual or contingent liability;

(c) "**writing**" or "**in writing**" shall mean any method of visual representation and shall include facsimile transmissions, telexes and other such electronic methods.

2. GUARANTEE

2.1 COVENANT TO PAY

In satisfaction of the conditions precedent for the issuance of the Secured Bonds, and in consideration of the Bondholders acquiring the Secured Bonds, the Guarantor, as duly authorised, without proof of liability or evidence and as primary obligor, hereby jointly and severally with the Issuer, unconditionally and irrevocably guarantees to the Security Trustee, for the benefit of Bondholders the payment of, and undertakes on first demand in writing made by the Security Trustee on the Guarantor, to pay the Indebtedness to the Security Trustee or any balance thereof at any time due or owing under the Secured Bonds.

2.2 MAXIMUM LIABILITY

This is a continuing Guarantee for the whole amount due or owing under the Secured Bonds or which may hereafter at any time become due or owing under the Secured Bonds by the Issuer but the amount due by the Guarantor to the Security Trustee under this Guarantee shall be up to and shall not be in excess of €45,000,000 apart from interests due up to the date of payment and costs and expenses relating to the protection, preservation, collection or enforcement of the Security Trustee's rights against the Issuer and/or the Guarantor which shall be additional to the maximum sum herein stated.

2.3 INDEMNITY

As a separate and independent stipulation, the Guarantor agrees to indemnify the Security Trustee on demand for any damages, losses (excluding loss of profit), costs and expenses arising from any failure on the part of the Issuer to perform any obligation to the Security Trustee and the Guarantor so agrees to indemnify the Security Trustee even in the event that any obligation of the Issuer to the Security Trustee is invalid or ceases to be valid and enforceable against the Issuer for any reason whatsoever including, but without limitation, any legal limitation or any disability or incapacity of the Issuer. In such an event the Guarantor shall be liable towards the Security Trustee as if that obligation was fully valid and enforceable and as if the Guarantor was the principal debtor in respect thereof and shall pay all sums due to the Security Trustee within seven days of a demand in writing by the Security Trustee.

3. CONTINUING AND UNCONDITIONAL LIABILITY

The liability of the Guarantor under this Guarantee shall be continuing until such time as the Indebtedness is fully repaid and shall in no way be prejudiced or effected, nor shall it in any way be discharged or reduced by reason of:

(a) the bankruptcy, insolvency or winding up of the Issuer; or

(b) the incapacity or disability of the Issuer or any other person liable for any reason whatsoever; or

(c) any change in the name, style, constitution, any amalgamation or reconstruction of either the Issuer, or any Guarantor; or

(d) the Security Trustee conceding any time or indulgence, or compounding with, discharging, releasing or varying the liability of the Issuer or any other person liable or renewing, determining, reducing, varying or increasing any accommodation or transaction or otherwise dealing with the same in any manner whatsoever or concurring in, accepting or in any way varying any compromise, composition, arrangement or settlement or omitting to claim or enforce or exact payment from the Issuer or any other person liable; or

(e) any event, act or omission that might operate to exonerate the Guarantor without settlement in full of the Indebtedness towards the Security Trustee.

The Security Trustee is being expressly authorised to vary the Prospectus and/or modify the Indebtedness or to release or modify any guarantees or any security the Security Trustee may hold as security for the Indebtedness and this without the need of any prior or subsequent notice to the Guarantor and without any prejudice to the rights of the Security Trustee hereunder. The Guarantor is also hereby expressly consenting to any assignments and transfers made by the Issuer in accordance with the Prospectus and this without the need of any prior or subsequent notice to the Guarantor and without any prejudice to the rights of the Security Trustee hereunder.

4. WAIVER OF THE GUARANTOR'S RIGHTS AND THE GUARANTOR'S WARRANTIES

4.1 This Guarantee shall be for the full amount of the Indebtedness due from time to time. The liability of the Guarantor under this Guarantee shall be decreased from time to time to the extent, if any, that the Issuer or the Guarantor shall have made any irrevocable payment of the Indebtedness.

4.2 Until the Indebtedness has been paid in full the Guarantor agrees that it will not, without the prior written consent of the Security Trustee,

(a) exercise any rights of subrogation, reimbursement and indemnity against the Issuer or any other person liable for the Indebtedness;

(b) demand or accept repayment, in whole or in part, of any indebtedness now or hereafter due to the Guarantor either from the Issuer or from any other person liable for the Indebtedness or demand any collateral in respect of same or dispose of same;

(c) take any step to enforce any right against the Issuer or any other person liable for the Indebtedness;

(d) claim any set-off or counter-claim against the Issuer or any other person liable for the Indebtedness nor shall the Guarantor claim or prove in competition with the Security Trustee in the liquidation of the Issuer or any other person liable for the Indebtedness or benefit or share any payment from or in composition with the Issuer or any other person liable for the Indebtedness.

4.3 Subject to the overriding provisions of the Prospectus until the Indebtedness has been paid in full the Guarantor further agrees that:

(a) if an Event of Default under the Prospectus occurs, any sums which may be received by it from the Issuer or any person liable for the Indebtedness shall be held by it on trust exclusively for the Security Trustee and shall be paid to the Security Trustee immediately upon demand in writing or immediately after its receipt if such obligation arises from the documents executed by the Issuer in connection with the Prospectus;

(b) all rights of relief and subrogation arising in favour of the Guarantor upon a partial payment to the Security Trustee against the Issuer and any other person who may be liable for the Indebtedness, including any co-guarantors, shall be suspended;

(c) the Security Trustee may and shall receive and retain the whole of the liquidation dividends to the exclusion of the rights (if any) of the Guarantor in competition with the Security Trustee and pursuant to the above the Security Trustee is entitled to hold all payments made by the Guarantor or the Issuer on account of the Indebtedness in suspense for a period of six months from the date of payment and any such payments on account shall not be applied in reduction of the Indebtedness for a period of six months as stated. The Security Trustee may accordingly prove for the whole Indebtedness of the Issuer in liquidation after excluding any and all payments made within a period of six months prior to the liquidation of the Issuer;

(d) the Security Trustee shall not be required to exhaust any remedy or remedies it may have against the Issuer or other persons who may be liable for the Indebtedness for the settlement of all the Indebtedness before claiming against the Guarantor under this Guarantee which is to be construed as entirely independent from the relationship between the Security Trustee and the Issuer and providing immediate recourse against the Guarantor under this Guarantee. The Guarantor hereby waives any benefit of discussion or division which may be available under any applicable law.

5. APPROPRIATION OF PAYMENTS

The Security Trustee is entitled to appropriate payments received by it from the Issuer towards the credit of the Collateral Account or such other purposes contemplated in the Prospectus.

6. SETTLEMENTS CONDITIONAL

Any release, discharge or settlement between the Guarantor and the Security Trustee shall be conditional upon no security, disposition or payment to the Security Trustee by the Issuer or the Guarantor or any other third party liable to being void or set aside for any reason whatsoever and if, for any reason whatsoever, this condition is not fulfilled, such release, discharge or settlement shall be of no effect whatsoever and this Guarantee shall again come into force for all effects and purposes of law.

7. ADDITIONAL GUARANTEE

This Guarantee is to be construed as being in addition to and in no way prejudicing any other securities or guarantees which the Security Trustee may now or hereafter hold from or on account of the Issuer and is to be binding on the Guarantor as a continuing Guarantee until full and final settlement of all the Issuer's indebtedness towards the Security Trustee. Moreover, the remedies provided in this Guarantee are cumulative and are not exclusive of any remedies provided by law.

8. BENEFIT OF THIS GUARANTEE AND NO ASSIGNMENT

8.1 This Guarantee is to be immediately binding upon the Guarantor for the benefit of the Security Trustee and the liability hereunder is not subject to any conditions as to additional security being received by the Security Trustee or otherwise.

8.2 The Guarantor shall not be entitled to assign or transfer any of its obligations under this same Guarantee.

9. REPRESENTATIONS AND WARRANTIES

9.1 The Guarantor represents and warrants:-

(i) that it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business;

(ii) that it has power to grant this Guarantee and that this Guarantee is duly authorised and all corporate action has been taken by the Guarantor in accordance with its deeds of constitution and the laws of its incorporation and regulation;

(iii) that this Guarantee constitutes and contains valid and legally binding obligations of the Guarantor enforceable in accordance with its terms;

(iv) that this Guarantee does not and will not constitute default with respect to or run counter to any law, by-law, articles of incorporation, statute, rule, regulation, judgment, decree or permit to which the Guarantor is or may be subject; or any agreement or other instrument to which the Guarantor is a party or is subject or by which it or any of its property is bound;

(v) that this Guarantee shall not result in or cause the creation or imposition of or oblige the Guarantor to create any encumbrance on any of that Guarantor's undertakings, assets, rights or revenues;

(vi) that it is in no way engaged in any litigation, arbitration or administrative proceeding of a material nature and nor is it threatened with any such procedures;

(vii) that, save for any other priority and preference created by virtue of the Deed of Hypothec, the obligations binding it under this Guarantee rank at least *pari passu* with all other present and future unsecured indebtedness of the Guarantor with the exception of any obligations which are mandatorily preferred by law;

(viii) that it is not in breach of or in default under any agreement relating to indebtedness to which it is a party or by which it may be bound nor has any default occurred in its regard;

(ix) that all the information, verbal or otherwise tendered in connection with the negotiation and preparation of this Guarantee is accurate and true and there has been no omission of any material facts;

(x) that the granting of this Guarantee is in the commercial interest of the Guarantor and that the Guarantor acknowledges that it is deriving commercial benefit therefrom.

9.2 As from the date of this Guarantee, until such time as the Indebtedness is paid in full to the Security Trustee, and for as long as this Guarantee shall remain in force, the Guarantor shall hold true, good and valid all the representations and warranties given under this clause.

10. DEMANDS AND PAYMENTS

10.1 All the Indebtedness shall be due by the Guarantor under this Guarantee as a debt, certain, liquidated and due on the seventh day following the Security Trustee's first written demand to the Guarantor to pay. All demands shall be sent to the address or facsimile or other numbers as are stated below in Article 11 as the same may be changed by notice in writing by one party to the other.

The demand shall be accompanied by a statement by the Security Trustee confirming that to the best of its knowledge there exist, at the time of the demand, circumstances which constitute an Event of Default or such that may render the underlying obligations of the Issuer to the Security Trustee or any security document invalid and unenforceable for any reason whatsoever.

It is expressly agreed that the requirement of such statement is not a condition of liability of the Guarantor under this Guarantee and is entirely without prejudice to the on demand nature of this Guarantee. Any disagreement by the Guarantor as to the contents of the statement shall not entitle the Guarantor to delay or interrupt the payment of the sum due under this Guarantee for any reason whatsoever.

10.2 The statement by the Security Trustee of the amount due under this Guarantee shall be binding on the Guarantor and shall be conclusive evidence of the sum due, saving only manifest error.

10.3 All payments shall be made to the Security Trustee without any withholding for taxes (and in so far as this obligation exists under any law the payment shall be grossed up by the amount of withholding) and without set-off for any amounts which may be then owing to the Guarantor by the Issuer or the Security Trustee. The Guarantor authorises the Security Trustee to apply any credit balance the Guarantor may have with the Security Trustee towards the satisfaction of the Indebtedness. The Security Trustee shall notify the Guarantor forthwith of the exercise of this right giving full details relating thereto.

11. NOTICES

Any notice required to be given by any party hereto to the other party shall be deemed to have been validly served if delivered by hand or sent by pre-paid registered letter through the post or by facsimile to such other party at his address given herein or such other address as may from time to time be notified to the other party for this purpose and any notice so served shall be deemed to have been served, if delivered by hand, at the time of delivery, or if by post, seven days after posting and if by facsimile, at the time of transmission of the facsimile.

For the purposes of this Guarantee, the proper addresses and facsimile numbers of the Parties are:

Stivala Group Finance p.l.c.
Address: 143, The Strand, Gzira, Malta
Tel. No.: 2264 1516
Fax No.: 2134 6212
Contact Person: Michael Stivala

Carmelo Stivala Group Limited
Address: 143, The Strand, Gzira, Malta
Tel. No.: 2264 1516
Fax No.: 2134 6212
Contact Person: Michael Stivala

CSB Trustees and Fiduciaries Limited

Address:	The Penthouse, Tower Business Centre, Tower Street, Swatar Birkirkara, Malta
Tel. No.:	2557 2557
Fax No.:	2557 2558
Contact Person:	Davinia Cutajar

Provided that each party may at any time change such address or telefax number by giving seven days' prior written notice to the other party. Every notice, request, demand, letter or other communication hereunder shall be in writing and shall be delivered by hand or by post or through any other communication methods including telex, telefax or otherwise and shall be deemed to be received in case of post within seven days of dispatch or in case of other methods immediately upon confirmed transmission.

12. APPLICABLE LAW AND JURISDICTION

This Guarantee shall be governed by and construed in accordance with Maltese law.

Any dispute, controversy or claim arising out of or relating to this Guarantee or as to the interpretation, validity, performance or breach thereof shall be referred to and finally resolved by arbitration under the UNCITRAL Rules of Arbitration in accordance with the provisions of Part V (International Arbitration) of the Arbitration Act (Cap. 387 of the Laws of Malta). Any arbitration commenced pursuant to this clause shall take place in Malta and be administered by the Malta Arbitration Centre. The number of arbitrators shall be three, one arbitrator to be appointed by each of the Parties or, in default, by the Malta Arbitration Centre, whereas the third arbitrator shall be appointed by the first two arbitrators or, if they fail to agree on such an appointment, by the Malta Arbitration Centre. No appeal shall lie from any such award given.

Yours faithfully,

The original copy has been signed by

____

Name: Michael Stivala
duly authorised, for and on behalf of
Carmelo Stivala Group Limited

WE ACCEPT.

The original copy has been signed by

____

Name: Davinia Cutajar and Michael Zammit
duly authorised, for and on behalf of
CSB Trustees and Fiduciaries Limited

Financial Analysis Summary
25 September 2017

Issuer Stivala Group Finance p.l.c.

Guarantor Carmelo Stivala Group Limited

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PINTO WHARF ▪ FLORIANA FRN 1913 ▪ MALTA

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www.charts.com.mt ▪ info@charts.com.mt

The Directors
Stivala Group Finance p.l.c.
143, The Strand
Gzira GZR 1026

25 September 2017

Dear Sirs

Stivala Group Finance p.l.c. Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the 2017 Financial Analysis Summary (the "Analysis") set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Stivala Group Finance p.l.c. (the "**Group**" or the "**Company**"), and Carmelo Stivala Group Limited (the "**Guarantor**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the years ended 31 December 2014 to 31 December 2016 has been extracted from the audited financial statements of the two principal operating companies – Stivala Operators Limited and Stivala Properties Ltd.

(b) Historical financial data for the years ended 31 December 2014 to 2016 has been extracted from the audited financial statements of Carmelo Stivala Group Limited.

(c) The projections has been extracted from the pro forma forecast consolidated financial information of the Group for the year ending 31 December 2017 and the projected financial information of the Group for the year ending 31 December 2018.

(d) Our commentary on the results of the Company and the Guarantor, and on their respective financial position is based on the explanations provided by the Company.

(e) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 4 of the Analysis.

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

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

Wilfred Mallia
Director

CHARTS
WEALTH MANAGEMENT ▪ CORPORATE BROKING

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CHARTS
WEALTH MANAGEMENT ▪ CORPORATE BROKING

PART 1 – INFORMATION ABOUT THE GROUP

1. KEY ACTIVITIES

1.1 The Company

The Issuer was set up as the holding company and finance arm of the Group on 21 August 2017 and is the principal vehicle for further expansion of the Group's hospitality business and mixed use developments. The ultimate beneficial owners of the Issuer are the four Stivala brothers Martin John, Ivan, Michael and Carlo together with their direct descendants and families.

The Issuer holds 98% of the shares in the Guarantor that in turn holds the shares in the underlying operating Subsidiaries. The remaining 2% of the shares in the Guarantor are held by the Group's founder, Mr Carmelo Stivala.

1.2 The Guarantor

The Guarantor was established in November 2013 as the holding company of the Group and retained such status until the establishment of the Issuer as part of the rationalisation exercise of the Group over the past months in preparation of the Bond Issue. The majority of the shares in the Guarantor are owned by the Issuer.

The Guarantor now acts as the Group's property holding company and owns almost all of the Group's immovable property, which property is subsequently leased to and operated by the Subsidiaries.

1.3 Historical Development of the Group

The Group's business has evolved over a number of years, dating back to its origins in 1979 when Carmelo Stivala founded C. Stivala & Sons Limited (C 4510) with the object of providing construction and development of real estate to personal and corporate customers. Over the years the Group shifted its focus from an exclusively construction company to a developer of real estate, through the acquisition of real estate, development of those sites and their operation through leases of commercial and residential properties and hotel accommodation. Since 1979, the Group continued to grow and acquired a significant portfolio of real estate. Initially, the strategy was to acquire real estate and apply the Group's experience and expertise in the construction industry, from where it started, to develop and finish those properties with a view to generating revenues from long-term leases of commercial and residential properties whilst retaining the real estate on balance sheet and benefiting from the residual values of the real estate. The Group's strategy was further diversified in 1998 when Stivala Operators Limited was set up with its principal activity to move into the operation of hotels, hostels and short-let accommodation.

Currently, the Group owns and operates two hotels in the 3 star segment (namely, Sliema Hotel and Bayview Hotel), 10 properties comprising hostels and residential apartments for short-let accommodation, and *circa* 54 properties consisting of residential units, commercial space and retail outlets for long-term letting.

2. DIRECTORS AND KEY EMPLOYEES

2.1 The Company

The Company is managed by a Board consisting of seven directors entrusted with its overall direction and management.

Board of Directors

Michael Stivala	Executive Chairman
Martin John Stivala	Executive Director
Carlo Stivala	Executive Director
Ivan Stivala	Executive Director
Francis Gouder	Independent Non-executive Director
Ann Marie Agius	Independent Non-executive Director
Joseph Brincat	Independent non-executive Director

The executive directors are entrusted with the Company's day-to-day management and are also directors or officers of other companies within the Group.

2.2 The Guarantor

The Guarantor is managed by a Board of Directors entrusted with its overall direction and management, and is composed as follows:

Board of Directors

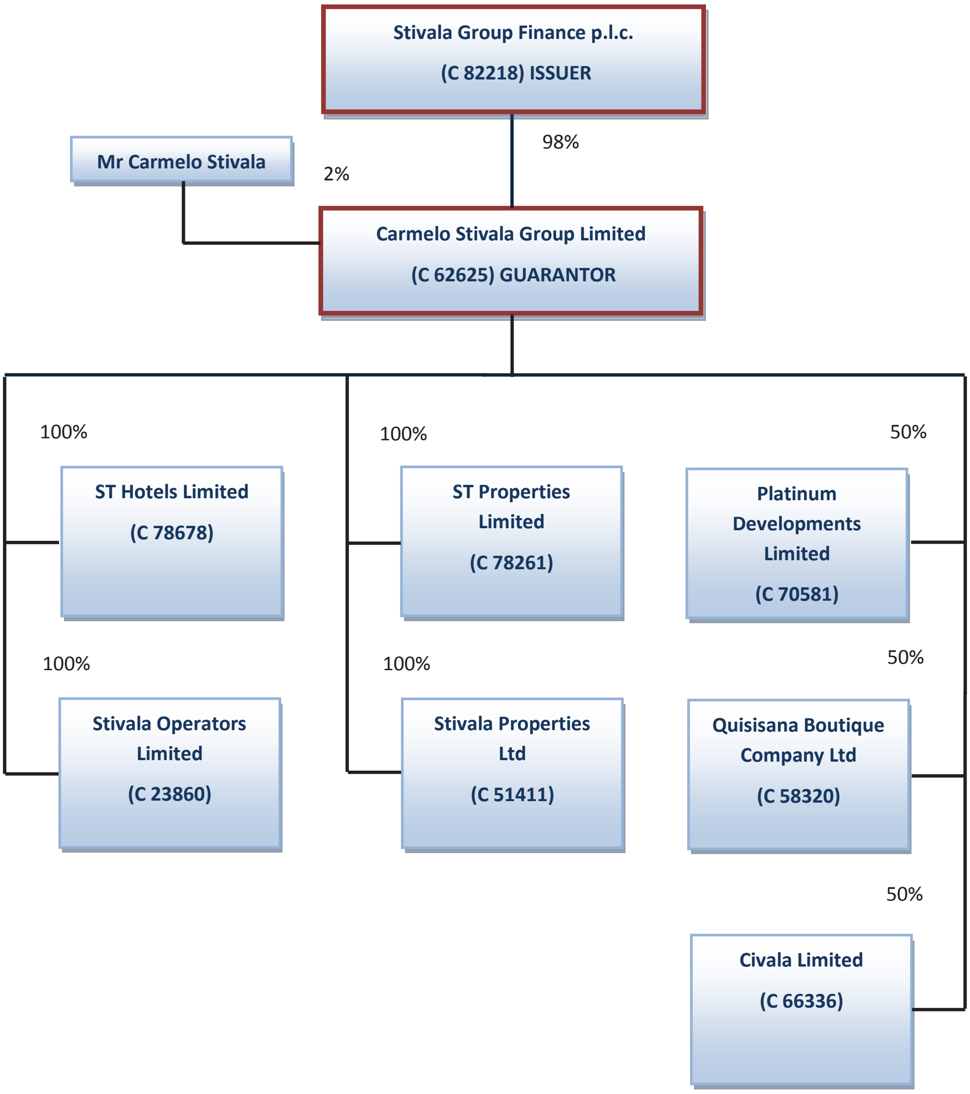
Martin John Stivala	Executive Director
Michael Stivala	Executive Director
Carlo Stivala	Executive Director
Ivan Stivala	Executive Director

2.3 Key Employees of the Group

The key members of the Group's management team, apart from the executive directors, are Rudi Xuereb (Group Financial Controller) and Rebecca Stivala (Group Accounts Manager). The Issuer does not have any employees of its own. As at 31 August 2017, the Group employed 95 full-time members of staff, and 10 part-time employees.

3. ORGANISATIONAL STRUCTURE

The organisational structure of the group is illustrated in the diagram below:



The Group conducted a re-organisation over the course of 2016 and 2017 in preparation of the Bond Issue. ST Hotels Ltd (C 78678) and ST Properties Ltd (C 78261) were established as private limited liability companies on 16 December 2016 and 23 November 2016 respectively as subsidiaries within the Group and which have the majority of this shares indirectly owned by the Issuer.

The initial step in the restructuring process entailed the transfer of operations from Stivala Operators Limited (C 23860) and Stivala Properties Ltd (C 51411), these being subsidiary companies of C. Stivala & Sons Limited (C 4510) (a company which is not reflected in the above chart), to the Group. As such, ST Hotels Ltd acquired from Stivala Operators Limited the business, operations, assets and the benefit of all contracts previously pertaining to Stivala Operators Limited, with effect from 1 January 2017. Furthermore, ST Properties Ltd acquired from Stivala Properties Ltd the latter's business, operations and assets with effect from 1 January 2017. Accordingly, as from 1 January 2017, Stivala Operators Limited and Stivala Properties Limited ceased all trading and operating activities and it is intended that both companies will be liquidated in the near future.

Pursuant to the above, C. Stivala & Sons Limited (which is the parent company of two non-operating subsidiary companies – Stivala Operators Limited and Stivala Properties Ltd - as explained hereinabove), was amalgamated into the Guarantor in terms of a merger process that was finalised during the third quarter of 2017. C. Stivala and Sons Limited previously served as one of the main property holding companies of the Group and therefore following the said merger, the Guarantor now acts as the principal property-holding company of the Group. The operation of the properties is subsequently undertaken by other Group companies, namely:

- **ST Properties Ltd** in connection with the commercial and residential properties, which ST Properties Ltd then sub-leases and operates by entering into agreements with third parties; and

- **ST Hotels Ltd** in connection with hotels and hostels or guesthouses, which ST Hotels Ltd then operates in its own name and for its own risk and benefit.

The Group also has two operating associate companies, both of which are involved in the Group's main activities of leasing commercial and residential properties. Platinum Developments Ltd (C 70581) owns and operates leases of three residential units and one office on the Sliema Seafront, whilst Quisisana Boutique Company Ltd (C 58320) is engaged in leasing residential and commercial properties to third parties. It operates a block of 18 apartments, 37 garages and one office situated on the Qui-Si-Sana Seafront in Sliema. A third associate company of the Group, Civala Limited (C 66336), has yet to commence operational activities.

4. BUSINESS OVERVIEW OF THE GROUP

4.1 Principal Activities

The Issuer does not have any trading record, and was established as the holding company and finance arm of the Group.

The Group's main business is the acquisition of real estate for long term investment purposes, principally in the Gzira, Sliema and St Julian's areas. Once acquired, the Group is engaged in the development or re-development of those properties and their conversion into residential and commercial properties. All real estate is retained by the Group to generate rental revenues, both from short letting and tourist accommodation as well as from long-term residential, office and retail lets.

The Group has the following main areas of activity:

- **Ownership of real estate** – this consists of the identification of sites or real estate that can be developed for subsequent operation either as part of its hospitality operations or for residential or commercial letting;

- **Construction and development** – the Group undertakes the development and finishing of the real estate identified and acquired, thus allowing greater control by the Group over the costs and timelines of the developments undertaken;

- **Hospitality operations** – the Group operates properties intended for hospitality purposes consisting of hotels, hostels or apartments for short term accommodation;

- **Long-term letting operations** – comprises the letting over the longer term of commercial properties and residential properties owned by the Group.

Group revenue and earnings are derived primarily from the operation of owned hotels, hostels and short let apartments, which business was operated up to 31 December 2016 by Stivala Operators Limited. This business activity accounted for *circa* 80% of the Group's total revenue in 2016. Rentals generated from commercial and long let residential properties were, prior to 1 January 2017, operated by Stivala Properties Ltd.

With effect from 1 January 2017, as part of a Group re-organisation, each of ST Hotels Ltd and ST Properties Ltd acquired the business, operations and assets and liabilities of Stivala Operators Limited and Stivala Properties Ltd, which had undertaken the business of hospitality and property rental since their inception in 1998 and 2010 respectively.

4.2 Ownership of Real Estate

Until 31 December 2013, C. Stivala & Sons Limited served as one of the main property holding companies of the Group. Following the incorporation of the Guarantor on 14 November 2013, ownership of the Group's immovable property was split between C. Stivala & Sons Limited and the Guarantor. The Guarantor's ownership of the entire Group's real estate portfolio has now been consolidated following the merger of C. Stivala & Sons Limited into the Guarantor, which came into effect in September 2017. The Group now owns its real estate and properties primarily through the Guarantor, which is engaged principally in acquiring and developing the real estate of the Group.

All real estate owned by the Group is operated by the two principal operating subsidiaries – ST Hotels Ltd and ST Properties Ltd - that are responsible for the development and operation of the said real estate.

The Group has a total value of real estate, based on the latest valuation undertaken by Arch. Michael Falzon (dated 28 August 2017), in the region of **€141,022,000**. Further details on the real estate portfolio and the list of properties are included hereunder:

PROPERTIES IN COURSE OF DEVELOPMENT

Site at 47/48/49/50/51/52/53/54 Belvedere Street, Gzira (proposed "Azur Hotel")
This property currently has a permit for a 101 room hotel that is under construction (PA 1467/15). An application for an additional two floors comprising another 80 rooms has been submitted to the Planning Authority (TRK 190134). Development commenced in April 2017 and is expected to be completed by May 2018 at an estimated cost of €4,500,000. The property in caption is freehold and has been valued at a total amount of **€3,400,000**.

120, The Strand, Gzira
The property currently comprises a commercial block having *circa* 3,305m^2 of office space. In terms of Planning Authority permit PA 2591/16, alterations to the facade are currently underway, including the re-construction of the seventh floor and the development of the eighth and ninth floors into office space. Construction works commenced in May 2017 and should be concluded by October 2017 at an estimated cost of €2,500,000. The property in caption is freehold and has been valued at a total amount of **€12,286,000**.

PROPERTIES HELD FOR FUTURE DEVELOPMENT

Site at 26/28/30/32 and 50/52/56/58/60/62 Coleridge Street, Gzira and 116/117/118/119 Ponsonby Street, Gzira ("Proposed Montana Hostel")
This property currently has a permit for a 225 room hostel on part of the site (PA 0398/14). An application for its extension to include the whole site has been submitted to the Planning Authority (PA 5370/17). The development is expected to commence in 2020 and should be completed within a 12 to 15 month period, at an estimated cost of €3,500,000. The property in caption is freehold and has been valued at a total amount of **€5,200,000.**

Site for proposed 'ST Tower', Testaferrata Street, Ta' Xbiex
This property consists of a dilapidated block of flats on a site of 865m2 and is to be redeveloped as a commercial property with *circa* 7,300m^2 of office space. The Group has submitted an application to the Planning Authority, which is currently at review stage (reference number PA 2765/16). Subject to issuance of necessary Planning Authority permits, the Stivala Group expects to initiate development in 2019 and completion is set for 18 to 24 months thereafter. The estimated cost of development is circa €6,500,000. The property in caption is freehold and has been valued at a total amount of **€8,000,000**.

PROPERTIES USED FOR BUSINESS PURPOSES

Address	Current Use	Approx. Age of Property (years)	Tenure	Valuation (€)
Blubay Fleet Hostel, Fleet Street, Gzira	46 room hostel	10	Freehold	2,409,000
Moroni Residence, Moroni Street, Gzira	43 apartments (in addition, 6 garages, 4 parking spaces and 1 store are rented to third parties)	14	Freehold	2,987,000
Blubay Hotel, Ponsonby Street, Gzira	53 studio apartments (in addition, 1 restaurant and 1 shop are rented to third parties)	3	Freehold	4,480,000
Bring Apartments, Reid Street, Gzira	14 residential units (in addition, 11 garages and 1 shop are rented to third parties)	4	Freehold	3,197,000
Bayview Hotel, The Strand, Gzira	136 room 3-star hotel	12	Freehold	19,128,000
Charlie's Guest House, Valley Road, Msida	a guest house, 1 apartment and 3 garages	30	Freehold	1,500,000
Sliema Hotel, The Strand, Sliema	70 room 3-star hotel	40	Freehold	11,500,000
28/30/32/34/36, Reid Street, Gzira and 121 – 125, Cameron Street, Gzira	11 residential units (in addition, various small residential houses are rented to third parties)	18	Freehold	3,767,000
8, Reid Street, Gzira	3 residential units	6	Freehold	540,000
20, Coleridge Street, Gzira	2 residential units	15	Freehold	511,000
134/135, The Strand, Gzira	8 residential units (in addition, 4 shops are rented to third parties)	9	Freehold	2,720,000
153/154, The Strand, Gzira	11 residential units (in addition, 3 shops and 2 offices are rented to third parties)	9	Freehold	3,390,000
Tal-Balal Works Yard, Tal-Balal	plot of land situated outside development zone	2	Freehold	250,000
				56,379,000

CHARTS
WEALTH MANAGEMENT ▪ CORPORATE BROKING

PROPERTIES RENTED TO THIRD PARTIES

Address	Current Use	Approx. Age of Property (years)	Tenure	Valuation (€)
Moroni Residence, Moroni Street, Gzira *	6 garages, 4 parking spaces and 1 store	14	Freehold	-
51/55 Moroni Street, Gzira	10 residential units	10	Freehold	1,106,000
Blubay Hotel, Ponsonby Street, Gzira *	1 restaurant and 1 shop	10	Freehold	-
Bring Apartments, Reid Street, Gzira *	11 garages and 1 shop	4	Freehold	-
123, Ponsonby Street, Gzira	1 ground floor maisonette and garage	40	Freehold	158,000
28/30/32/34/36, Reid Street, Gzira and 121 – 125, Cameron Street, Gzira *	various small residential houses	40	Freehold	-
134/135, The Strand, Gzira *	4 shops	9	Freehold	-
153/154, The Strand, Gzira *	2 shops and 2 offices	9	Freehold	-
Valley Towers, Valley Road, Birkirkara	3 shops, 14 offices and 2 large garages	13	Freehold	1,948,000
91, Cameron Street, Gzira	1 maisonette	40	Freehold	19,000
110/112/114 Carlo Manche Street, Gzira	12 residential units and 1 large garage	2	Freehold	2,299,000
120 Carlo Manche Street, Gzira	1 maisonette	30	Freehold	105,000
14, Coleridge Street, Gzira	1 maisonette	30	Freehold	126,000
Petit Paradis, G. Bencini Street, Gzira	3 residential units and 1 garage	10	Freehold	1,650,000
14 – 19, Ponsonby Street, Gzira	7 residential units and 3 shops	5	Freehold	1,000,000
41 Ponsonby Street, Gzira	1 shop	7	Freehold	149,000
112, Ponsonby Street, Gzira	1 shop and basement	5	Freehold	174,000
306, Rue D'Argens, Gzira	1 shop	30	Freehold	134,000
Taj Mahal, 122, The Strand, Gzira	1 catering outlet with airspace	30	Freehold	597,000
136A, The Strand, Gzira	1 shop with kitchen and outdoor seating	10	Freehold	263,000
Waterline Residence, 176/177, The Strand, Gzira	2 shops and 6 residential units	12	Freehold	1,457,000
26/28/30/32, Coleridge Street, Gzira ^	2 residential units and 1 garage	30	Freehold	-
14, Reid Street, Gzira	1 shop	10	Freehold	193,000
44, Coleridge Street, Gzira	1 maisonette	40	Freehold	132,000
7, Reid Street, Gzira	1 shop	20	Freehold	193,000
101, Moroni Street, Gzira	8 residential units and 1 large garage	8	Freehold	1,604,000
165/166, The Strand, Gzira	1 shop and 6 residential units	7	Freehold	2,299,000
108/109, Ponsonby Street, Gzira	3 domestic stores, 3 residential units and 1 shop with basement	3	Freehold	562,000
2, Sir Patrick Stuart Street, Gzira	1 shop with basement	5	Freehold	140,000

PROPERTIES RENTED TO THIRD PARTIES (CONTINUED)

Address	Current Use	Approx. Age of Property (years)	Tenure	Valuation (€)
Bishop Caruana Mansions, 15, Bishop Caruana Street, Msida	5 garages, 11 residential units and 2 shops with basement	10	Freehold	1,158,000
Alavits Showroom, Bishop Caruana Street, Msida	showroom	10	Freehold	221,000
199, Conception Street, Msida	1 garage with trading licence	20	Freehold	61,000
43, New Street, Msida	a maisonette and a shop	2	Freehold	319,000
St Louis Mansions, St Louis Street, Msida	7 residential units and 1 garage	5	Freehold	1,966,000
Orchidea Apartments, Tal-Hriereb Street, Msida	10 residential units and 6 parking spaces	12	Freehold	2,545,000
Tal-Qroqq Mansions, Tal-Qroqq Street, Msida	4 residential units and 1 public service garage	14	Freehold	579,000
Tower Mansions, Tower Gate Street, Msida	12 residential units and 1 large garage with 16 car spaces	11	Freehold	1,983,000
Vista Point Residence Hostel, University Street, Msida	31 residential units, 1 shop, 1 garage, and an office	3	Freehold	4,967,000
Centre Point, Valley Road, Msida	1 shop and 4 offices	9	Freehold	579,000
122/122A, Home Space, Misrah il-Barrieri Street, Sta Venera	1 showroom, 1 large garage and 3 offices	13	Freehold	1,439,000
4/5, Pace Street, Sliema	13 residential units, 2 basement stores and 1 garage	1	Freehold	1,299,000
Margaret Island, 71, The Strand, Sliema	1 shop including kitchen and storage area	10	Freehold	1,106,000
Qui Si Sana Boutique Apartments, Qui Si Sana Seafront, Sliema	18 car spaces, 9 residential units and one half undivided share of office space	3	Freehold	10,800,000
14, Ta' Xbiex Sea Front, Msida	2 residential units and 1 shop	1	Freehold	316,000
Tigne Mansions, 44, Qui Si Sana Sea Front, Sliema	15 residential units and 4 garages	3	Freehold	1,580,000
41/42/43, The Strand, Sliema	3 residential units and 3 shops	3	Freehold	6,266,000
Waterline Front Place, 67, The Strand, Sliema	1 shop	15	Freehold	878,000
125, Fleet Street, Gzira	1 maisonette	40	Freehold	88,000
5, Ponsonby Street, Gzira	1 shop	30	Freehold	263,000
81/83/85/87, Carlo Manche Street, Gzira	9 residential units, 1 domestic store	3	Freehold	351,000
120, The Strand, Gzira #	10 levels of office space	15	Freehold	-
5, Coleridge Street, Gzira	1 terraced house	30	Freehold	53,000
169, The Strand, Gzira	1 maisonette	30	Freehold	123,000
162, The Strand, Gzira	1 shop	20	Freehold	509,000
				55,757,000

* *The property is partly used for business purposes and partly rented to third parties. As such, the full value of the said property is included under the heading "Properties used for business purposes".*

^ *The property forms part of the proposed Montana Hostel described in further detail under the heading "Properties held for future development".*

\# *The property valuation is included under the heading "Properties in course of development".*

4.3 Hospitality Operations

Hospitality operations during FY2014 to FY2016 were performed by Stivala Operators Limited. The financial information about Stivala Operators Limited is included in the audited financial statements of Stivala Operators Limited for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016. Set out below are highlights taken from the audited financial statements of Stivala Operators Limited for the financial years indicated hereunder:

STIVALA OPERATORS LIMITED
Income Statement

for the year ended 31 December	**2014 €'000**	**2015 €'000**	**2016 €'000**
Revenue	5,479	6,000	7,842
Hotels	2,031	2,107	3,155
Hostels and short let apartments	3,295	3,560	4,350
Commercial	153	333	337
Cost of sales	(2,959)	(4,260)	(3,813)
Gross profit	**2,520**	**1,740**	**4,029**
Other net operating costs	(481)	(605)	(1,267)
EBITDA[1]	**2,039**	**1,135**	**2,762**
Depreciation & amortisation	(1,113)	(946)	(948)
Operating profit	**926**	**189**	**1,814**
Gain on disposals/write offs of assets	4	11	1,586
Waiver of related company balance	-	-	(10,190)
Net finance costs	(29)	(13)	(33)
Profit/(loss) before tax	**901**	**187**	**(6,823)**
Taxation	127	155	(553)
Profit/(loss) for the year	**1,028**	**342**	**(7,376)**
Total comprehensive income/(expense)	**1,028**	**342**	**(7,376)**

[1]*EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.*

Key Accounting Ratios	**FY2014**	**FY2015**	**FY2016**
Gross profit margin *(Gross profit/revenue)*	46%	29%	51%
EBITDA margin *(EBITDA/revenue)*	37%	19%	35%
Net profit margin *(Profit after tax/revenue)*	19%	6%	n/a

Source: Charts Investment Management Service Limited

CHARTS
WEALTH MANAGEMENT ▪ CORPORATE BROKING

STIVALA OPERATORS LIMITED
Cash Flow Statement
for the year ended 31 December

	2014 €'000	2015 €'000	2016 €'000
Net cash from operating activities	1,538	5,301	(8,647)
Net cash from investing activities	3,057	(723)	9,031
Net cash from financing activities	(3,958)	(5,163)	(146)
Net movement in cash and cash equivalents	**637**	**(585)**	**238**
Cash and cash equivalents at beginning of year	(553)	84	(501)
Cash and cash equivalents at end of year	**84**	**(501)**	**(263)**

STIVALA OPERATORS LIMITED
Statement of Financial Position
as at 31 December

	2014 €'000	2015 €'000	2016 €'000
ASSETS			
Non-current assets			
Intangible assets	-	8	-
Investment property	20	-	-
Property, plant and equipment	8,620	8,399	-
Deferred taxation	387	554	-
	9,027	8,961	-
Current assets			
Inventories	10	13	15
Trade and other receivables	6,046	1,109	855
Current tax assets	252	-	-
Cash and cash equivalents	257	4	40
	6,565	1,126	910
Total assets	**15,592**	**10,087**	**910**
EQUITY			
Capital and reserves			
Share capital	2	2	2
Reserves	4,825	4,825	4,825
Retained earnings	4,683	-	(7,376)
	9,510	4,827	(2,549)
LIABILITIES			
Non-current liabilities			
Borrowings	384	238	85
Other non-current liabilities	44	29	15
	428	267	100
Current liabilities			
Bank overdraft	173	505	303
Borrowings	138	146	152
Other current liabilities	5,343	4,342	2,904
	5,654	4,993	3,359
	6,082	**5,260**	**3,459**
Total equity and liabilities	**15,592**	**10,087**	**910**

Revenue in **FY2014** amounted to €5.5 million, primarily generated from the operation of the Bayview Hotel, Blubay Hotel and Blubay Fleet Hostel.

The Bayview Hotel is a 3 star 136-room hotel situated on the seafront promenade at The Strand, Gzira. The rooms are equipped with en-suite bathrooms, wi-fi, and other amenities. The property includes a wellness centre, indoor and outdoor pools, a gym and catering outlets.

The Blubay Hotel comprises 54 self catering apartments and is located in Ponsonby Street, Gzira, whilst the Blubay Fleet Hostel consists of 53 self catering apartments situated in Fleet Street, Gzira. Both properties are in close proximity to the Bayview Hotel and as such, guests can make use of the hotel's facilities.

In FY2014, Stivala Operators Limited registered an EBITDA of €2.0 million. After taking into account depreciation & amortisation, net finance costs and taxation, the company reported a profit after tax amounting to €1.0 million.

Revenue in **FY2015** amounted to €6.0 million, an increase of €0.5 million (+9.5%) from a year earlier. The year-on-year growth in revenue was mainly attributable to higher achieved room rates for the hotel; an increase in income from short let apartments and the inclusion of the Waterline Residence situated at The Strand, Gzira, and which comprises five residential units.

EBITDA for the aforesaid financial year amounted to €1.1 million, a decrease of €0.9 million when compared to FY2014. EBITDA for FY2015 was adversely affected by a one off expense amounting to €1.0 million, being arrears relating to water & electricity. Profit for the year amounted to €0.3 million (FY2014: €1.0 million).

Revenue in **FY2016** increased by €1.8 million (+30.7%), from €6.0 million in FY2015 to €7.8 million. In May of the reviewed financial year, Stivala Operators Limited commenced operating the Sliema Hotel, a 70-room 3 star seafront hotel located at The Strand, Sliema. All rooms at the Sliema Hotel are spacious and comprise various amenities such as free wi-fi, satellite TV and en-suite bathroom. Revenue generated from hotels amounted to €3.2 million from €2.1 million in FY2016. The increase of €1.1 million was primarily due to the inclusion of the Sliema Hotel in FY2016. Performance from hostels and short let apartments continued to improve and in FY2016, this sector registered a year-on-year increase of €0.8 million to €4.4 million.

Although FY2016 EBITDA increased from €1.1 million in FY2015 to €2.8 million, Stivala Operators Limited was adversely impacted by a one off item (consisting of a waiver of related company balance of €10.2 million) which resulted in a loss for the year of €7.4 million (FY2015: profit of €0.3 million). As described in section 4.3 above, in 2016, the business of Stivala Operators Limited was transferred to ST Hotels Limited as part of an intra-group exercise. The transaction comprised the transfer of net assets amounting to €10.2 million from Stivala Operators Limited to ST Hotels Limited. The resultant intra-group balances were written-off, wherein Stivala Operators Limited registered a charge in its income statement of €10.2 million, whilst ST Hotels Limited recorded a gain of the same amount.

HOTEL OPERATIONS (Bayview Hotel & Sliema Hotel)		FY2014	FY2015	FY2016
Turnover (€'000)		2,031	2,107	3,155
Gross operating profit (€'000)		654	687	1,227
Gross operating profit margin (%)		32	33	39
Available rooms		137	137	207
Available room nights (avalable rooms x 365 days)		50,005	50,005	75,555
Occupied room nights (available nights x occupancy)		43,004	43,504	61,200
Occupancy level (%)		86	81	81
Revenue per occupied room (RevPOR) (€)	(a)	47	52	52
Revenue per available room (RevPAR) (€)		41	42	42
Gross operating profit per available room (GOPAR) (€)	(b)	4,774	5,015	5,928
Benchmark performance				
Occupancy level (%)		68	78	78
Revenue per occupied room (RevPOR) (€)	(c)	56	56	59
Revenue per available room (RevPAR) (€)		38	44	46
Gross operating profit per available room (GOPAR) (€)	(d)	4,199	5,181	3,023
Revenue Generating Index (RGI)	(a)/(c)	0.84	0.93	0.88
Gross Operating Profit Generating Index (GOPGI)	(b)/(d)	1.14	0.97	1.96

Note 1: RevPOR is calculated by dividing turnover by occupied room nights.
Note 2: RevPAR is calculated by dividing turnover by avaiable room nights.
Note 3: GOPAR is calculated by dividing gross operating profit by available rooms.

Source: BOV MHRA Survey; Management information.

In FY2014 and FY2015, the Group operated the Bayview Hotel and generated revenue of €2.0 million and €2.1 million in each of the respective financial years. In May 2016, the Group acquired the Sliema Hotel and as a consequence revenue improved by 50% to €3.2 million. Gross operating profit increased on a yearly basis, from €0.7 million in FY2014 to €1.2 million in FY2016, and the GOP margin improved from 32% in FY2014 to 33% and 39% in FY2015 and FY2016 respectively.

In comparison to benchmark performance, the Group's occupancy level was higher than its competitive set (being the 3 star hotel category) in each of the three financial years, but RevPOR and RevPAR were lower than the benchmark results. Overall, the Group has generated lower revenue than its competitive set in the reviewed period, as indicated by the RGI being less than par. In contrast, the Group has generated a higher gross operating profit per available room when compared to the average 3-star sector, particularly in FY2016. In the said year, the Group registered GOPAR of €5,928 as compared to €3,023 generated by its competitive set (GOPGI of 1.96).

4.4 Property Rentals

Long lets of residential and commercial Group properties to third parties were administered during FY2014 to FY2016 by Stivala Properties Ltd. Such leases typically involve rental periods exceeding six months up to a maximum of eight years. Commercial properties principally comprise restaurants, retail outlets and office space.

The financial information about Stivala Properties Ltd is included in the audited financial statements of Stivala Properties Ltd for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016. Set out below are highlights taken from the audited financial statements of Stivala Properties Ltd for the financial years indicated overleaf:

CHARTS
WEALTH MANAGEMENT ▪ CORPORATE BROKING

STIVALA PROPERTIES LTD
Income Statement

for the year ended 31 December	**2014**	**2015**	**2016**
	€'000	**€'000**	**€'000**
Revenue	1,078	1,377	1,748
Commercial	595	656	821
Residential	483	721	927
Cost of sales	(580)	(567)	(393)
Gross profit	**498**	**810**	**1,355**
Other net operating costs	(10)	(31)	(18)
EBITDA[1]	**488**	**779**	**1,337**
Depreciation & amortisation	-	-	-
Operating profit	**488**	**779**	**1,337**
Net finance costs	-	-	-
Profit before tax	**488**	**779**	**1,337**
Taxation	(106)	(179)	(300)
Profit for the year	**382**	**600**	**1,037**
Total comprehensive income	**382**	**600**	**1,037**

[1]EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

KEY ACCOUNTING RATIOS	**FY2014**	**FY2015**	**FY2016**
Gross profit margin *(Gross profit/revenue)*	46%	59%	78%
EBITDA margin *(EBITDA/revenue)*	45%	57%	76%
Net profit margin *(Profit after tax/revenue)*	35%	44%	59%

Source: Charts Investment Management Service Limited

CHARTS
WEALTH MANAGEMENT ▪ CORPORATE BROKING

STIVALA PROPERTIES LTD
Cah Flow Statement
for the year ended 31 December

	2014	2015	2016
	€'000	€'000	€'000
Net cash from operating activities	287	605	1,071
Net cash from investing activities	95	-	-
Net cash from financing activities	(382)	(600)	(1,037)
Net movement in cash and cash equivalents	**-**	**5**	**34**
Cash and cash equivalents at beginning of year	1	1	6
Cash and cash equivalents at end of year	**1**	**6**	**40**

STIVALA PROPERTIES LTD
Statement of Financial Position
as at 31 December

	2014	2015	2016
	€'000	€'000	€'000
ASSETS			
Current assets			
Trade and other receivables	401	1,101	1,609
Cash and cash equivalents	1	6	40
	402	1,107	1,649
Total assets	**402**	**1,107**	**1,649**
EQUITY			
Capital and reserves			
Share capital	1	1	1
Retained earnings	-	-	-
	1	**1**	**1**
LIABILITIES			
Current liabilities			
Trade and other payables	351	955	1,380
Other current liabilities	50	151	268
	401	1,106	1,648
	401	**1,106**	**1,648**
Total equity and liabilities	**402**	**1,107**	**1,649**

Rents receivable in **FY2014** amounted to €1.1 million, 55% thereof generated from commercial leases whilst the remaining 45% was derived from residential long lets. Cost of sales amounted to €580,000 and represented rents payable to related parties. EBITDA for the reviewed year amounted to €488,000 and profit for the year totalled €382,000.

In **FY2015,** Stivala Properties Ltd increased revenue by 28% from €1.1 million in FY2014 to €1.4 million, principally due to an increase in the number of properties under management. As a result, EBITDA improved from €488,000 in FY2014 to €779,000 in FY2015. Profit for FY2015 amounted to €600,000 (FY2014: €382,000).

Further growth in revenue was registered in **FY2016** as Stivala Properties Ltd reported a year-on-year increase of 27% or €371,000 to €1.7 million. The aforesaid increase was due to an increase in the number of properties subject to long term lease agreements. Such improvement was also reflected in EBITDA, which increased from €779,000 in FY2015 to €1.3 million in FY2016. Stivala Properties Ltd registered a profit for the year of €1.0 million (FY2015: €600,000).

5. INVESTMENTS

The principal investments of the Group since 31 December 2016, being the date of the latest audited financial statements, are described below:

PROPOSED AZUR HOTEL

One of the Group Companies, ST Hotels Limited is currently developing a 101 room hotel in Belvedere Street, Gzira, as per Planning Authority Permit PA 01467/15. Development commenced in April 2017 and as at the date of this Report, the original buildings have been demolished and excavation works are near completion. An application has been submitted to the Planning Authority (TRK 190134) for the development of the additional two floors comprising a further 80 rooms, hence bringing the total to 181 rooms. Completion is targeted for May 2018. The proposed property is expected to cost *circa* €4.5 million and will be financed from the net proceeds of the Bond Issue.

120, THE STRAND, GZIRA

In 2016, the Group acquired a commercial property situated in 120, The Strand, Gzira, comprising circa 3,305m2 of net leasable area. In May 2017, the Group initiated works on the property, including alterations to the façade, re-construction of the seventh floor and development of the eighth and ninth floors (Planning Authority Permit PA 2591/16). Development is expected to be concluded by October 2017 at an estimated cost of €2.5 million, and will be funded from the Group’s cash resources.

196, MAIN STREET, ST JULIAN’S

In December 2015, the Group entered into a promise of sale agreement for the acquisition of a residential property, having a footprint measuring 430m^2 and located at 196, Main Street, St Julian’s. The Group plans to demolish the existing property and develop on same site a block consisting of nine luxury residential units, commercial space and garages for a total built up area of *circa* 2,735m^2. The proposed development is approved as per Planning Authority permits PA 2617/16 and PA 6442/17 6442/17.

The acquisition of the property and development thereafter is estimated to amount to €9.0 million in aggregate, which will be financed from net proceeds of the Bond Issue. Development is expected to start in late 2017 and be completed in late 2018.

OTHER INVESTMENTS

The Group intends on making the following investments and will therefore apply part of the Bond proceeds to acquire such investments in the manner outlined below:

- **Acquisition of remaining portion of Qui Si Sana Boutique Apartments:** The Group already owns one half of the residential units and garages and office situated at Qui Si Sana Boutique Apartments, Sliema. The Group has agreed terms to acquire from a third party the remaining nine residential units, 19 garages and the one half undivided share of the office space at the said Qui Si Sana Boutique Apartments for an amount of €11,448,000, which acquisition will be funded by the Bond proceeds. It is anticipated that the promise of sale agreement will be executed shortly after the issuance of the Secured Bonds.

  Although it is strongly anticipated that a promise of sale will be concluded as stated above, in the event that such promise of sale is not signed, the Security Trustee undertakes to utilise the funds earmarked for the acquisition of the aforementioned remaining half of Qui Si Sana Boutique Apartments, Sliema, for the purpose of refinancing an existing loan with APS Bank Limited, which as at 31 August 2017 amounted to €9,569,000. In such case and with respect to the immovable property given as Security Property for the purpose of the Bond Issue, the Security Trustee shall, at its discretion, substitute the un-acquired portion of Qui Si Sana Boutique Apartments with another immovable property owned by the Group, subject to an independent architect's property valuation report confirming that the value of the property being substituted and added to the immovable properties constituting the Security Property is at least equal to the value of the intended purchase of the remaining residential apartments and garages at Qui Si Sana Boutique Apartments.

- **Property at Marguerite Mangion Street, St. Julian's:** On 8 September 2017, the Group entered into a promise of sale agreement to acquire a property situated at Marguerite Mangion Street, St Julian's, which currently houses the EC Language School for an aggregate consideration of €7,706,200.

- **General capital expenditure:** The remaining balance of *circa* €2,596,800 of net Bond Issue proceeds shall be utilised to acquire other properties in accordance with the Group's business development strategy and/or to fund part of the Group's ongoing capital expenditure on own properties.

6. BUSINESS DEVELOPMENT STRATEGY

The Group's business strategy focuses on achieving positive and sustainable financial and operational results together with long-term appreciation in the value of the Group's real estate portfolio.

In implementing the Group's development strategy, the directors aim to identify and acquire real estate in Malta, particularly in the Sliema, Gzira and St Julian's area, which they believe has the potential to be re-developed and subsequently operated at sustainable operational yields in the hospitality sector or longer term commercial or residential leases.

The Group has been successful in leveraging its experience and expertise in identifying appropriate sites for development and particularly in applying its knowhow of the construction industry to develop those sites. The directors believe that the deployment of the Group's own experience and resources, through its construction and project management arm that undertakes all necessary construction and finishing works of the Group's own developments allow it significant advantages to complete the development and re-development of projects within controlled budgets and tight delivery dates. This reduces the risk of counter-party default, cost overruns and time delays and enables the Group to retain the development phase of its projects within its own control and strategic priorities.

The Group's operations focus principally on the hospitality segment and the letting of commercial and residential units of the Group's own properties. In the hospitality sector, the Group aims to continue to provide services at the Group's hotels in line with the expectations of customers typically seeking accommodation in 3 star hotels as well as in hostels and similar accommodation. The Group aims at adopting and implementing strategies that allow it the flexibility to adapt to changing market conditions particularly in the hospitality sector by rendering its operations in the 3 star hotel segment and its operations in the short-term letting of tourist accommodation as inter-changeable as possible to be able to meet the demands of customers seeking tourist accommodation in this market segment, thus aiming to enhance overall occupancy levels and average room rates.

The directors believe that the commercial and residential letting segment of the Group's business can deliver further growth and generate additional bottom-line results to the Group at marginally increased costs, through further investment in new projects. In this context, the Group believes that current market conditions should support further investment in this segment by continuing to target investments in under-performing properties for re-development in real-estate projects aimed for leases or retail outlets or longer-term accommodation.

From a cost perspective, improved results are being achieved through the implementation of cost-control and energy-efficient measures in Group properties, particularly with increased operational efficiency. These are predominantly evident in the procurement of goods through the increased purchasing power of the Group in Malta and the consolidation and rationalisation of decision making within the Group that on the one hand obviates the need for overly complex and costly management and governance structures and on the other allow greater operational efficiency within the Group.

The Group's strategic plans involve owning and holding real estate for investment purposes; the primary objective being the generation of income from the rental of properties or to generate income from their operations, in particular, in the case of property used for short-letting and tourist accommodation, more specifically, the hotels, hostels and guest houses owned by the Group. Other property is rented out on a long-term basis either for residential purposes, as offices or for retail activities. The Group is continuously seeking to acquire more properties including hotels or guest houses.

7. MARKET OVERVIEW

7.1 Economic Update [1]

Economic activity in Malta is expected to remain relatively strong in the near term, supported by both demand and supply factors. In particular, the energy reforms that have taken place in recent years, new investment projects, increased labour market participation and robust services exports are the primary drivers supporting the economic expansion. Real GDP growth in 2016 was at 5.0%, and thereafter is projected to decelerate to 4.1% in 2017, 3.7% in 2018 and 3.3% in 2019.

During 2016, Gross Value Added (GVA) increased by €536.8 million when compared to the prior year (2015), to €8,693.0 million. GVA is the net result of output, valued at basic prices less intermediate consumption valued at purchasers' prices. The increase in GVA was mainly generated by professional, scientific & technical activities and administrative & support services activities which increased by €116.6 million or 11.9%; arts, entertainment & recreation, repair of household goods & other services which increased by €100.8 million or 9.3%; and public administration & defence, education, human health & social work activities which increased by €90.2 million or 6.2%. A decrease of €21.0 million or -6.0% was registered in construction.

Economic growth was primarily driven by net exports of goods and services, which increased (in real terms) by €359.3 million or 63.7% from €563.8 million in 2015 to €923.1 million in 2016. Household consumption expenditure also increased on a y-o-y basis by €164.3 million or 3.9% to €4,397.1 million. On the other hand, declines in investment and government consumption were registered in 2016 when compared to a year earlier.

[1] Central Bank of Malta – Supplement to the Quarterly Review 2017:1 (www.centralbankmalta.org); National Statistics Office - Malta (www.nso.gov.mt)

Inflation rose to 1.06% in December 2016, up from 0.68% in November 2016. The main upward impacts on annual inflation were recorded in the food index, the beverages and tobacco index, and the household equipment and house maintenance costs. This increase was mitigated by a reduction in the prices of fuel, clothing and transport.

7.2 Hospitality[1]

Tourism in Malta has in recent years been performing at a strong level and this trend continued in 2016 and in the initial half of 2017. Inbound tourist trips from January to December 2016 amounted to 1.99 million, an increase of 10.2% when compared a year earlier. Total nights spent by inbound tourists went up by 5.7%, reaching almost 15.0 million nights. During 2016, total guests in collective accommodation establishments surpassed 1.6 million, an increase of 2.1% over the same period in 2015. Within the collective accommodation establishments, the 5 star and 4 star hotels gained 10,878 guests (+2.8%) and 30,779 guests (+4.5%) respectively in 2016 when compared to a year earlier, while there was a decrease of 24,042 guests (-5.7%) in the 3 star category. Other establishments (comprising guesthouses, hostels and tourist villages) registered a year-on-year increase of 20.0% from 57,028 guests in 2015 to 68,461 guests in 2016. Tourism expenditure was estimated at €1.71 billion in 2016, an increase of 4.3% over 2015.

Notwithstanding the decline in tourists seeking accommodation in the 3 star category, the Group's performance for 2016 was positive and above the reported industry averages. The industry average of occupancy in 3 star accommodation reached 78% for the year 2016 – sustaining the same level achieved in the previous year, with Group occupancy registering 81% in each of 2015 and 2016. In addition, whilst the industry average of gross operating profit margin in the 3 star category declined to 34% in 2016 from 43% in 2015, the Group managed to increase its gross operating profit margin to 39% in 2016 from 33% in 2015.

Inbound tourist trips from January to June 2017 reached 990,182, an increase of 19.3% over the same period in 2016. Total nights spent by inbound tourists went up by 11.6%, surpassing 6.5 million nights. Total guests residing in collective accommodation establishments, in the first six months of 2017, amounted to 848,806, an increase of 14.4% over the prior comparable period. Guests in 3 star hotels between January to June 2017 increased by 27.0%, when compared to the same period in 2016, to 223,176 guests. Other establishments (comprising guesthouses, hostels and tourist villages) registered an increase of 21.5% to 36,121 guests in the first six months of 2017 (January to June 2016: 29,733 guests).

Focus will continue to be maintained on increasing arrivals during the winter months and attracting more visitors from new markets to Malta. Moreover, the promotion of Valletta as the European City of Culture in 2018, should further stimulate growth in the local hospitality industry. Meanwhile, the somewhat uncertain future of the national carrier Air Malta poses a concern to further growth in tourist arrivals whilst competition from other Mediterranean countries will likely remain strong.

7.3 Leases of Commercial and Residential Units

National statistics relating to leases of commercial property and residential units in Malta are currently not captured and therefore it is more difficult to gauge the health of this sector. Notwithstanding the lack of such data, general business sentiment and the continued drive to promote Malta as a regional hub for the provision of business related services, notably in the financial, i-gaming, back-office services, information technology, aircraft registration and maritime has continued to generate a positive trend in the commercial property sector, in particular office space. In addition, Malta's highly skilled and competitive labour costs have also been vital in sustaining this success. This view is substantiated when assessing the lack of availability of large office and commercial space, as well as, the number of projects earmarked for development and set to commence in the near future.

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[1]Malta Tourism Authority Report 2016; National Statistics Office - Malta (www.nso.gov.mt)

The recent growth in a number of sectors in Malta - particularly in the financial, gaming and hospitality sectors - has resulted in an influx of foreign workers to the country, which in turn has increased the demand for residential accommodation. As a consequence, rents for residential units in Malta have gradually increased in the past few years and this trend is expected to continue at least in the near to medium term.

The above-mentioned positive trend in the rental market for residential units was also experienced by the Group and is well positioned to continue to benefit from such demand given that most of its residential properties are situated in the Gzira/Sliema area, which is a highly desirable location in Malta. Income from leases of retail units has also increased on an annual basis and is set to maintain a trend of moderate but consistent year-on-year growth. The Group intends to further expand its portfolio of residential units for rental purposes through acquisition and/or further development of own properties.

PART 2 – PERFORMANCE REVIEW

8. FINANCIAL INFORMATION – THE ISSUER

The Issuer was registered and incorporated on 21 August 2017 as a special purpose vehicle to act as the parent company and financing arm of the Group. The Issuer has, to date, not conducted any business, and has no trading record.

9. FINANCIAL INFORMATION – THE GUARANTOR

The following financial information is extracted from the audited financial statements of the Guarantor for the financial years ended 31 December 2014 to 2016.

CARMELO STIVALA GROUP LIMITED
Income Statement

for the year ended 31 December	2014 (14 mths) €'000	2015 (12 mths) €'000	2016 (12 mths) €'000
Revenue	200	185	185
Net operating costs	(20)	(18)	(63)
EBITDA[1]	**180**	**167**	**122**
Depreciation & amortisation	-	(42)	(605)
Operating profit/(loss)	**180**	**125**	**(483)**
Profit on disposal of investments	2	736	556
Dividends receivable	147	254	266
Net finance costs	(8)	(1)	-
Profit before tax	**321**	**1,114**	**339**
Taxation	(56)	(120)	(155)
Profit for the year	**265**	**994**	**184**
Total comprehensive income	**265**	**994**	**184**

[1]EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

CARMELO STIVALA GROUP LIMITED
Statement of Financial Position
as at 31 December

	2014	2015	2016
	€'000	**€'000**	**€'000**
ASSETS			
Non-current assets			
Investment property	1,929	4,180	20,983
Property, plant & equipment	-	-	3,800
Investments in subsidiaries	-	-	2
Investments in associates	1	1	1
	1,930	4,181	24,786
Current assets			
Trade and other receivables	3,674	7,563	2,365
Cash and cash equivalents	-	83	808
	3,674	7,646	3,173
Total assets	**5,604**	**11,827**	**27,959**
EQUITY			
Capital and reserves			
Share capital	1	1	1
Retained earnings	265	1,259	1,444
	266	**1,260**	**1,445**
LIABILITIES			
Non-current liabilities			
Borrowings	3,495	6,895	11,763
Current liabilities			
Bank overdraft	-	891	-
Borrowings	-	26	3,421
Trade and other payables	1,802	2,704	11,316
Other current liabilities	41	51	14
	1,843	3,672	14,751
	5,338	**10,567**	**26,514**
Total equity and liabilities	**5,604**	**11,827**	**27,959**

CARMELO STIVALA GROUP LIMITED
Cash Flow Statement
for the year ended 31 December

	2014	2015	2016
	(14 mths)	**(12 mths)**	**(12 mths)**
	€'000	**€'000**	**€'000**
Net cash from operating activities	(1,568)	(2,671)	13,982
Net cash from investing activities	(1,928)	(1,537)	(20,654)
Net cash from financing activities	3,496	3,400	8,288
Net movement in cash and cash equivalents	**-**	**(808)**	**1,616**
Cash and cash equivalents at beginning of year	-	-	(808)
Cash and cash equivalents at end of year	**-**	**(808)**	**808**

Carmelo Stivala Group Limited was incorporated in November 2013 to acquire and dispose of property (mainly, commercial and residential units and hotels). Prior to November 2013, all Group properties were acquired by C. Stivala & Sons Limited (C 4510). During the reviewed years, the operation of owned properties was managed by Stivala Operators Limited and Stivala Properties Ltd. In the third quarter of 2017, C. Stivala & Sons Limited was merged into Carmelo Stivala Group Limited, such that all properties of the Stivala Group are now owned by the Guarantor.

In FY2015, the Guarantor generated revenue of €0.2 million (FY2014: €0.2 million) and registered an operating profit of €0.1 million (FY2014: €0.2 million). In the same financial year, profit on disposal of investments amounted to €0.7 million (FY2014: €2,000), while dividends receivable amounted to €0.3 million (FY2014: €0.1 million). Profit for FY2015 amounted to €1.0 million (FY2014: €0.3 million).

In FY2016, revenue generated by the Guarantor amounted to €0.2 million (FY2015: €0.2 million). Due to the impact of depreciation and amortisation of €0.6 million, the Guarantor reported an operating loss of €0.5 million (FY2015: operating profit of €0.1 million). Profit on disposal of investments in FY2016 amounted to €0.6 million (FY2015: €0.7 million) and dividends receivable in the same year amounted to €0.3 million (FY2015: €0.3 million). The Guarantor reported a profit for FY2016 of €0.2 million (FY2015: €1.0 million).

As at 31 December 2016, non-current assets of the Guarantor amounted to €24.8 million, consisting primarily of the Sliema Hotel situated at The Strand, Sliema, which was acquired in May 2016. Equity as at 31 December 2016 amounted to €1.4 million, whilst bank borrowings and related party balances totalled €25.6 million.

10. FINANCIAL INFORMATION – THE GROUP

Combined Financial Information of the Guarantor for the Years Ended 31 December 2014 to 2016

Until recently, the operating Subsidiaries, Stivala Operators Limited and Stivala Properties Ltd, were wholly owned by C. Stivala & Sons Limited, a holding property company in which the Group's ultimate beneficial owners held an equity shareholding of 96.4%. The latter company was subsequently merged with the Guarantor on 22 September 2017.

The historical financial information set out below for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 represents combined (rather than consolidated) financial statements of the Guarantor, as not all companies within the Group were subsidiaries of a unitary holding company. Combined financial statements serve a similar purpose to consolidated financial statements, to present financial data appertaining to a group of companies as if the companies concerned constitute a single enterprise.

The combined financial information hereunder has been extracted from the audited financial statements for the years ended 31 December 2014 to 2016 of Carmelo Stivala Group Limited, C. Stivala & Sons Limited, Stivala Operators Limited and Stivala Properties Ltd. The financial information relating ST Hotels Limited and ST Properties Limited has been extracted from management accounts for the period 16 December 2016 to 31 December 2016 and 23 November 2016 to 31 December 2016 respectively.

No adjustments to the statement of comprehensive income, financial position and cash flow of the Group were necessary for the purposes of arriving at the combined financial information except solely to reflect the entries necessary in any process of accounting consolidation.

CHARTS
WEALTH MANAGEMENT ▪ CORPORATE BROKING

CARMELO STIVALA GROUP LIMITED
Combined Income Statement
for the year ended 31 December

	2014 €'000	**2015 €'000**	**2016 €'000**
Revenue	6,557	7,377	9,590
Cost of sales	(1,943)	(3,330)	(1,518)
Gross profit	**4,614**	**4,047**	**8,072**
Net operating costs	(1,046)	(1,113)	(1,358)
EBITDA[1]	**3,568**	**2,934**	**6,714**
Depreciation & amortisation	(1,231)	(1,105)	(1,669)
Operating profit/(loss)	**2,337**	**1,829**	**5,045**
Profit on disposal of investments	2	736	556
Dividends receivable	147	254	266
Net finance costs	(177)	(334)	(379)
Profit before tax	**2,309**	**2,485**	**5,488**
Taxation	(226)	(279)	(1,135)
Profit for the year	**2,083**	**2,206**	**4,353**
Total comprehensive income	**2,083**	**2,206**	**4,353**

[1]EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

CARMELO STIVALA GROUP LIMITED
Combined Statement of Financial Position
as at 31 December

	2014 €'000	**2015 €'000**	**2016 €'000**
ASSETS			
Non-current assets			
Intangible assets	-	8	-
Investment property	12,905	14,956	31,593
Property, plant & equipment	8,558	8,337	13,990
Loans	-	3,400	3,400
Other non-current assets	388	554	1
	21,851	27,255	48,984
Current assets			
Trade and other receivables	4,020	7,370	3,379
Cash and cash equivalents	260	170	914
	4,280	7,540	4,293
Total assets	**26,131**	**34,795**	**53,277**
EQUITY			
Capital and reserves			
Share capital	1	1	1
Incentives and benefits reserve	4,927	4,927	4,925
Retained earnings	8,364	10,570	14,924
	13,292	**15,498**	**19,850**
LIABILITIES			
Non-current liabilities			
Borrowings and other financial liabilities	7,612	11,342	24,940
Current liabilities			
Bank overdraft	173	1,396	323
Borrowings	591	4,130	4,427
Trade and other payables	4,372	2,219	3,454
Other current liabilities	91	210	283
	5,227	7,955	8,487
	12,839	**19,297**	**33,427**
Total equity and liabilities	**26,131**	**34,795**	**53,277**

CHARTS
WEALTH MANAGEMENT ▪ CORPORATE BROKING

CARMELO STIVALA GROUP LIMITED
Combined Cash Flow Statement
for the year ended 31 December

	2014	2015	2016
	€'000	€'000	€'000
Net cash from operating activities	3,689	(2,999)	9,592
Net cash from investing activities	(5,177)	(2,171)	(21,731)
Net cash from financing activities	2,884	3,857	13,956
Net movement in cash and cash equivalents	**1,396**	**(1,313)**	**1,817**
Cash and cash equivalents at beginning of year	(1,309)	87	(1,226)
Cash and cash equivalents at end of year	**87**	**(1,226)**	**591**

KEY ACCOUNTING RATIOS	2014	2015	2016
Gross profit margin *(Gross profit/revenue)*	70%	55%	84%
Operating profit margin *(EBITDA/revenue)*	54%	40%	70%
Interest cover (times) *(EBITDA/net finance cost)*	20.16	8.78	17.72
Net profit margin *(Profit after tax/revenue)*	32%	30%	45%
Earnings per share (€) *(Profit after tax/number of shares)*	1,735.83	1,838.33	3,627.50
Return on equity *(Profit after tax/shareholders' equity)*	16%	14%	22%
Return on capital employed *(EBITDA/total assets less current liabilities)*	17%	11%	15%
Return on assets *(Profit after tax/total assets)*	8%	6%	8%

Source: Charts Investment Management Service Limited

The revenue and profitability as reported in the combined income statement primarily reflects the performance of the operating Subsidiaries, Stivala Operators Limited and Stivala Properties Ltd, which are described in further detail in sections 4. 3 and 4. 4 of this report. Revenue has increased over the reviewed period from €6.6 million in FY2014 to €9.6 million in FY2016, principally due to the initiation of operations of the Sliema Hotel in FY2016. Profit for the year improved from €2.1 million in FY2014 to €2.2 million in FY2015 and €4.4 million in FY2016.

The combined statement of financial position as at 31 December 2016 comprises total assets of €53.3 million, primarily made up of immovable property and improvements amounting to €45.6 million. Such assets were recorded on a historical cost basis. As at 31 December 2016, total borrowings amounted to €29.7 million and capital & reserves amounted to €19.9 million.

Forecast Consolidated Financial Information of the Issuer for the Year Ending 31 December 2017

The Group in its current state has only been in existence since 5 September 2017, following the rationalisation exercise described in the initial part of this document. The financial information for FY2017 represents pro forma forecast consolidated financial statements. This pro forma information presents what the consolidated financial statements of Stivala Group Finance p.l.c. would have looked like had the Group existed in its current form, comprising all its current constituent components, for the forecast period 1 January 2017 to 31 December 2017.

No adjustments to the results, financial position and cash flow statements of the constituent sub-groups were necessary for the purposes of arriving at the pro forma forecast consolidated financial statements except solely to reflect the entries necessary in any process of accounting consolidation.

The projected consolidated financial statements for FY2018 detailed below relate to events in the future and are based on assumptions which the Issuer believes to be reasonable. **Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.**

STIVALA GROUP FINANCE P.L.C.
Projected Consolidated Income Statement
for the year ending 31 December

	2017 Pro Forma €'000	**2018 Projection €'000**
Revenue	9,452	11,660
ST Hotels Limited	6,978	7,177
ST Properties Limited	2,474	4,483
Cost of sales	(3,393)	(3,489)
Gross profit	**6,059**	**8,171**
Other net operating costs	(1,080)	(1,107)
EBITDA[1]	**4,979**	**7,064**
Depreciation & amortisation	(1,123)	(1,181)
Operating profit	**3,856**	**5,883**
Share of results of associated undertakings	250	-
Net finance costs	(801)	(2,382)
Profit before tax	**3,305**	**3,501**
Taxation	490	(506)
Profit for the year	**3,795**	**2,995**
Other comprehensive income		
Gains on property revaluation, net of tax	97,365	3,145
Total comprehensive income	**101,160**	**6,140**

[1]EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

STIVALA GROUP FINANCE P.L.C.
Projected Consolidated Cash Flow Statement
for the year ending 31 December

	2017 Pro Forma €'000	**2018 Projection €'000**
Net cash from operating activities	6,379	5,194
Net cash from investing activities	(36,464)	(8,837)
Net cash from financing activities	35,188	(439)
Net movement in cash and cash equivalents	**5,103**	**(4,082)**
Cash and cash equivalents at beginning of year	(712)	4,391
Cash and cash equivalents at end of year	**4,391**	**309**

CHARTS
WEALTH MANAGEMENT ▪ CORPORATE BROKING

STIVALA GROUP FINANCE P.L.C.
Projected Consolidated Statement of Financial Position
as at 31 December

	2017 Pro Forma €'000	2018 Projection €'000
ASSETS		
Non-current assets		
Intangible assets	558	496
Investment property	174,741	186,623
Property, plant and equipment	15,048	14,379
Investments in associates	26	26
	190,373	201,524
Current assets		
Trade and other receivables	3,935	4,088
Current tax assets	861	168
Cash and cash equivalents	4,391	309
	9,187	4,565
Total assets	**199,560**	**206,089**
EQUITY		
Capital and reserves		
Share capital	300	300
Retained earnings	18,482	20,617
Incentives and benefits	4,893	4,893
Revaluation reserve	97,365	100,511
	121,040	**126,321**
Equity attributable to equity holders of the parent	117,730	122,905
Non-controlling interest	3,310	3,416
	121,040	126,321
LIABILITIES		
Non-current liabilities		
Borrowings	60,145	59,706
Other non-current liabilities	10,818	11,168
	70,963	70,874
Current liabilities		
Trade and other payables	6,917	7,952
Other current liabilities	640	942
	7,557	8,894
	78,520	**79,768**
Total equity and liabilities	**199,560**	**206,089**

CHARTS
WEALTH MANAGEMENT ▪ CORPORATE BROKING

KEY ACCOUNTING RATIOS	FY2017	FY2018
Gross profit margin *(Gross profit/revenue)*	64%	70%
EBITDA margin *(EBITDA/revenue)*	53%	61%
Interest cover (times) *(EBITDA/net finance cost)*	6.22	2.97
Net profit margin *(Profit after tax/revenue)*	40%	26%
Earnings per share (€)[1] *(Profit after tax/number of shares)*	12.65	9.98
Return on equity *(Profit after tax/shareholders' equity)*	3%	2%
Return on capital employed *(EBITDA/total assets less current liabilities)*	3%	4%
Return on assets *(Profit after tax/total assets)*	2%	1%

Source: Charts Investment Management Service Limited

Revenue for the financial year ending 31 December **2017** is expected to amount to €9.5 million, €7.0 million of which is forecasted to be generated by ST Hotels Limited (being the company that took over the operations of Stivala Operators Limited), and the remaining €2.5 million is projected from ST Properties Limited (being the recipient company of the business activities previously conducted by Stivala Properties Ltd).

ST Hotels Limited is projected to derive *circa* half of revenue from its two hotels – Bayview Hotel and Sliema Hotel – whilst the balance is expected to be generated from hostels, short let apartments and commercial activities. ST Properties Limited is forecasting to generate 58% of aggregate revenue from long lets of residential units and the balance from long term commercial leases.

EBITDA for FY2017 is projected to amount to €5.0 million. After taking into account depreciation & amortisation of €1.1 million, operating profit is anticipated to amount to €3.9 million.

During FY2017, the Group changed its policy on accounting for properties from book value to fair market value. As a consequence, a net property revaluation gain of €97.4 million is being recognised in other comprehensive income. The Group's pro forma total comprehensive income for the year ending 31 December 2017 is forecasted at €101.1 million.

The Group's statement of financial position as at 31 December 2017 is projected to comprise total assets of €199.6 million, primarily made up of immovable property as to €189.8 million, other assets of €4.8 million and cash balances amounting to €4.4 million.

Equity is expected to amount to €121.0 million, of which €97.4 million consists of the revaluation reserve. Total liabilities are set to amount to €78.5 million and should mainly comprise the issuance of Bonds of €45 million, other loans amounting to €15.1 million, deferred tax liabilities totalling €10.8 million and trade & other payables of €6.9 million.

Revenue for **FY2018** is projected to increase by €2.2 million (+23%) as compared to the prior year from €9.5 million to €11.7 million, primarily due to a projected increase in revenue generated from ST Properties Limited as a result of additional properties acquired in the latter quarter of FY2017.

EBITDA for FY2018 is projected at €7.1 million, an increase of €2.1 million (+42%) when compared to €5.0 million in FY2017. Net finance costs are projected to increase from €0.8 million in FY2017 to €2.4 million primarily due to the increased Group debt following the issuance of bonds in FY2017. Profit before tax is projected to marginally improve from €3.3 million in FY2017 to €3.5 million in FY2018. After accounting for taxation, the Group expects to register a profit of €3.0 million in FY2018 as compared to €3.8 million in FY2017.

The Group's total assets are expected to amount to €206.1 million (FY2017: €199.6 million). Principal movements include a y-o-y increase in investment property of €11.2 million, including the completion of the Azur Hotel, net revaluation of €3.1 million and various acquisitions, and a reduction in cash and cash equivalents from €4.4 million to €0.3 million.

An analysis of borrowings is provided hereunder:

STIVALA GROUP FINANCE P.L.C. **Consolidated Borrowings** **as at 31 December**	**2017** **Pro Forma** **€'000**	**2018** **Projection** **€'000**
Borrowings		
Bank overdrafts	-	-
Bank loans	9,454	9,015
	9,454	**9,015**
Bonds		
4% Secured Bonds 2027	45,000	45,000
	45,000	**45,000**
Other loans (unsecured)		
Amounts owed to ultimate shareholders	3,691	3,691
Amounts owed to third party	2,000	2,000
	5,691	**5,691**
Total borrowings and bonds	**60,145**	**59,706**

KEY ACCOUNTING RATIOS	**FY2017**	**FY2018**
Net assets per share (€) *(Net asset value/number of shares)*	484.16	505.28
Liquidity ratio (times) *(Current assets/current liabilities)*	1.22	0.51
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	32%	32%

Source: Charts Investment Management Service Limited

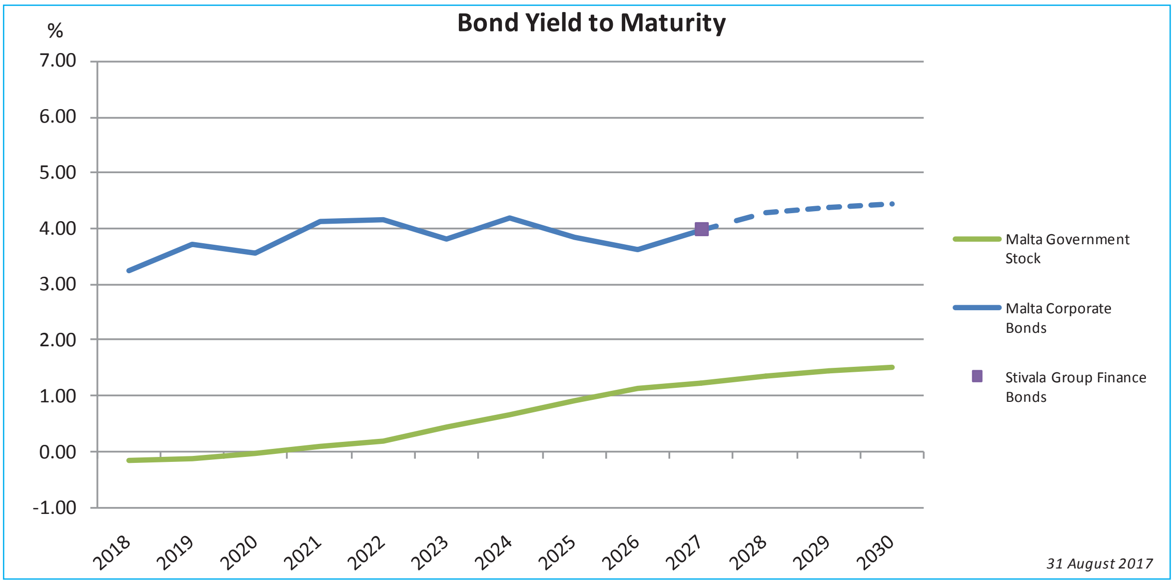
PART 3 - COMPARABLES

The table below compares the Company and its bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Company and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with the Company's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Company.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.5% Pendergardens Dev. plc Secured € 2020 Series I	15,000,000	3.55	1.49	63,273	11,488	63.23
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	4.16	1.49	63,273	11,488	63.23
4.25% Gap Group plc Secured € 2023	40,000,000	3.70	2.48	57,086	6,004	86.39
5.3% United Finance Plc Unsecured € Bonds 2023	8,500,000	3.82	2.05	18,153	3,796	73.85
6% AX Investments Plc Unsecured € 2024	40,000,000	4.00	3.62	270,425	163,719	27.97
6% Island Hotels Group Holdings plc € 2024	35,000,000	4.28	0.91	144,003	52,994	53.41
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	4.19	4.25	72,117	30,380	52.06
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	4.47	- 0.02	82,096	32,298	54.54
5.1% PTL Holdings plc Unsecured € 2024	36,000,000	4.76	1.59	71,711	4,751	89.91
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.84	1.40	97,042	28,223	66.81
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.76	1.86	1,389,627	665,357	42.18
4.0% International Hotel Invest. plc Secured € 2026	55,000,000	3.60	2.46	1,220,254	646,822	36.39
4.0% MIDI plc Secured € 2026	50,000,000	3.40	0.59	203,780	67,359	40.62
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.38	7.60	193,351	41,630	58.76
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	3.97	4.82	156,433	56,697	53.20
4.0% Eden Finance plc Unsecured 2027	40,000,000	3.56	3.98	165,496	92,620	34.60
4% Stivala Group Finance plc Secured 2027	**45,000,000**	**4.00**	**6.21**	**199,560**	**121,041**	**31.54**

31 August '17

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts Investment Management Service Limited



To date, there are no corporate bonds which have a redemption date beyond 2027 and therefore a trend line has been plotted (denoted in the above chart by the dashed line). The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

CHARTS
WEALTH MANAGEMENT ▪ CORPORATE BROKING

PART 5 - EXPLANATORY DEFINITIONS

INCOME STATEMENT

Revenue	Total revenue generated by the Group from its business activities during the financial year, including room reservations, food & beverage, rental income and other revenue streams.
Cost of sales	Direct costs include cost of food, beverages, consumables, labour expenses and all other direct expenses.
Gross profit	Gross profit is the difference between revenue and direct costs. It refers to the profit made by the Group before deducting administrative costs, depreciation & amortisation, finance costs, impairment provisions, share of results from associate and affiliate companies and other operating costs.
Administrative costs	Administrative costs include all operating expenses other than direct costs and include general & administration expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Share of results of associates	The Guarantor owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the db Group, but the Guarantor's share of profit is shown in the profit and loss account under the heading 'share of results of associates'.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.

KEY PERFORMANCE INDICATORS

Occupancy level	Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Revenue per occupied room (RevPOR)	RevPOR is calculated by adding all income generated (room accommodation, food & beverage and other income) and dividing it by the number of occupied rooms. A hotel uses this indicator as a performance measure with other hotels in the same category or market to determine how well the hotel property is yielding.
Revenue per available room (RevPAR)	RevPAR is calculated by adding all income generated (room accommodation, food & beverage and other income) and dividing it by the number of available rooms. A hotel uses this indicator as a performance measure with other hotels in the same category or market to determine how well the hotel property is yielding.

Gross operating profit per available room (GOPAR)	GOPAR is the total revenue of the hotel less expenses incurred earning that revenue, divided by the available rooms. This indicator is another performance measure used in the hotel industry.
Revenue generating index (RGI)	A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) revenue per occupied room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.
Gross operating profit generating index (GOPGI)	A gross operating profit generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) gross operating profit per available room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.

PROFITABILITY RATIOS

Gross profit margin	Gross profit margin is the difference between revenue and direct costs expressed as a percentage of total revenue.
EBITDA margin	EBITDA margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.

EFFICIENCY RATIOS

Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.

EQUITY RATIOS

Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.

CHARTS
WEALTH MANAGEMENT ▪ CORPORATE BROKING

CASH FLOW STATEMENT	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities (room revenue, food & beverage, hotel services, rental income etc) of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.

BALANCE SHEET	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. Such assets include intangible assets (including goodwill on acquisition), investments in associates, investment property, and property, plant & equipment.
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory (food, beverages, consumables, etc), cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and non-controlling interest.

FINANCIAL STRENGTH RATIOS	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.