SUMMARY NOTE

Dated 18 July 2019

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.

In respect of an issue of:
€15,000,000 3.65% Secured Bonds 2029
of a nominal value of €100 per Bond issued at par
(the "**Secured Bonds**")

Stivala Group Finance p.l.c.

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:- MT0001601211

*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 Security. Reference should also be made to the sections entitled "Risk Factors" contained 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 & Registrar

WEALTH MANAGEMENT • CORPORATE BROKING
CHARTS
A division of MeDirect Bank (Malta) plc

Security Trustee

CSB GROUP

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 HOWSOEVER 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); 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 WEB SITES 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]:
Inbound tourist trips from January to December 2018 reached nearly 2.6 million, an increase of 14.3% over the same period in 2017. Total nights spent by inbound tourists went up by 12.5%, reaching nearly 18.6 million nights. Total tourism expenditure was estimated at €2.1 billion, 8.0% higher than that recorded for 2017.

The latest inbound tourism numbers, published by the national statistics office (NSO), show that tourism has continued to increase during the first three months of this year. Tourist arrivals are reported to have increased by 2.8% and guest nights by 4.2%. Whilst remaining positive, the increases are less pronounced than those registered in previous years. Tourist expenditure increased at a slower pace and was marginally up by 0.3%.

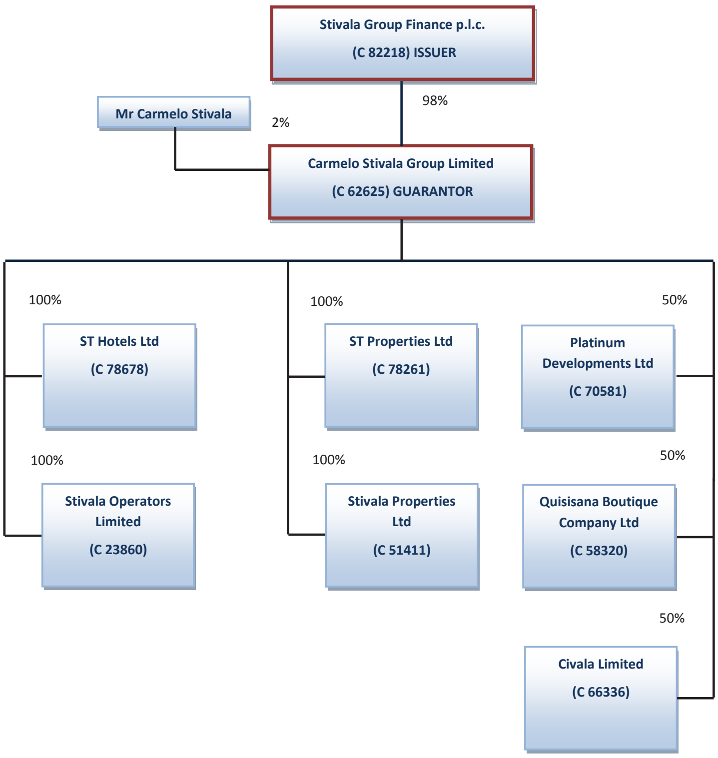
During this first quarter of the year, the number of tourists staying in hotels remained at par with the previous year, although the number of guest nights spent in hotels decreased by 5.5%. The overall increase in guest nights during Q1 was effectively taken up by the private accommodation sector. This shift in accommodation preference has had a negative impact on the hotel sector's bottom line profitability, with both the 5-star and 4-star categories reporting a decline in gross operating profits.

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 presently being developed, and others 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.

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



[1]National Statistics Office – Malta (www.nso.gov.mt); MHRA Q1 2019 Hotel Survey by Deloitte

B.9 Not Applicable: no profit forecasts or estimates have been included in the Prospectus.

B.10 (B.19) Not Applicable: the audit reports on the audited financial statements for the years ended 31 December 2016 to 2018 of the Guarantor do not contain any material qualifications. The audit report of the audited consolidated financial statements for the period 21 August 2017 to 31 December 2018 of the Issuer does not contain any material qualifications.

B.12 (B.19) There has been no material adverse change in the prospects of the Issuer and/or Guarantor since the date of their last respective published audited financial statements.

The historical financial information of Stivala Group is set out in the combined financial information of the Guarantor for the year ended 31 December 2016, the audited consolidated financial statements of the Guarantor for the year ended 31 December 2017 and the audited consolidated financial statements of the Issuer for the period ended 31 December 2018. There were no significant changes to the financial or trading position of the Issuer and/or Guarantor since the end of the financial period to which their last respective audited financial statements relate.

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

Consolidated Income Statement for the year ended 31 December	**2016 Combined (12 mths) €'000**	**2017 Consolidated (12 mths) €'000**	**2018 Consolidated (16 mths) €'000**
Revenue	9,590	12,386	19,655
Cost of sales	(1,518)	(3,238)	(6,205)
Gross profit	**8,072**	**9,148**	**13,450**
Net operating costs	(1,358)	(2,396)	(2,645)
EBITDA	**6,714**	**6,752**	**10,805**
Depreciation & amortisation	(1,669)	(2,905)	(3,036)
Operating profit/(loss)	**5,045**	**3,847**	**7,769**
Gain from bargain purchase and other net gains	-	8,644	112,886
Movement in revaluation of property	-	56,945	2,334
Other	822	253	(1)
Net finance costs	(379)	(710)	(2,894)
Profit before tax	**5,488**	**68,979**	**120,094**
Taxation	(1,135)	(9,035)	(4,532)
Profit for the year	**4,353**	**59,944**	**115,562**
Other comprehensive income:			
Movement in revaluation of property, net of tax	-	29,085	-
Deferred taxation	-	-	(35)
Total comprehensive income	**4,353**	**89,029**	**115,527**

Consolidated Statement of Financial Position

as at 31 December	**2016**	**2017**	**2018**
	Combined	**Consolidated**	**Consolidated**
	€'000	**€'000**	**€'000**
ASSETS			
Non-current assets			
Intangible assets	-	36	70
Investment property	31,593	106,035	115,846
Property, plant & equipment	13,990	62,841	74,947
Loans and receivables	3,400	-	7,621
Other non-current assets	1	1	1
	48,984	168,913	198,485
Current assets			
Trade and other receivables	3,379	5,281	3,705
Cash and cash equivalents	914	5,538	235
	4,293	10,819	3,940
Total assets	**53,277**	**179,732**	**202,425**
EQUITY			
Capital and reserves			
Share capital	1	45,005	300
Revaluation and other reserves	4,925	77,205	89,169
Retained earnings	14,924	22,912	26,357
	19,850	**145,122**	**115,826**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	24,940	14,215	59,246
Other non-current liabilities	-	13,731	15,394
	24,940	27,946	74,640
Current liabilities			
Bank overdraft	323	263	2,607
Borrowings	4,427	1,932	1,077
Trade and other payables	3,454	3,691	7,072
Other current liabilities	283	778	1,203
	8,487	6,664	11,959
	33,427	**34,610**	**86,599**
Total equity and liabilities	**53,277**	**179,732**	**202,425**

Consolidated Cash Flow Statement			
for the year ended 31 December	**2016**	**2017**	**2018**
	Combined	**Consolidated**	**Consolidated**
	(12 mths)	**(12 mths)**	**(16 mths)**
	€'000	**€'000**	**€'000**
Net cash from operating activities	9,592	34,844	9,659
Net cash from investing activities	(21,731)	(34,742)	(50,274)
Net cash from financing activities	13,956	4,362	39,653
Net movement in cash and cash equivalents	**1,817**	**4,464**	**(962)**
Cash and cash equivalents at beginning of year	(1,226)	811	(1,410)
Cash and cash equivalents at end of year	**591**	**5,275**	**(2,372)**

The operating results presented hereinabove primarily reflect the performance of the Group's operating subsidiaries - Stivala Operators Limited and Stivala Properties Ltd for FY2016, and ST Hotels Ltd and ST Properties Ltd thereafter. Revenue increased during the historical financial years from €9.6 million in FY2016 to €12.4 million and €19.7 million in FY2017 and FY2018 respectively (+105%), principally due to a full year's operation of the Sliema Hotel as from FY2017 and substantial increase in commercial and short-let leases due to growth in the Group's property portfolio. Furthermore, financial information for FY2018 reflects a 16-month period.

Operating profit increased in FY2016 from €1.8 million in FY2015 to €5.0 million, but decreased to €3.8 million in FY2017 due to a higher depreciation charge. In consequence of the Group's restructuring exercise implemented in FY2017, the Group reported a positive movement in property revaluation of €56.9 million and net gain on merger of businesses amounting to €8.6 million. Accordingly, profit after tax in FY2017 amounted to €59.9 million (FY2016: €4.4 million).

Revenue in FY2018 increased substantially by €7.3 million (+59%) from €12.4 million in FY2017 to €19.6 million. On a normalised basis (that is, a 12-month period), revenue generated in FY2018 amounted to €15.7 million as compared to €12.4 million a year earlier (+€3.3 million, +27%). In FY2018, profit before tax was positively impacted by a gain from bargain purchase amounting to €112.9 million. This one-off item represented the acquisition by the Issuer of the Guarantor and its subsidiaries. Overall, total comprehensive income in FY2018 amounted to €115.5 million (FY2017: €89.0 million).

In the Consolidated Statement of Financial Position, the Group's total assets as at 31 December 2018 amounted to €202.4 million, predominantly composed of investment property and property, plant & equipment.

Non-current liabilities as at 31 December 2018 amounted to €74.6 million, comprising 4% secured bonds 2027 of €44.6 million, bank loans of €14.6 million and other non-current liabilities (primarily deferred taxation) of €15.4 million. Current liabilities amounted to €12.0 million and include trade and other payable, current portion of bank and other borrowings, overdraft facilities and other liabilities.

The Consolidated Cash Flow Statement shows that in FY2018, the Group generated cash inflows from operating activities of €9.7 million as compared to €34.8 million in FY2017. The material variance from one year to another is mainly attributable to movements in working capital (being inventories, trade and other receivables and payables). Net cash outflows from investing activities amounted to €50.3 million in FY2018 (FY2017: €34.7 million), largely related to the further expansion of the Group's property portfolio through acquisitions and development. As a result, net financing cash inflows amounted to €39.7 million in FY2018 (FY2017: €4.4 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 that 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 has been 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 Register 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.

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 Trustees 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 €15,000,000 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: MT0001601211. The Secured Bonds shall bear interest at the rate of 3.65% 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:

(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 €15,000,000 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 29 July at the rate of 3.65% 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 29 July 2020 (covering the period 29

July 2019 to 28 July 2020). Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Secured Bonds is 3.65% 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 18 July 2019. 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 8 August 2019 and trading is expected to commence on 9 August 2019.

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 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 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 has a limited trading record and history of operations with all the attendant risks thereof. These risks include, but are not limited to, the 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, has a limited 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 materialize, 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 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 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 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. By acquiring the Bonds, the Bondholder is considered to be bound by the terms of the Trust Deed as if he had been a party to it. The Trust Deed contains a number of provisions, which prospective investors ought to be aware of prior to acquiring the Bonds.

viii. 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.

ix. 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.

Even after the Bonds are admitted to trading on the MSE, the Issuer is required to remain in compliance with certain requirements relating inter alia to the free transferability, clearance and settlement of the Bonds in order to remain a listed company in good standing. Moreover, the Listing Authority has the authority to suspend trading or listing of the Bonds if, inter alia, it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The Listing Authority may discontinue the listing of the Bonds on the MSE.

SECTION E OFFER

E.2b The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €14,670,000 will be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

i. **Acquisition of the New Property**: the amount of *circa* €6,000,000 will be used to finance the purchase of the New Property, which are currently subject to promise of sale agreements. Each property forming part of the New Property shall be held by the Group for future development;

ii. **Re-financing existing bank loa**n: an amount of *circa* €4,300,000 of the proceeds from the Secured Bonds will be used to re-finance an outstanding banking facility granted by FIMBank p.l.c. to the Guarantor, which funds were originally principally utilised to acquire various properties;

iii. **Other investments**: the remaining balance of the net Bond Issue proceeds equivalent to €4,370,000 shall be applied towards the costs of completing the ongoing projects of the Group and to acquire other properties in accordance with the Group's business development strategy.

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 the event that the Bond Issue is not fully subscribed, the Issuer will proceed with the listing of the amount of Bonds subscribed for. Accordingly, the Guarantor shall apply the proceeds received from the Issuer in the manner and order of priority set out in (i) to (iii) above. Any residual amounts required by the Guarantor for the purposes of the uses specified in (i) to (iii) above, which shall not have been raised through the Bond Issue, shall be financed from the Group's general cash flow and/or bank financing.

In terms of the Prospectus and Trust Deed, the Security Trustee shall not release any of the Bond Issue proceeds 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 New Property, the Bond Issue proceeds shall only be released 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 afore-stated conditions is not satisfied, the Security Trustee shall return Bond Issue proceeds to the Bondholders.

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 15,000,000 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%.

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 29 July 2029 (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 29 July 2029.

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 section 214(5); 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 Interest.

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 MeDirect Bank (Malta) plc as Sponsor, Manager & Registrar, 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 €330,000.

EXPECTED TIME-TABLE OF THE BOND ISSUE

1. Offer Period	22 July 2019 to 29 July 2019
2. Placement date	29 July 2019
3. Commencement of interest on the Secured Bonds	29 July 2019
4. Expected completion date for the constitution of Security	2 August 2019
5. Expected date of notification of registration	8 August 2019
6. Expected date of admission of the securities to listing	8 August 2019
7. Expected date of commencement of trading in the securities	9 August 2019

REGISTRATION DOCUMENT

Dated 18 July 2019

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.

Issue of €15,000,000 3.65% Secured Bonds 2029

by

Stivala Group Finance p.l.c.

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 Security. 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 & Registrar

WEALTH MANAGEMENT • CORPORATE BROKING
CHARTS
A division of MeDirect Bank (Malta) plc

Security Trustee

CSB GROUP

TTHE 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 INSTRUMENT AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENT.

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 HOWSOEVER 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.

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 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.

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;
Bondholder/(**s**)	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 18 July 2019 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;
New Property	the Group intends to utilise part of the net proceeds of the Bond Issue to acquire the following immovable property for the aggregate cash consideration of *circa* €5,984,125 (including notarial fees, stamp duty and other charges): (i) the amount of *circa* €404,700 shall be disbursed to acquire 26/27/28, Belvedere Street, Gzira; (ii) the amount of *circa* €623,025 shall be disbursed to acquire 60/61, Ponsomby Street, Gzira; (iii) the amount of *circa* €260,925 shall be disbursed to acquire 118 & 120, St Albert Street, Gzira; (iv) the amount of *circa* €4,360,000 shall be disbursed to acquire 137/138, The Strand, Gzira; and (v) the amount of *circa* €335,475 shall be disbursed to acquire 11, Triq San Alwigi, Msida;
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;
Secured Bond(**s**)	a maximum of €15,000,000 secured bonds due 2029 of a face value of €100 per bond bearing interest at the rate of 3.65% per annum and redeemable at their nominal value, as detailed in the Securities Note;
Securities Note	the securities note issued by the Issuer dated 18 July 2019, forming part of the Prospectus;

Security Property	the following immovable property: (i) a plot of land measuring *circa* 865m[2] situated in Testaferrata Street, Ta' Xbiex, which is earmarked for the development of a commercial property known as 'ST Tower' as better described in section 4.4.2 of this Registration Document; (ii) 41 – 43, The Strand, Sliema comprising 3 shops and 3 apartments. The above properties have been valued at €15,266,000 (in aggregate) by an independent architect in terms of the architect's valuation report included as Annex I to this Registration Document;
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 Level 3, Tower Business Centre, Tower Street, Swatar, Birkirkara BKR 4013, 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 18 July 2019;
Sponsor, Manager & Registrar or **SMR**	MeDirect Bank (Malta) plc having company registration number C 34125 and registered office at The Centre, Tigné Point, Sliema TPO 001, Malta, licensed by the MFSA and is a member of the MSE. The role of sponsor, manager & registrar is conducted by the corporate finance division of MeDirect Bank (Malta) plc, which operates under the brand name 'Charts'. The use of the logo 'Charts' in the Prospectus shall be construed accordingly;
Subsidiaries	means all entities (including structured entities) over which the Issuer has control. In terms of International Financial Reporting Standards (IFRS) 10 'Consolidated Financial Statements' 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 18 July 2019, 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 ARE 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 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 has a limited trading record and history of operations with all the attendant risks thereof. These risks include, but are not limited to, the 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 fairly recent incorporation, has a limited 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 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	Executive Chairman
Martin John Stivala (35672M)	2, Orchidea, Flat 10, Triq Tal-Hriereb, Msida	Executive Director
Ivan Stivala (352278M)	4, Buogainvillea, Triq l-Ornitologija, Kappara, San Gwann	Executive Director
Carlo Stivala (23589M)	Tal-Qroqq Mansions, Flat 4, Triq Tal-Qroqq, Msida	Executive Director
Francis Gouder (866550M)	Lotus, Flat 3, Triq it-Tamal, St Julians	Independent Non-Executive Director
Ann Marie Agius (118784M)	42, Triq it-Torri, Qrendi	Independent Non-Executive Director
Joseph Brincat (311174M)	1, Gilda Court, Flat 4, Trejqa Albert M Cassola, Swieqi	Independent Non-Executive Director

Rudi Xuereb (124679M) of 109, Triq il-Ghajn, Swieqi, 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	Executive Director
Michael Stivala (499374M)	7, St. Anthony, Triq San Tofimu, Sliema	Executive Director
Ivan Stivala (352278M)	4, Buogainvillea, Triq l-Ornitologija, Kappara, San Gwann	Executive Director
Carlo Stivala (23589M)	Tal-Qroqq Mansions, Flat 4, Triq Tal-Qroqq, Msida	Executive Director

Rudi Xuereb (124679M) of 109, Triq il-Ghajn, Swieqi, 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
Ivan Stivala	Finishing and furnishing works of real estate assets of the Group
Carlo Stivala	Administration and operations of long-term rentals of residential and commercial properties

3.3 Advisors to the Issuer and the Guarantor

Sponsor, Manager & Registrar

Name:	Charts (a division of MeDirect Bank (Malta) plc)
Address:	The Centre, Tigné Point, Sliema TPO 0001, 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

The consolidated financial statements of the Issuer for the period 21 August 2017 to 31 December 2018, and the annual financial statements of the Guarantor for the financial years ended 31 December 2016, 2017 and 2018 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). The Accountancy Board registration number of Nexia BT is AB/26/84/61.

3.5 Security Trustee

Name:	CSB Trustees & Fiduciaries Limited
Address:	Level 3, 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 Issuer has an authorised share capital of €500,000 and an issued share capital of €300,000, which is 100% 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 Trustees 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% 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 (847533M). The Group's main operations through its Subsidiaries and associated companies are described in section 4.4 of this Registration Document.

In October 2017, pursuant to a prospectus dated 25 September 2017, the Company issued €45,000,000 4% secured bonds 2027 (ISIN: MT0001601203). The bond proceeds were made available to the Guarantor by way of an issue of preference shares to the Company, whereby the Guarantor issued in favour of the Company the amount of 45,000,000 cumulative redeemable preference shares having a nominal value of €1.00 each share, which carry a fixed dividend payout of 4.5% and are redeemable in June 2027.

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 described in section 4.1.1 above. The majority of the shares in the Guarantor are owned by the Issuer.

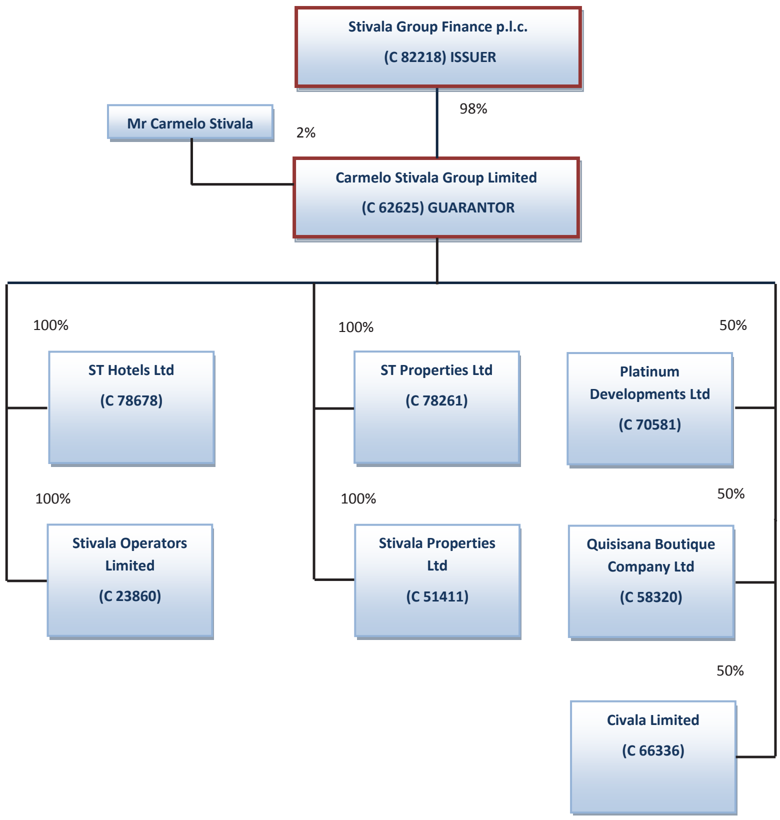
The Guarantor acts as the Group's property holding company and owns almost all of the Group's immovable property, which property is subsequently leased to and operated by the Subsidiaries, as better explained in section 4.4 below.

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% shareholder of the Guarantor, which was established as a limited liability company in Malta under the Act on 14 November 2013 and bears registration number C 62625. The remaining 2% 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).

The Group conducted a re-organisation over the course of 2016 and 2017 ahead of the issue of €45,000,000 4% secured bonds 2027 (ISIN: MT0001601203) in October 2017.

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.

With effect from 1 January 2017, the business, operations, assets and the benefit of all contracts of Stivala Operators Limited and Stivala Properties Ltd were taken over by ST Hotels Ltd and ST Properties Ltd respectively. 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.

ST Properties Ltd is principally involved in the business of sub-leasing, on a long-term basis, the commercial and residential properties owned by the Guarantor.

ST Hotels Ltd is primarily engaged in the operation and management of the Guarantor's hotels, hostels and short let apartments.

The Group also has four associate companies as follows: (i) Platinum Developments Ltd owns and leases three residential units and one office on the Sliema Seafront; (ii) Quisisana Boutique Company Ltd was, until Q4 2017, involved in leasing a block of 18 apartments, 37 garages and one office situated on the Qui-Si-Sana Seafront in Sliema. This business activity has been transferred to ST Properties Ltd and accordingly the Group has initiated the liquidation process of the subject company; and (iii) Civala Limited owns a 900m² plot of land earmarked for the future development of a five-storey car park and overlying office space.

In addition, ST Hotels Ltd holds a 33.3% shareholding in Sliema Creek Lido Limited (C 87108) to develop a lido opposite the Bayview Hotel in Gzira. The company 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, and 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 (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.

Further information about the Group's 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 was established on 21 August 2017 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, Msida University Heights, 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 and development of real estate** – comprises 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. The Group directly undertakes the development of projects, thus allowing greater control by the Group over 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 accounts for more than 75% of the Group's total revenue. 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 took over 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 year ended 31 December 2016, and of each of ST Hotels Ltd and ST Properties Ltd for the years ended 31 December 2017 and 2018, 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 was consolidated following the merger of C. Stivala & Sons Limited into the Guarantor, which came into effect in September 2017.

Accordingly, the Group owns its real estate and properties primarily through the Guarantor, which is engaged principally in acquiring and developing the real estate of the Group. As at 31 December 2018, the carrying value of real estate amounted to €183.6 million, analysed as follows:

	€'000
Properties use for business purpose	67,794
Properties rented to third parties or held for sale	87,035
Properties in the course of development or held for future development	28,811
	183,640

The valuation methodology adopted for properties used for business purposes differs from one property to another depending on the circumstances related to that property. In the case of hotels which generate both income and incur expenses for their respective operations, the valuation methodology used was based on the discounted cash flow and thus the free cash flows arising from the projected income streams that the owner could be expected to derive from the operation of the property were used. For properties which are used by the Group but are rented on short-term bases, the methodology that was considered most appropriate was the capitalisation of rental income.

The valuation methodology adopted for the majority of properties rented to third parties is the capitalisation of rental income. In addition, for two of the properties, Quisisana Boutique apartments and EC language school, the methodology adopted was the comparability methodology. The reason for this difference in the methodology is that both properties were recently acquired and therefore the cost of acquisition is considered as the market value of both properties.

The valuation methodology adopted for properties in course of development was the comparability methodology. This methodology was adopted provided that properties included in this category are not yet operational and therefore neither the capitalisation of rental income nor the discount cash Flow methodology could be adopted. Moreover, the properties within this category were recently acquired at an arm's length transaction and therefore the cost of acquisition is considered as the market value of the said properties.

The valuation methodology adopted for properties held for future development is also the comparability methodology. Similar to the previous category most of the properties were acquired post the valuation report prepared by an independent professional architect on 28 August 2017 and therefore the cost of acquisition is considered to be the market value of such properties.

In compliance with IFRS 13 "*Fair Value Measurement*", the Group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

i. Level 1: Quotes prices (unadjusted) in active markets for identical assets;
ii. Level 2: Inputs other than quoted priced included within Level 1, that are observable for the assets, either directly (that is, as prices) or indirectly (that is, derived from prices);
iii. Level 3: Inputs for the asset that are not based on observable market data (that is, unobservable inputs).

The Group's investment property comprise of a portfolio of properties which mainly include residential and commercial properties leased out to third parties. The Group's property, plant and equipment principally comprise hotels and short term lets used by the Group for operational purposes.

The fair value of all property is based on the valuation made by an independent professional architect on 28 August 2017. The fair value of properties acquired following that date is based on the consideration paid to acquire the property and which the Directors consider such consideration to be equivalent to the fair value.

Property, plant and equipment

The property fair value measurement as at 31 December 2018 uses both inputs that are observable for the assets, either directly (that is, as prices) or indirectly (that is, derived from prices) and therefore categorised within Level 2 and also unobservable inputs which are categorised within Level 3 of the fair valuation hierarchy.

Level 2
The fair value of buildings amounting to €20 million is based on comparable approach that reflects transaction prices for similar properties. The cost of additions after 28 August 2017 amounting to €3 million is considered by the Directors to be equivalent to the fair value.

Level 3
The fair value of buildings amounting to €6 million is based on the capitalised rental approach. This valuation model takes into consideration annual lease income amounting to €0.3 million and a capitalisation rate of 5.7%, which reflects the inherent risk in the utilisation of specific properties.

The fair value of buildings amounting to €39 million is based on the discounted cash flow approach. This valuation model takes into consideration the free cash flows arising from the projected income streams that could be expected to be derived 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 estimated at 6.95%.

Investment property

The property fair value measurement as at 31 December 2018 uses both inputs that are observable for the assets, either directly (that is, as prices) or indirectly (that is, derived from prices) and therefore categorised within Level 2 and also unobservable inputs which are categorised within Level 3 of the fair valuation hierarchy.

Level 2
The fair value of buildings amounting to €29 million is based on comparable approach that reflects transaction prices for similar properties. The cost of additions after 28 August 2017 amounting to €37 million is considered by the Directors to be equivalent to the fair value.

Level 3
The fair value of buildings amounting to €50 million is based on the capitalised rental approach. This valuation model takes into consideration annual lease income amounting to €2.85 million and a capitalisation rate of 5.7%, which reflects the inherent risk in the utilisation of specific properties.

Further information on the real estate portfolio is included below:

PROPERTIES USED FOR BUSINESS PURPOSES

Address	Current Use	Valuation (€'000)
Bayview Hotel, The Strand, Gzira	136 room 3-star hotel	18,937
Sliema Hotel, The Strand, Sliema	70 room 3-star hotel	11,385
Azur Hotel, Belvedere Street, Gzira	178 room 3-star hotel	4,839
Blubay Hotel, Ponsonby Street, Gzira	53 studio apartments (in addition, 1 restaurant and 1 shop are rented to third parties)	4,435
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)	3,729
153/154, The Strand, Gzira	11 residential units (in addition, 3 shops and 2 offices are rented to third parties)	3,616
Bring Apartments, Reid Street, Gzira	17 residential units (in addition, 11 garages and 1 shop are rented to third parties)	3,165
Moroni Residence, Moroni Street, Gzira	70 apartments (in addition, 6 garages, 4 parking spaces and 1 store are rented to third parties)	2,957
134/135, The Strand, Gzira	8 residential units (in addition, 4 shops are rented to third parties)	2,693
Blubay Fleet Hostel, Fleet Street, Gzira	46 room hostel	2,385
101, Moroni Street, Gzira	8 residential units and 1 large garage	1,588
Charlie’s Guest House, Valley Road, Msida	a guest house, 1 apartment and 3 garages	1,485
Waterline Residence, 176/177, The Strand, Gzira	2 shops and 6 residential units	1,442
51/55 Moroni Street, Gzira	10 residential units	1,095
Other Properties	Residential and commercial units	4,043
TOTAL		**67,794**

Azur Hotel

During FY2018 and the initial quarter of FY2019, the Group developed the Azur Hotel, a 178-room 3-star hotel, which is located in Belvedere Street, Gzira. The hotel commenced operations on 1 April 2019. The carrying amount of the Azur Hotel as at the date of this Registration Document is *circa* €9.0 million.

Bring Apartments

The Group is presently developing an extension to this property, which on completion will increase the number of apartments by 5 units to a total of 22 apartments. The estimated cost of development is *circa* €1 million and completion is scheduled for July 2019.

PROPERTIES RENTED TO THIRD PARTIES OR HELD FOR SALE

Address	Current Use	Valuation (€'000)
Qui Si Sana Boutique Apartments, Qui Si Sana Seafront, Sliema	37 car spaces, 18 residential units and office space	22,100
120, The Strand, Gzira	10 levels of office space	14,800
EC Language School, Triq Marguerite Mangion, St Julians	Language School	7,634
41/42/43, The Strand, Sliema	3 residential units and 3 shops	6,266
Vista Point Residence Hostel, University Street, Msida	31 residential units, 1 shop, 1 garage, and an office	4,967
Orchidea Apartments, Tal-Hriereb Street, Msida	10 residential units and 6 parking spaces	2,545
110/112/114 Carlo Manche Street, Gzira	12 residential units and 1 large garage	2,299
165/166, The Strand, Gzira	1 shop and 6 residential units	2,299
Tower Mansions, Tower Gate Street, Msida	12 residential units and 1 large garage with 16 car spaces	1,983
St Louis Mansions, St Louis Street, Msida	7 residential units and 1 garage	1,966
Valley Towers, Valley Road, Birkirkara	3 shops, 14 offices and 2 large garages	1,948
33, Juliani Heights, Triq Zammit Clapp, St Julians	4 residential units and 2 garage (held for re-sale)	1,794
Petit Paradis, G. Bencini Street, Gzira	3 residential units and 1 garage	1,650
Tigne Mansions, 44, Qui Si Sana Sea Front, Sliema	15 residential units and 4 garages	1,580
122/122A, Home Space, Misrah il-Barrieri Street, Sta Venera	1 showroom, 1 large garage and 3 offices	1,439
4/5, Pace Street, Sliema	13 residential units, 2 basement stores and 1 garage	1,299
Bishop Caruana Mansions, 15, Bishop Caruana Street, Msida	5 garages, 11 residential units and 2 shops with basement	1,158
Portside, 71, The Strand, Sliema	1 shop including kitchen and storage area	1,106
14 – 19, Ponsonby Street, Gzira	7 residential units and 3 shops	1,000
Other Properties	Residential and commercial units	7,202
TOTAL		**87,035**

Valley Towers

The Group is currently developing 3 additional commercial units (*circa* 600m²) at a projected cost amounting to *circa* €600.000. The said project is expected to be completed by end 2019.

PROPERTIES IN COURSE OF DEVELOPMENT OR HELD FOR FUTURE DEVELOPMENT

Address	Current Use	Valuation (€)
26/28/30/32/50/52/56/58/60/62 Coleridge Street, Gzira and 116/117/118/119 Ponsomby Street, Gzria (proposed "Montana Hostel")	225-room hostel	5,200
Proposed ST Tower, Testaferrata Street, Ta'Xbiex	Commercial office block	8,000
196/197/198, Triq Censu Tabone, St Julians (previously Main Street, St Julians)	Development of office and residential units	9,417
Other Properties	Various sites	6,194
TOTAL		**28,811**

Properties in course of development or held for future development are described in more detail hereunder:

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 a carrying value as at 31 December 2018 of €5,200,000.

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

This property consists of a plot of land measuring 865m² and is earmarked for the development of a commercial property having *circa* 7,300m² 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 Group expects to initiate development in 2019 and completion is set for 18 to 24 months thereafter. The estimated cost of development is *circa* €14,000,000. The property in caption is freehold and has a carrying value as at 31 December 2018 of €8,000,000.

196/197/198, Triq Censu Tabone (formerly Main Street), St Julian's

In Q4 2017, the Group acquired 3 adjacent properties for re-development, located at 196, 197 and 198, Triq Censu Tabone, St Julian's, for the aggregate consideration of €9,256,488. The proposed project comprises the development of garages (at level -3), commercial space (at levels -2 to 0) and eleven luxury residential units (at levels 1 to 4) – a total built up area of *circa* 4,420m². To date, construction of the initial 5 levels have been completed at an estimated cost of *circa* €1 million and works on the 6th level are in progress. The remaining development costs (including finishes) are expected to amount to *circa* €2.8 million. The project is scheduled for completion by the end of 2019.

Other Properties

The Group owns various properties which are held for future development and as at 31 December 2018 had an aggregate carrying value of €6.2 million. Furthermore, the Group has entered into promise of sale agreements in relation to a number of properties earmarked for future development, for an aggregate consideration of €18.5 million.

4.4.3 Hospitality Operations

Hospitality operations in 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 year ended 31 December 2016. As of 1 January 2017, hospitality operations were transferred to ST Hotels Ltd. The financial information about ST Hotels Ltd is included in the audited financial statements of the said company for the financial years ended 31 December 2017 and 31 December 2018.

Set out below is the income statement extracted from the audited financial statements of Stivala Operators Limited and ST Hotels Ltd for the financial years indicated hereunder:

Income Statement **for the year ended 31 December**	**2016** **€'000**	**2017** **€'000**	**2018** **€'000**
Revenue	7,842	9,656	10,972
Hotels	*3,155*	*4,135*	*4,693*
Hostels and short let apartments	*4,350*	*4,999*	*6,097*
Commercial and other income	*337*	*522*	*182*
Cost of sales	(3,813)	(4,102)	(4,718)
Gross profit	**4,029**	**5,554**	**6,254**
Other net operating costs	(1,267)	(1,167)	(1,799)
EBITDA	**2,762**	**4,387**	**4,455**
Depreciation & amortisation	(948)	(2,004)	(2,386)
Operating profit	**1,814**	**2,383**	**2,069**
Gain on disposals/write offs of assets	1,586	-	-
Waiver of related company balance	(10,190)	10,203	-
Net finance costs	(33)	(855)	(402)
Profit/(loss) before tax	**(6,823)**	**11,731**	**1,667**
Taxation	(553)	400	(273)
Profit/(loss) for the year	**(7,376)**	**12,131**	**1,394**
Total comprehensive income/(expense)	**(7,376)**	**12,131**	**1,394**

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 FY2015. 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 3 above, in 2016, the business of Stivala Operators Limited was transferred to ST Hotels Ltd 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 Ltd. 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 Ltd recorded a gain of the same amount in FY2017.

ST Hotels Ltd generated revenue of €9.7 million in **FY2017,** an increase of €1.8 million (+23%) over the previous year, primarily due to the inclusion of Sliema Hotel's revenue for a full year as compared to 8 months' performance in FY2016. In fact, revenue from hotels increased by €980,000 year-on-year to €4.1 million. Income derived from hostels and short let apartments also increased by €650,000 or 15% from €4.35 million in FY2016 to €5.00 million in FY2017, whilst the commercial segment generated €522,000 as compared to €337,000 a year earlier.

As a consequence of the higher revenue achieved in FY2017, EBITDA improved by €1.6 million (+59%) to €4.4 million and operating profit increased from €1.8 million in FY2016 to €2.4 million (+31%). Profit before tax in FY2017 amounted to €11.7 million, which included the one-off transaction amounting to €10.2 million, described hereinabove. Normalised profit before tax amounted to €1.5 million, marginally lower when compared to the prior year (FY2016: normalised profit before tax of €1.8 million). Overall, profit for the year amounted to €12.1 million (FY2016: loss of €7.4 million).

Revenue in **FY2018** increased by €1.3 million (+14%) from €9.7 million in FY2017 to €11.0 million, mainly on account of an increase in available units in the segment comprising hostels and short let apartments. Notwithstanding the afore-stated increase in revenue, EBITDA increased only marginally from €4.4 million in FY2017 to €4.5 million as operating & other expenses were higher from a year earlier by €1.2 million. During the year, there was an increase in commissions payable to tour operators, and moreover ST Hotels Ltd incurred one-off application fees for future re-development of certain Group properties.

ST Hotels Ltd reported a profit before tax for FY2018 of €1.7 million, an increase of €0.2 million when compared to normalised profit before tax of €1.5 million in FY2017 (that is, excluding the one-off item of €10.2 million. Profit for the year amounted to €1.4 million (FY2017: €12.1 million).

4.4.4 Property Rentals

Long lets of residential and commercial Group properties to third parties were administered during FY2016 by Stivala Properties Ltd and in FY2017 and FY2018 by ST 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 year ended 31 December 2016. Financial information about ST Properties Ltd is included in the audited financial statements of the said company for the financial years ended 31 December 2017 and 31 December 2018.

Set out below is the income statement extracted from the audited financial statements of Stivala Properties Ltd and ST Properties Ltd for the financial years indicated hereunder:

Income Statement **for the year ended 31 December**	**2016** **€'000**	**2017** **€'000**	**2018** **€'000**
Revenue	1,748	2,721	5,119
Commercial	*821*	*1,004*	*3,311*
Residential	*927*	*1,717*	*1,808*
Cost of sales	(393)	(315)	(345)
Gross profit	**1,355**	**2,406**	**4,774**
Other net operating (costs)/income	(18)	373	536
Profit before tax	**1,337**	**2,779**	**5,310**
Taxation	(300)	(536)	(841)
Profit for the year	**1,037**	**2,243**	**4,469**
Total comprehensive income	**1,037**	**2,243**	**4,469**

In **FY2016**, Stivala Properties Ltd reported a year-on-year increase of 27% or €371,000 to €1.7 million (FY2015: €1.4 million). The aforesaid growth 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).

The business activities of Stivala Properties Ltd were conducted by ST Properties Ltd in **FY2017**. During the year, revenue increased by €973,000 (+56%) year-on-year, mainly as a result of an increase in properties under management and improvement in rental rates. In consequence, the company's profit for the year increased from €1.0 million in FY2016 to €2.2 million in FY2017.

Revenue generated by ST Properties Ltd in **FY2018** increased by €2.4 million, from €2.7 million in FY2017 to €5.2 million, primarily on account of a full year's rent receivable from the following properties acquired during the prior year: EC language school, St Julian's; The Quisisana Boutique Apartments, Sliema; and the office block at 120, The Strand, Sliema. Overall, the company's profit for the year doubled when compared to FY2017 and amounted to €4.5 million (FY2017: €2.2 million).

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, Msida University Heights 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 2018, being the date of the latest audited financial statements, are described hereunder:

(a) Azur Hotel, Belvedere Street, Gzira

During FY2018 and the initial quarter of FY2019, the Group developed the Azur Hotel, a 178-room 3-star hotel, which is located in Belvedere Street, Gzira. The hotel commenced operations on 1 April 2019. The carrying amount of the Azur Hotel as at the date of this Registration Document is *circa* €9.0 million.

(b) Bring Apartments, Reid Street, Gzira

The Group is presently developing an extension to this property which on completion will increase the number of apartments by 5 units to a total of 22 apartments (Planning Authority permit no. PA 7047/16). The estimated cost of development is *circa* €1 million and completion is scheduled for September 2019. The project is being funded from the Group's cash resources and Bond Issue net proceeds.

(c) Valley Towers, Valley Road, Birkirkara

The Group is currently developing 3 additional commercial units (*circa* 600m²) at a projected cost amounting to *circa* €600,000 (Planning Authority permit no. PA 7657/16). The said project is expected to be completed by end 2019 and is being financed from the Group's own funds and Bond Issue net proceeds.

(d) 196/197/198, Triq Censu Tabone (formerly Main Street), St Julian's

The proposed project comprises the development of garages (at level -3), commercial space (at levels -2 to 0) and eleven luxury residential units (at levels 1 to 4) – a total built up area of *circa* 4,420m². To date, construction of the initial 5 levels have been completed at an estimated cost of *circa* €1 million and works on the 6th level are in progress. The remaining development costs (including finishes) are expected to amount to *circa* €2.8 million. The project is scheduled for completion by the end of 2019. The afore-mentioned outstanding costs shall be financed from net proceeds of the Bond Issue. The proposed development is approved as per Planning Authority permit no. PA 6442/17.

(e) Other investments

The Group shall apply *circa* €6,000,000 of the net proceeds of the Bond Issue to acquire the New Property, which are currently subject to promise of sale agreements. Each property forming part of the New Property shall be held by the Group for future development. Further information on the New Property is provided hereunder and in Annex I of this Registration Document.

Description	**Validity of Promise of Sale Agreement**	**€'000**
26/27/28, Belvedere Street, Gzira The property at 26, Belvedere Street, Gzira consists of a ground floor maisonette underlying third party property. This maisonette was incorporated with adjacent two-storey terraced house at 27/28, Belvedere Street, Gzira by means of a door through the party wall, with the front door being converted into a window.The site is a defined part of a proposed approved development owned together with a third party incorporating other buildings to be developed as per PA 9710/18: "Demolition of terraced house, excavation of basement and construction of Class 4A offices and maisonette at ground floor, 5 floors and receded floor with different layout from that approved in PA 7538/17 and unification of common parts."	30 September 2019	405
60/61, Ponsomby Street, Gzira The property occupies a defined part of an area of *circa* 453.44m² that is adjacent to the existing Blubay Hotel owned by the Stivala Group. The area of this property is *circa* 180m² and includes its airspace. An application for a new development (PA 9849/18) that includes the site of this property has been submitted viz: "Proposed extension to an existing class 3B hotel, including additions and alterations to the layout approved in development permission PA 4025/16, plus construction of an additional floor. Proposal will result in 209 guest rooms over 9 levels."	30 September 2019	623
118 & 120, St Albert Street, Gzira The property consists of a one-bedroomed ground floor maisonette and an overlying one-bedroomed first floor maisonette. The property is situated within a commercial area of Gzira where a building height of 4 floors without semi-basement with a maximum height of 20.8m is permitted according to the North Harbours Local Plan and Development Control Design Policy, Guidance and Standards 2015 (DC15). The units are occupied by tenants who have a pre-1995 lease. No building permit applications have been submitted.	30 September 2019	261

137/138, The Strand, Gzira The property 137 occupies an area of *circa* 50m² on ground floor while the property at 138 occupies an area of *circa* 35m² at ground floor and 549.06m² at first floor - overlying 137 and 138 is already owned by the Stivala Group. It is adjacent to the existing Bayview Hotel owned by the Stivala Group. The property at 138 is occupied by a tenant who has a pre-1995 lease. An application for its development (PA 8231/18) has been submitted viz: "Proposed extension to class 3B hotel, approved in development permission PA 2537/14. Proposal consists of extension and redesign of existing (including demolition) up to 6th floor level and construction of four new overlying floors plus other additions and alterations."	30 July 2019	4,360
11, Triq San Alwigi, Msida The property consists of a large undeveloped plot of land including an existing farmhouse consisting of three rooms and external toilet at ground floor and a room at first floor level with stairs going on to the overlying roof. An application (PA 2259/19) has been submitted for the demolishing of the existing and the construction of a class 4A office and 9 apartments plus overlying penthouse. This application is still being processed.	30 July 2019	335
		5,984

The remaining balance of *circa* €4,370,000 of net proceeds of the Bond Issue shall be utilised for the purposes of completing the ongoing projects of the Group, particulary those described in clauses (b), (c) and (d) above and to acquire other properties in accordance with the Group's business strategy.

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.

Description	Valuation as at 28 June 2019 (€'000)
a plot of land measuring *circa* 865m² situated in Testaferrata Street, Ta' Xbiex, which is earmarked for the development of a commercial property known as 'ST Tower' as better described in section 4.4.2 of this Registration Document	9,000
41 – 43, The Strand, Sliema comprising 3 shops and 3 apartments	6,266
	15,266

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 net proceeds of the Secured Bonds to re-finance an existing bank loan with FIMBank p.l.c., which funds were originally principally utilised to acquire various properties. The outstanding balance due to FIMBank p.l.c. as at 30 June 2019 amounted to *circa* €4,200,000. The table below provides a breakdown of the outstanding bank facility that will be repaid by means of the Bond Issue net proceeds as well as the corresponding charges that will be released once the loan has been settled.

Lending Bank	Borrower	Loan Facility	Outstanding Balance as at 30 June 2019	Charged Property	Relevant Notes
FIMBank p.l.c.	Carmelo Stivala Group Limited as principal debtor	€5,000,000	€4,200,000	GH by Carmelo Stivala Group Limited over all its assets present and future. SH on: (i) 165/166, The Strand, Gzira; (ii) 15 – 19, Ponsomby Street, Gzira.	H/6394/2019

(SH: Special Hypothec; GH: General Hypothec)

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 €15,000,000 and interests thereon.

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.

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, the Issuer and the Guarantor and the Security Trustee will enter into a notarial deed pursuant to which the Issuer and/or the Guarantor shall constitute first ranking special hypothecs over the Security Property.

Following registration of the above-mentioned notarial deed and the presentation to the Security Trustee of the appropriate notes of hypothec, the Security Trustee shall release the 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) **Repayment of loan facility granted by FIMBank p.l.c.**: The Issuer shall repay the outstanding loan and accrued interest payable due to FIMBank p.l.c. amounting to *circa* €4,300,000 (in aggregate).

(ii) **Acquisition of the New Property**: The Security Trustee shall appear on the deed of sale and purchase and shall release out of the Bond Issue proceeds the amount of *circa* €6,000,000 required to discharge the cash portion of the purchase consideration of the said immovable property and any related costs of acquisition.

(iii) **Other property developments and/or acquisitions**: An amount of *circa* €4,370,000 will be utilised to fund part of the Group's ongoing capital expenditure on own properties and/or to acquire other immovable properties in accordance with the Group's business development strategy.

With respect to the acquisition of immovable property set out in clause (ii) 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 property being purchased by the Group, so as to ensure that the purchase is made as free and unencumbered of any such security interests.

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 the FIMBank p.l.c. loan 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 15,000,000 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. TREND INFORMATION AND FINANCIAL PERFORMANCE

5.1 Trend Information

There has been no material adverse change in the prospects of the Issuer and Group 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]

Inbound tourist trips from January to December 2018 reached nearly 2.6 million, an increase of 14.3% over the same period in 2017. Total nights spent by inbound tourists went up by 12.5%, reaching nearly 18.6 million nights. Total tourism expenditure was estimated at €2.1 billion, 8.0% higher than that recorded for 2017. Total expenditure per capita stood at €809, a decrease of 5.5% when compared to 2017. In 2018, total guests in hotels and other collective accommodation (comprising guesthouses, hostels and tourist villages) reached almost 2.0 million, an increase of 8.4% over the same period in 2017. Within the collective accommodation establishments, the 5-star lost 4,542 guests (-1.1%), whilst the 4-star and 3-star hotels gained 80,814 guests (+10.2%), and 47,716 (+9.3%) respectively for the year 2018 when compared to a year earlier.

The latest inbound tourism numbers, published by the national statistics office (NSO), show that tourism has continued to increase during the first three months of this year. Tourist arrivals are reported to have increased by 2.8% and guest nights by 4.2%. Whilst remaining positive, the increases are less pronounced than those registered in previous years. Tourist expenditure increased at a slower pace and was marginally up by 0.3%.

During this first quarter of the year, the number of tourists staying in hotels remained at par with the previous year, although the number of guest nights spent in hotels decreased by 5.5%. The overall increase in guest nights during Q1 was effectively taken up by the private accommodation sector. This shift in accommodation preference has had a negative impact on the hotel sector's bottom line profitability, with both the 5-star and 4-star categories reporting a decline in gross operating profits.

Compared to the same period last year, the overall average length of stay in Q1 increased by 1.4%. Tourists opting to stay in private accommodation spent 9.31 days in Malta, up by 8.8% over last year and almost 4 days more than those staying in hotel accommodation. With total guest nights in hotel accommodation down by 5.5%, occupancy levels in the 5-star sector as reported by the Deloitte survey, declined from 56.9% in the first three months of 2018 to 53.6% during the same period this year. Average room rates were down marginally by 1% while non-accommodation income slightly increased by 0.4%, resulting in an overall drop of 6.3% in total revenue per available room. On average, 5-star hotels registered a GOPPAR (gross operating profit per available room) of €918, which is €528 lower than what was reported in the same quarter last year and €986 less than 2017.

The evident shift from hotel to private accommodation would appear to be having the greatest knock on effect on 4-star hotels, with occupancy levels in the first quarter of the year declining by 9.2% and room rates decreasing by 2.7%. The quarterly GOPPAR of 4-star hotels decreased by €339 to €36 per available room (Q1 2018: €375). As for the 3-star sector, participating hotels reported a loss of €67 per available room during this quarter, reflecting an improvement on what was reported in the corresponding period last year (Q1 2018: loss of €276).

As highlighted above, bed overcapacity may be a threat to profitability in view of the significant growth in non-collective accommodation (such as AirBnB) experienced in recent years and, to a lesser extent, hotel properties. Competition is expected to increase further in the short to medium term from ongoing development projects earmarked for the hospitality sector and others which are still at planning stage. An increase in competition is also anticipated from other countries, particularly in the southern Mediterranean region, which are reviving their respective hospitality industry as security and safety concerns abate.

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 presently being developed, and others 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] National Statistics Office - Malta (www.nso.gov.mt); MHRA Q1 2019 Hotel Survey by Deloitte

5.2 Selected Financial Information of the Issuer and Group

The financial information set out in this section has been extracted from the financial statements described hereunder.

The tables and discussion included in this section 5.2 contain certain alternative performance measures (as defined by the European Securities and Markets Authority (ESMA)), including EBITDA, that the Group's management and other competitors in the industry use. 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.

These non-IFRS financial measures are presented as supplemental information as (i) they represent measures that the Directors believe may be relevant for certain investors, securities analysts and other parties in assessing the Group's operating and financial performance and may contribute to a fuller understanding of the Group's cash generation capacity and the growth of its business; and (ii) they may be used by the Group's management as a basis for strategic planning and forecasting.

FY2016: Combined Financial Information of the Guarantor for the year ended 31 December 2016

Prior to 2017, 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 year ended 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 year ended 31 December 2016 of Carmelo Stivala Group Limited, C. Stivala & Sons Limited, Stivala Operators Limited and Stivala Properties Ltd. The financial information relating ST Hotels Ltd and ST Properties Ltd 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.

FY2017: Audited Consolidated Financial Statements of the Guarantor for the year ended 31 December 2017

Pursuant to a re-organisation exercise carried out in Q3 2017, the Guarantor became the Group's property holding company and holds almost all of the Group's immovable property. The afore-mentioned property is subsequently leased to and operated by the Guarantor's subsidiaries - ST Hotels Ltd and ST Properties Ltd.

FY2018: Audited Consolidated Financial Information of the Issuer for the period ended 31 December 2018

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. During the 4-month period to 31 December 2017, the Issuer listed €45 million 4% secured bonds 2027 on the Malta Stock Exchange and acquired €45 million worth of preference shares in the Guarantor.

The financial information relating to FY2018 is extracted from the audited consolidated financial statements of the Issuer for the period 21 August 2017 to 31 December 2018.

Consolidated Income Statement			
for the year ended 31 December	**2016**	**2017**	**2018**
	Combined	**Consolidated**	**Consolidated**
	(12 mths)	**(12 mths)**	**(16 mths)**
	€'000	**€'000**	**€'000**
Revenue	9,590	12,386	19,655
Cost of sales	(1,518)	(3,238)	(6,205)
Gross profit	**8,072**	**9,148**	**13,450**
Net operating costs	(1,358)	(2,396)	(2,645)
EBITDA	**6,714**	**6,752**	**10,805**
Depreciation & amortisation	(1,669)	(2,905)	(3,036)
Operating profit/(loss)	**5,045**	**3,847**	**7,769**
Gain from bargain purchase and other net gains	-	8,644	112,886
Movement in revaluation of property	-	56,945	2,334
Other	822	253	(1)
Net finance costs	(379)	(710)	(2,894)
Profit before tax	**5,488**	**68,979**	**120,094**
Taxation	(1,135)	(9,035)	(4,532)
Profit for the year	**4,353**	**59,944**	**115,562**
Other comprehensive income:			
Movement in revaluation of property, net of tax	-	29,085	-
Deferred taxation	-	-	(35)
Total comprehensive income	**4,353**	**89,029**	**115,527**

Consolidated Cash Flow Statement			
for the year ended 31 December	**2016**	**2017**	**2018**
	Combined	**Consolidated**	**Consolidated**
	(12 mths)	**(12 mths)**	**(16 mths)**
	€'000	**€'000**	**€'000**
Net cash from operating activities	9,592	34,844	9,659
Net cash from investing activities	(21,731)	(34,742)	(50,274)
Net cash from financing activities	13,956	4,362	39,653
Net movement in cash and cash equivalents	**1,817**	**4,464**	**(962)**
Cash and cash equivalents at beginning of year	(1,226)	811	(1,410)
Cash and cash equivalents at end of year	**591**	**5,275**	**(2,372)**

Consolidated Statement of Financial Position			
as at 31 December	**2016**	**2017**	**2018**
	Combined	**Consolidated**	**Consolidated**
	€'000	**€'000**	**€'000**
ASSETS			
Non-current assets			
Intangible assets	-	36	70
Investment property	31,593	106,035	115,846
Property, plant & equipment	13,990	62,841	74,947
Loans and receivables	3,400	-	7,621
Other non-current assets	1	1	1
	48,984	168,913	198,485
Current assets			
Trade and other receivables	3,379	5,281	3,705
Cash and cash equivalents	914	5,538	235
	4,293	10,819	3,940
Total assets	**53,277**	**179,732**	**202,425**
EQUITY			
Capital and reserves			
Share capital	1	45,005	300
Revaluation and other reserves	4,925	77,205	89,169
Retained earnings	14,924	22,912	26,357
	19,850	**145,122**	**115,826**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	24,940	14,215	59,246
Other non-current liabilities	-	13,731	15,394
	24,940	27,946	74,640
Current liabilities			
Bank overdraft	323	263	2,607
Borrowings	4,427	1,932	1,077
Trade and other payables	3,454	3,691	7,072
Other current liabilities	283	778	1,203
	8,487	6,664	11,959
	33,427	**34,610**	**86,599**
Total equity and liabilities	**53,277**	**179,732**	**202,425**

The operating results presented hereinabove primarily reflect the performance of the Group's operating subsidiaries - Stivala Operators Limited and Stivala Properties Ltd for FY2016, and ST Hotels Ltd and ST Properties Ltd thereafter - which are described in further detail in sections 4.4.3 and 4.4.4 of this Registration Document. Revenue increased during the historical financial years from €9.6 million in FY2016 to €12.4 million and €19.7 million in FY2017 and FY2018 respectively (+105%), principally due to a full year's operation of the Sliema Hotel as from FY2017 and substantial increase in commercial and short-let leases due to growth in the Group's property portfolio. Furthermore, financial information for FY2018 reflects a 16-month period.

Operating profit increased in FY2016 from €1.8 million in FY2015 to €5.0 million, but decreased to €3.8 million in FY2017 due to a higher depreciation charge. In consequence of the Group's restructuring exercise implemented in FY2017, the Group reported a positive movement in property revaluation of €56.9 million and net gain on merger of businesses amounting to €8.6 million. Accordingly, profit after tax in FY2017 amounted to €59.9 million (FY2016: €4.4 million).

Revenue in FY2018 increased substantially by €7.3 million (+59%) from €12.4 million in FY2017 to €19.6 million. On a normalised basis (that is, a 12-month period), revenue generated in FY2018 amounted to €15.7 million as compared to €12.4 million a year earlier (+€3.3 million, +27%). In FY2018, profit before tax was positively impacted by a gain from bargain purchase amounting to €112.9 million. This one-off item represented the acquisition by the Issuer of the Guarantor and its subsidiaries. Overall, total comprehensive income in FY2018 amounted to €115.5 million (FY2017: €89.0 million).

In the Consolidated Statement of Financial Position, the Group's total assets as at 31 December 2018 amounted to €202.4 million, predominantly composed of investment property and property, plant & equipment. The afore-mentioned asset classes include investment properties and buildings used for business operations amounting to €183.6 million, which are accounted for at fair value as further described in section 4.4.2 above, and plant and equipment amounting to €7.2 million which are accounted for at cost (in aggregate €190.8 million).

Non-current liabilities as at 31 December 2018 amounted to €74.6 million, comprising 4% secured bonds 2027 of €44.6 million, bank loans of €14.6 million and other non-current liabilities (primarily deferred taxation) of €15.4 million. Current liabilities amounted to €12.0 million and include trade and other payable, current portion of bank and other borrowings, overdraft facilities and other liabilities.

The Consolidated Cash Flow Statement shows that in FY2018, the Group generated cash inflows from operating activities of €9.7 million as compared to €34.8 million in FY2017. The material variance from one year to another is mainly attributable to movements in working capital (being inventories, trade and other receivables and payables). Net cash outflows from investing activities amounted to €50.3 million in FY2018 (FY2017: €34.7 million), largely related to the further expansion of the Group's property portfolio through acquisitions and development. As a result, net financing cash inflows amounted to €39.7 million in FY2018 (FY2017: €4.4 million).

5.3 Selected Financial Information of the Guarantor

The financial information set out in this section has been extracted from the audited financial statements of the Guarantor for the financial years ended 31 December 2016 to 2018.

Carmelo Stivala Group Limited Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December	**2016 €'000**	**2017 €'000**	**2018 €'000**
Revenue	185	14,782	5,926
Net operating costs	(668)	(2,501)	(19)
Operating profit	**(483)**	**12,281**	**5,907**
Movement on revaluation of investment property	-	102,819	1,340
Other	822	10,573	4
Net finance interest/(costs)	-	154	(7)
Profit before tax	**339**	**125,827**	**7,244**
Taxation	(154)	(15,291)	(732)
Profit for the year	**185**	**110,536**	**6,512**
Total comprehensive income	**185**	**110,536**	**6,512**

Carmelo Stivala Group Limited Cash Flow Statement for the year ended 31 December	**2016 €'000**	**2017 €'000**	**2018 €'000**
Net cash from operating activities	13,982	36,528	9,627
Net cash from investing activities	(20,655)	(32,790)	(8,114)
Net cash from financing activities	8,289	962	(7,767)
Net movement in cash and cash equivalents	**1,616**	**4,700**	**(6,254)**
Cash and cash equivalents at beginning of year	(808)	808	5,508
Cash and cash equivalents at end of year	**808**	**5,508**	**(746)**

Carmelo Stivala Group Limited Statement of Financial Position as at 31 December	2016 €'000	2017 €'000	2018 €'000
ASSETS			
Non-current assets			
Investment property	20,983	166,715	174,722
Property, plant & equipment	3,800	-	-
Investments in subsidiaries & associates	3	506	506
Loans	-	-	13,283
	24,786	167,221	188,511
Current assets			
Trade and other receivables	2,365	17,288	2,470
Cash and cash equivalents	808	5,508	1
	3,173	22,796	2,471
Total assets	**27,959**	**190,017**	**190,982**
EQUITY			
Capital and reserves			
Share capital	1	45,005	45,005
Revaluation reserve	-	87,601	88,274
Retained earnings	1,444	23,873	27,642
	1,445	**156,479**	**160,921**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	11,763	14,215	11,859
Other non-current liabilities	-	15,217	15,885
	11,763	29,432	27,744
Current liabilities			
Overdrawn bank balances	-	-	747
Borrowings	3,421	1,932	460
Trade and other payables	11,316	2,145	1,065
Other current liabilities	14	29	45
	14,751	4,106	2,317
	26,514	**33,538**	**30,061**
Total equity and liabilities	**27,959**	**190,017**	**190,982**

The Guarantor 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.

In FY2018, the Guarantor reported total comprehensive income of €6.5 million compared to €110.5 million in FY2017, principally on account of dividends receivable from Subsidiaries which amounted to €5.9 million (FY2017: €14.8 million) and uplifts in revaluation of investment property of €1.3 million (FY2017: €102.8 million).

Total assets of the Guarantor as at 31 December 2018 amounted to €191.0 million, mainly comprising investment property situated in Malta (FY2017: €166.7 million). The Guarantor is principally financed by €45.0 million redeemable preference shares and €13.1 million of short and long term borrowings. Revaluation reserve and retained earnings as at 31 December 2018 amounted to €88.3 million and €27.6 million respectively.

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 Michael Stivala, Martin John Stivala, Ivan 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.

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.

Ivan Stivala

Ivan Stivala began working with the Group approximately 25 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.

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.

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 Francis Gouder, Ann Marie Agius 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 an extensive career in banking, spending over 35 years working at Bank of Valletta p.l.c. where he specialised in business finance. He was a member of the Board of Directors of Bank of Valletta p.l.c. from 2002 till 2003, during which time he chaired the Risk Management Committee. He was elected once again as a director of Bank of Valletta p.l.c. in 2008 and 2009, during which time he was a member of the Bank's Credit Committee. He presently holds a number of non-executive directorships.

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. In 2018, the Issuer paid the amount of €22,500 as remuneration to its Directors.

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. Powers of Directors are described in further detail in section 12.2.3 of this Registration Document.

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:

Kevin Bonnici – is the Group Financial Controller of the Stivala Group. He has 10 years' experience in accountancy roles at various companies in Malta and his last employment involved managing accounts related to tour operating agencies.

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 December 2018, the Group employed 17 staff members in management and administration (2017: 15 employees) and 90 staff members in operational activities (2017: 85 employees).

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 their 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

The Issuer is subject to, and supports, Code of Principles of Good Corporate Governance forming part of the Listing Rules (the "**Code**"). The Issuer is confident that the adoption of the Code has resulted in positive effects accruing to the Issuer.

The Board considers that during the financial year ended 31 December 2018, the Company was in compliance with the Code save as set out hereunder.

As at 25 April 2019, being the date of approval of the latest annual report, the Company was not fully in compliance with the said Principles of Good Corporate Governance specifically by virtue of the following:

(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.

10. HISTORICAL INFORMATION

Section 5.2 above includes combined historical financial information of the Guarantor for the year ended 31 December 2016. The said financial information has been extracted from the audited financial statements for the year ended 31 December 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.

The historical financial information relating to the Guarantor for the financial year ended 31 December 2017 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.

The historical financial information relating to the Issuer for the period 21 August 2017 (being the date of incorporation) to 31 December 2018 as audited by Nexia BT are set out in the financial statements of the Issuer, which are available for inspection as set out in section 16 below.

There have been no significant changes to the financial or trading position of the Issuer and 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 are 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 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.

On 26 October 2017, the Guarantor signed a promise of sale agreement with Eighty Two Company Limited and Matthew Farrugia (the "Vendors") for the purchase of a property situated at 80 – 83, Spinola Road, St Julians for the price of €10 million. The validity of the promise of sale agreement was till 30 October 2018. Subsequent to the signing of the said promise of sale, it resulted that the Vendors did not have the airspace of 83, Spinola Road, St Julians and the Guarantor asked for a revision downwards of the price. No agreement was reached between the parties. The latest court case in this regard is dated 10 June 2019, filed by the Vendors against the Guarantor. The Vendors are asking the Court to inter alia declare that the Guarantor is obliged to deposit the price mentioned in the promise of sale agreement if the latter maintains that the said promise of sale is still valid or forfeit any rights the Guarantor might have had arising from the subject promise of sale agreement.

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 €45,004,895 divided into 4,895 Ordinary Shares of a nominal value of €1.00 each and 45,000,000 Preference 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 2 per cent of the Guarantor's share capital is held by the founder of the Group, Mr Carmelo Stivala. The Preference Shares are cumulative redeemable preference shares and have been allocated to the Issuer. They are redeemable by not later than June 2027 and carry a fixed dividend payout of 4.5%.

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 15,000,000 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%.

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 limited liability exempt company in terms of the Act. The memorandum and articles of association of the Guarantor are registered with the Register 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 June 2019.

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 contained in Annex I to 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 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 and Charts (a division of MeDirect Bank (Malta) plc of The Centre, Tigné Point, Sliema TPO 0001, Malta respectively, that have given and have not withdrawn their consent to the inclusion of their respective reports herein. Arch. Michael Falzon and Charts (a division of MeDirect Bank (Malta) plc) do not have any interest in the Issuer. The Issuer confirms that the valuation 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 2016 to 2018;
(c) Audited consolidated financial statements of the Issuer for the financial period 21 August 2017 to 31 December 2018;
(d) Audited financial statements of each of the Group Subsidiaries for the financial years ended 31 December 2016 to 2018, where applicable;
(e) Combined financial statements of the Guarantor for the financial year ended 31 December 2016;
(f) Independent Expert's property valuation report dated 28 June 2019 and prepared at the Issuer's request;
(g) Financial analysis summary dated 26 June 2019 and prepared by Charts (a division of MeDirect Bank (Malta) plc);
(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 18 July 2019.

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

ANNEX I – 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.,

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Tel: (+356) 2149 0266, E-mail: ian.cutajar@falzonandcutajar.com

MFF/829B-361B

28th June 2019

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

Valuation report – properties to be purchased by Carmelo Stivala Group Limited for future development, and properties owned by Carmelo Stivala Group Limited

1.0 INTRODUCTION

1.1 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 all located in Malta. The detailed valuation report that includes the undersigned's opinion of the values of the properties, is submitted herewith. The effective date of the valuation is 28 June 2019.

1.2 The Stivala Group intends to acquire five different properties in the Gzira/Msida areas. Most of these properties are ripe for redevelopment and are covered by the necessary Planning Authority permits or in the process of obtaining such permits.

1.3 The Stivala Group has also identified two properties (owned) to be held by the Security Trustee as security for the fulfilment of the Issuer's obligations in terms of the Bond Issue.

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 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.

The undersigned declares that he has visited all the subject sites and properties to better understand the characteristics and qualities of the various properties and to identify any obvious defects that could influence the values of the said 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 1 May 2019 and 13 June 2019.

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

2.5 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.

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

3.0 DECLARATION OF INDEPENDENCE

3.1 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.

4.3 The valuations of the development potential of properties and existing properties 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.

4.4 The values of the properties to be acquired are not being intrinsically linked to the returns that an owner of such property can generate through their use, but rather takes into consideration the respective redevelopment potential in the light of Planning Authority permits that already exist or are being sought.

5.0 SUBJECT OF VALUATION

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

- Properties to be purchased for future development;
- Property held for future development;
- Property used for business purposes.

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 valuation is based are subsequently found to be incorrect, then our valuation conclusion may also be incorrect or invalid.

With reference to our valuation of the properties to be purchased for future development and property held for future development we have made the following assumptions in the preparation of our Report:

- The properties are not contaminated and no contaminative or potentially contaminative uses has ever been carried out on them;
- There are no abnormal ground conditions, nor archaeological remains present which might adversely affect the present or future occupation, development or value of the properties.

With reference to our valuation of the property used for business purposes 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 equipment 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.

The valuation is based on the assumption that the properties will only be encumbered by privileges and hypothecs necessary for their financing and operation. Any other mortgages, and/or other bank loans & facilities are not considered in this valuation. As at the date of this report, the properties are unencumbered.

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

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

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 preliminary purchase agreement (konvenju) or other agreements with third parties entered into with respect to each of the properties.
- The existing lease agreements in place, with respect to each of the properties except for vacant properties.
- Planning Authority permits and permit drawings where applicable.
- 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 TO BE PURCHASED FOR FUTURE DEVELOPMENT

The properties to be acquired for future development are included below (Listing Rules 7.4.1.6, 7.4.1.12 and 7.4.1.14 are not applicable):

- **137/138, The Strand, Gzira**

  The property numbered 137 occupies an area of *circa* 50 sq. mts on ground floor while the property numbered 138 occupies an area of *circa* 35 sq. mts at ground floor and 549.06 sq. mts at first floor - overlying 137 and 138 is already owned by the Stivala Group. It is adjacent to the existing Bayview Hotel owned by the Stivala Group. The property is owned freehold.

  The property at 138 is occupied by a tenant who has a pre-1995 lease and accordingly, Act XXVII of 2018 entitled the "Housing (Decontrol) Ordinance (Amendment) Act, 2018", which was brought into full effect on 1 August 2018 by means of Legal Notice No. 259 of 2018, shall apply. Approximate age of property is *circa* 60 years.

  An application for its development (PA 8231/18) has been submitted viz: 'Proposed extension to class 3B hotel, approved in development permission PA 2537/14. Proposal consists of extension and redesign of existing (including demolition) up to 6th floor level and construction of four new overlying floors plus other additions and alterations.'

  The estimated total cost to construct and finish the proposed development amounts to €3,500,000 (three million, five hundred thousand euro). Stivala Group has no intention to execute the development for the time being.

  This property is being valued at €4,000,000 (four million euro).

- **60/61, Ponsomby Street, Gzira**

  The property occupies a defined part of an area of *circa* 453.44 sq. mts that is adjacent to the existing Blubay Hotel owned by the Stivala Group. The area of this property is *circa* 180 sq. mts and includes its airspace. The property is owned freehold. Approximate age of property is *circa* 60 years.

  An application for a new development (PA 9849/18) that includes the site of this property has been submitted viz: 'Proposed extension to an existing class 3B hotel, including additions and alterations to the layout approved in development permission PA 4025/16, plus construction of an additional floor. Proposal will result in 209 number guest rooms over 9 levels.'

  The estimated total cost to construct and finish the proposed development amounts to €2,100,000 (two million, one hundred thousand euro) and the part of the project relative to the area of this property is estimated at €700,000 (seven hundred thousand euro). Stivala Group has no intention to execute the development for the time being.

  This property is being valued at €585,000 (five hundred and eighty-five thousand euro).

- **26/27/28, Belvedere Street, Gzira**

  The property at 26, Belvedere Street, Gzira consists of a ground floor maisonette underlying third party property. This maisonette was incorporated with adjacent two-storey terraced house at 27/28, Belvedere Street, Gzira by means of a door through the party wall, with the front door being converted into a window. The property is freehold. Approximate age of property is *circa* 60 years.

  The site is a defined part of a proposed approved development owned together with a third party incorporating other buildings to be developed as per PA 9710/18: 'Demolition of terraced house, excavation of basement and construction of Class 4A offices and maisonette at ground floor, 5 floors and receded floor with different layout from that approved in PA 7538/17 and unification of common parts.'

  The estimated total cost to construct and finish the proposed development amounts to €1,000,000 (one million euro) and the part of the project relative to the area of this property is estimated at €500,000 (five hundred thousand euro). Stivala Group has no intention to execute the development for the time being.

  This part of the site being purchased by Carmelo Stivala Group Limited is being valued at €380,000 (three hundred and eighty thousand euro).

- **118 & 120, St. Albert Street, Gzira**

  The property consists of a one-bedroomed ground floor maisonette and an overlying one-bedroomed first floor maisonette. The property is freehold. Approximate age of property is *circa* 60 years.

  The property is situated within a commercial area of Gzira where a building height of 4 floors without semi-basement with a maximum height of 20.8 mt. is permitted according to the North Harbours Local Plan and Development Control Design Policy, Guidance and Standards 2015 (DC15).

  The units are occupied by tenants who have a pre-1995 lease and accordingly, Act XXVII of 2018 entitled the "Housing (Decontrol) Ordinance (Amendment) Act, 2018", which was brought into full effect on 1 August 2018 by means of Legal Notice No. 259 of 2018, shall apply. Stivala Group has no intention to execute the development for the time being.

  No building permit applications have been submitted. An estimate for the redevelopment of this site would be in the region of €200,000 (two hundred thousand euro).

  This property is being valued at €245,000 (two hundred and forty-five thousand euro).

- **11, Triq San Alwigi, Msida**

  The property consists of a large undeveloped plot of land including an existing farmhouse consisting of three rooms and external toilet at ground floor and a room at first floor level with stairs going on to the overlying roof. The property is freehold. Approximate age of property is *circa* 60 years.

  An application (PA 2259/19) has been submitted for the demolishing of the existing and the construction of a class 4A office and 9 apartments plus overlying penthouse. This application is still being processed.

  The estimated total cost to construct and finish the proposed development amounts to €350,000 (three hundred and fifty thousand euro). Stivala Group has no intention to execute the development for the time being.

  This property is being valued at €315,000 (Three hundred and fifteen thousand euro).

9.0 PROPERTY HELD FOR FUTURE DEVELOPMENT

- <u>**Ta' Xbiex Palace', Testaferrata Street, Ta' Xbiex (Proposed ST Tower)**</u>

The property consists of a site measuring *circa* 865 sq. mts. The original block of flats has been recently demolished and the site cleared because it was in dangerous state. It is to be developed as a commercial property with *circa* 7,300 sq. mts of office space.

Listing Rules 7.4.1.4, 7.4.1.6, 7.4.1.9, 7.4.1.12 and 7.4.1.14 are not applicable for this valuation.

The relevant PA application has been submitted (PA 2765/16) but approval is still pending.

The estimated cost to construct and finish the proposed development amounts to €14,000,000 (fourteen million euro). The Group expects to initiate development in 2019 and completion is set for 18 to 24 months thereafter.

The property is owned freehold and is being valued at €9,000,000 (nine million euro).

10.0 PROPERTY USED FOR BUSINESS PURPOSES

- <u>**41/42/43, The Strand, Sliema**</u>

This property consists of a site measuring 162.30 sq. mts. on which there is block comprising:

- Level -1 - Class 4 shop (50.4 sq. mts.)
- Level 0 - Class 4 shop (42.7 sq. mts.) plus entrance, staircase and lift to overlying flats
- Level 1A - Class 4 shop (42.7 sq. mts.)
- Level 1 - 1 two-bedroomed apartment (133.28 sq. mts.)
- Level 2 - 1 two-bedroomed apartment (131.25 sq. mts.)
- Level 3 - 1 two-bedroomed apartment (131.25 sq. mts.)

The approximate age of the property is 3 years and the tenure is freehold. The apartments at levels 1, 2 and 3 are owned by the Guarantor and leased on long-let basis at a rate of between €2,500 and €2,800 per month. The overlying apartments at levels, 4, 5, 6, 7 and 8 belong to third parties.

Listing Rules 7.4.1.6, 7.4.1.12 and 7.4.1.14 are not applicable for this valuation.

It is being valued at at €6,266,000 (Six million, two hundred and sixty six thousand euro).

11.0 VALUATION SUMMARY

On the basis of information set out in this Report, 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 **€20,791,000 (twenty million, seven hundred and ninety one thousand euro)**.

12.0 GENERAL

12.1 In carrying out our 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 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.

12.2 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.

12.3 A significant degree of judgment 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.

12.4 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 50 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
28 June 2019

SECURITIES NOTE

Dated 18 July 2019

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. 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.

€15,000,000 3.65% Secured Bonds 2029
of a nominal value of €100 per Bond issued at par
(the "Secured Bonds")

ST Stivala Group Finance p.l.c.

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:- MT0001601211

*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 Security. 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 & Registrar	Security Trustee
WEALTH MANAGEMENT • CORPORATE BROKING CHARTS A division of MeDirect Bank (Malta) plc	CSB GROUP

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 INSTRUMENT AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENT.

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 HOWSOEVER 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 INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT 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 SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY STIVALA GROUP FINANCE PLC (THE "**ISSUER**") OF €15,000,000 SECURED BONDS 2029 OF A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 3.65% PER ANNUM PAYABLE ANNUALLY ON 29 JULY 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 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.

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.

TABLE OF CONTENTS

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:

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;
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;
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 Notary Doctor Robert John 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;
Interest Payment Date	29 July of each year between and including each of the years 2020 and the year 2029, 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 8 August 2019;
Listing Rules	the listing rules of the Listing Authority;
Offer Period	the period between 22 July 2019 to 29 July 2019 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;
Redemption Date	29 July 2029;
Redemption Value	the nominal value of each Bond (€100 per Secured Bond);
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 Level 3, Tower Business Centre, Tower Street, Swatar, Birkirkara BKR 4013, 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); and
Terms and Conditions	the terms and conditions of issue of the Secured Bonds set out in sections 4.3, 5 and 7 of this Securities Note.

Unless it appears otherwise from the context:

a. Words importing the singular shall include the plural and vice-versa;
b. Words importing the masculine gender shall include also the feminine gender and vice-versa;
c. The word "may" shall be construed as permissive and the word "shall" shall be construed as imperative.
d. The word "person" shall refer to both natural and legal persons.

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 SMR 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 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

- <u>Orderly and Liquid Market</u>

  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.

- <u>Subsequent Changes in Interest Rates</u>

  Investment in the Secured Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Secured Bonds. By investing in the Secured Bonds, the bondholder is committing to receiving a fixed rate of return for the term of the Secured Bonds. Should the market interest rate rise from the date of the bond's purchase, the bond's price is likely to fall accordingly and the Secured Bonds may trade at a discount to reflect the lower return that an investor will make on the Secured Bonds. Market interest rates are a function of several factors such as the demand for, and supply of, money in the economy, the inflation rate, the stage that the business cycle is in as well as general monetary and fiscal policies.

- **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 that 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, 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 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.

- **Terms of the Trust Deed**

  By acquiring the Bonds, the Bondholder is considered to be bound by the terms of the Trust Deed as if he had been a party to it. The Trust Deed contains a number of provisions, which prospective investors ought to be aware of prior to acquiring the Bonds. For instance, in terms of the Trust Instrument:

  a. **the Security Trustee is not liable for any loss or expense attributable to any action taken or omitted to be taken by the Security Trustee, or any person appointed by the Security Trustee, unless the loss or expense is shown to have been caused by the gross negligence or misconduct of the Security Trustee or the person so appointed;**
  b. **the Security Trustee is not bound to take any such steps or proceedings or take any other action to enforce the security constituted by the Security Interest unless the Security Trustee shall have been indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing;**
  c. **the Security Trustee is not bound to declare the Bonds to have become immediately due and repayable in the case of an event of default, described in section 5.9 of this Securities Note, unless requested to do so by a resolution passed by Bondholders holding not less than seventy-five per centum (75%) in nominal value of the Bonds then outstanding at a meeting of the Bondholders; and**
  d. **the Security Trustee may pay itself out of the trust fund all sums owing to it in respect of the remuneration costs, charges, expenses or interest or by virtue of any indemnity from the Company to which it is entitled under the Trust Deed or by law or by virtue of any release or indemnity granted to it and all such sums as aforesaid shall be so retained and paid in priority to the claims of the Bondholders and shall constitute an additional charge upon the property charged with the Collateral.**

- <u>Changes to Terms and Conditions</u>

  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.

- <u>Changes in Law</u>

  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.

- <u>Continuing Compliance Obligations</u>

  Even after the Bonds are admitted to trading on the MSE, the Issuer is required to remain in compliance with certain requirements relating inter alia to the free transferability, clearance and settlement of the Bonds in order to remain a listed company in good standing. Moreover, the Listing Authority has the authority to suspend trading or listing of the Bonds if, *inter alia*, it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The Listing Authority may discontinue the listing of the Bonds on the MSE. Any such trading suspensions or listing revocations/discontinuations

- <u>Property Valuations</u>

  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 €14,670,000, will be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

i. **Acquisition of the New Property**: the amount of *circa* €6,000,000 will be used to finance the purchase of the New Property, which are currently subject to promise of sale agreements. Each property forming part of the New Property shall be held by the Group for future development. Further information on the New Property is provided in Annex I of the Registration Document;

ii. **Re-financing existing bank loan**: an amount of *circa* €4,300,000 of the proceeds from the Secured Bonds will be used to re-finance an outstanding banking facility granted by FIMBank p.l.c. to the Guarantor, which funds were originally principally utilised to acquire various properties;

iii. **Other investments**: the remaining balance of the net Bond Issue proceeds equivalent to *circa* €4,370,000 shall be applied towards the costs of completing the ongoing projects of the Group, principally those described in section 4.6 of the Registration Document, and to acquire other properties in accordance with the Group's business development strategy.

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 the event that the Bond Issue is not fully subscribed, the Issuer will proceed with the listing of the amount of Bonds subscribed for. Accordingly, the Guarantor shall apply the proceeds received from the Issuer in the manner and order of priority set out in (i) to (iii) above. Any residual amounts required by the Guarantor for the purposes of the uses specified in (i) to (iii) above, which shall not have been raised through the Bond Issue, shall be financed from the Group's general cash flow and/or bank financing.

In terms of the Prospectus and Trust Deed, the Security Trustee shall not release any of the Bond Issue proceeds 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 New Property, the Bond Issue proceeds shall only be released 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 afore-stated conditions is not satisfied, the Security Trustee shall return Bond Issue proceeds to the Bondholders.

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 15,000,000 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%.

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 €330,000. There is no particular order of priority with respect to such expenses.

4.3 ISSUE STATISTICS

Amount:	€15,000,000;
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:	MT0001601211;
Minimum amount per subscription:	Minimum of €2,000 and multiples of €100 thereafter;
Redemption Date:	29 July 2029;
Plan of Distribution:	he 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 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 29 July 2019;
Offer Period:	22 July 2019 to 29 July 2019, both days included;
Interest:	3.65% per annum;
Interest Payment Date(s):	Annually on 29 July as from 29 July 2020 (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 (a division of MeDirect Bank (Malta) plc) as SMR, 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) the Guarantee; and
(c) a pledge on insurance proceeds.

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).

The terms and conditions of the Trust Deed shall, upon subscription or purchase of any Bonds, be binding on such subscriber or purchaser as a beneficiary under the trust as if the Bondholders had been a party to the Trust Deed and as if the Trust Deed contained covenants on the part of each Bondholder to observe and be bound by all the provisions therein, and the Security Trustee is authorised and required to do the things required of it by the Trust Deed.

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 SMR, 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 SMR 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 SMR and neither the Issuer nor the SMR 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 SMR. 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 SMR 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 3.65% Secured Bonds 2029 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €15,000,000 (except as otherwise provided under section 5.11 "Further Issues"). The Issue Date of the Bonds is 8 August 2019.

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 MT0001601211.
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 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 €15,000,000 and interests thereon.

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 29 July 2019 at the rate of 3.65% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 29 July 2020 (covering the period 29 July 2019 to 28 July 2020). Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. 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 3.65% 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.

Upon submission of an Application Form, Bondholders who opt to subscribe for the online e-portfolio account with the CSD, by marking the appropriate box on the Application Form, will be registered by the CSD for the online e-portfolio facility and will receive by mail at their registered address a handle code to activate the new e-portfolio login. The Bondholder's statement of holdings evidencing entitlement to 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 detail on the e-portfolio is found on the afore-mentioned website.

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 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 authority to tax.

No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments. The Issuer shall not be liable for charges, expenses and commissions levied by parties other than the Issuer.

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 29 July 2029.

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 section 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 section 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 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.

A meeting of Bondholders shall be called by the Directors by giving the Security Trustee not less than twenty one (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 thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (14) days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the 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 Terms and Conditions contained in this Securities Note 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 (2) Bondholders present, in person or by proxy, representing not less than 50% in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting, the number of Bondholders present, 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 being required at the meeting the directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of 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 75% in nominal value of the Bondholders present at the meeting, or at any adjourned meeting, as the case may be, 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 28 June 2019. 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 28 June 2019.

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 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 disposal as well as any income/gains derived therefrom or made on their disposal. The following is a summary of the anticipated tax treatment applicable to 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 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 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 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. Furthermore, such tax should not be available as a credit against the recipient's tax liability or for a refund, as the case may be, for the relevant year of assessment in Malta. The Issuer will render an account to the Maltese Commissioner for Revenue of all amounts so deducted, including 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 Maltese income tax return and be subject to tax on such interest 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. 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) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act, including but not limited to the condition that the Bondholder is not owned and controlled by, whether directly or indirectly, nor acts on behalf of an individual/s who are ordinarily resident and domiciled in Malta, 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 may be required to collect and forward certain information (including, but not limited to, information regarding payments made to certain Bondholders) to the Maltese Commissioner for Revenue. The Maltese Commissioner for Revenue should or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions. Please note that this does not constitute tax advice and prospective investors in the Bonds are to consult their own independent tax advisers in case of doubt.

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”, no 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 purposed of the Duty and 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 Maltese 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 TIME-TABLE OF THE BOND ISSUE

1.	Offer Period	22 July 2019 to 29 July 2019
2.	Placement date	29 July 2019
3.	Commencement of interest on the Secured Bonds	29 July 2019
4.	Expected completion date for the constitution of Security	2 August 2019
5.	Expected date of notification of registration	8 August 2019
6.	Expected date of admission of the securities to listing	8 August 2019
7.	Expected date of commencement of trading in the securities	9 August 2019

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 29 July 2019.

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 SMR 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 SMR, but it shall not be the duty or responsibility of the SMR 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 situated outside Malta wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

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 disclose, 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. 586 of the Laws of Malta) and/or the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation)("GDPR"), as amended from time to time (as applicable), 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 It shall be incumbent on the respective Authorised Financial Intermediary to ascertain that all other applicable regulatory requirements relating to subscription of Bonds by an Applicant are complied with, including without limitation the obligation to comply with all applicable requirements set out in Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 ("MiFIR") as well as applicable MFSA Rules for investment services providers.

7.2.17 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. 586 of the Laws of Malta) and the GDPR. 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 SMR 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 SMR 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 MeDirect Bank (Malta) plc as Authorised Financial Intermediary, MeDirect Bank (Malta) plc will not, in their capacity of SMR, treat the Applicant as their customer by virtue of such Applicant making an Application for the Bonds, and that MeDirect Bank (Malta) plc 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 PLACEMENT AGREEMENT

The Issuer has reserved the full amount of the Bond Issue for subscription by Authorised Financial Intermediaries through placement agreements, whereby the Issuer will bind itself to allocate the Bonds to such Authorised Financial Intermediaries in accordance with the terms of such placement agreements. The Authorised Financial Intermediaries will in turn bind 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 and the Initial Security Interest being constituted in favour of the Security Trustee.

The placement agreements, which are subject to the terms of the Prospectus, will become binding on all parties thereto on the date of signing of the placement agreement and need to be submitted by latest 12:00 hours on 29 July 2019, being the placement date, subject to the Issuer having received all subscription proceeds in cleared funds by the placement date. Such agreements shall become unconditional upon admission of the Bonds to trading on the Official List.

In terms of the placement agreements, Authorised Financial Intermediaries may subscribe for 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 Bonds subscribed for upon commencement of trading, or submit to the SMR, 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 as the case may be.

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 18 July 2019.

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 8 August 2019 and trading is expected to commence on 9 August 2019.

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 (a division of MeDirect Bank (Malta) plc) of The Centre, Tigné Point, Sliema TPO 0001, Malta, which has given and has not withdrawn its consent to the inclusion of such report herein.

Charts (a division of MeDirect Bank (Malta) plc) does not have any material interest in the Issuer or the 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

APPLICATION FORM

Stivala Group Finance p.l.c.

Stivala Group Finance p.l.c.
€15,000,000 3.65% Secured Bonds 2029
Guaranteed by Carmelo Stivala Group Limited

Application number

Please read the Notes overleaf before completing this Application Form. Mark 'X' where applicable.

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			Postcode
MSE A/C No. (Mandatory)	I.D. Card / Passport / Company Registration No.	Document Type	Country of Issue
LEI (Legal Entity Identifier) *(if applicant is NOT an individual)*	Date of Birth	Nationality	Tel No. / Mobile No.

☐ **PLEASE REGISTER ME FOR E-PORTFOLIO** *(mobile number is mandatory for e-portfolio registration)*

C ADDITIONAL (JOINT) APPLICANTS *(see note 3) (please use additional Application Forms if space is not sufficient)*

Title (MR/MRS/MS/….)	Full Name & Surname		I.D. Card / Passport No.
Document Type	Country of Issue	Date of Birth	Nationality

D DECISION MAKER / MINOR'S PARENTS / LEGAL GUARDIAN/S *(see note 4) (to be completed ONLY if applicable)*

Title (MR/MRS/MS/….)	Full Name & Surname		I.D. Card / Passport No.
Document Type	Country of Issue	Date of Birth	Nationality
Title (MR/MRS/MS/….)	Full Name & Surname		I.D. Card / Passport No.
Document Type	Country of Issue	Date of Birth	Nationality

E I/WE APPLY TO PURCHASE AND ACQUIRE *(see note 8)*

Amount in figures €	Amount in words

Stivala Group Finance p.l.c. 3.65% Secured Bonds 2029 (the **"Bonds") (minimum €2,000 and in multiples of €100 thereafter)** at the Bond Issue Price (at par), as defined in the Prospectus dated 18 July 2019 (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 receive interest NET of FWT ☐ I/We elect to receive interest GROSS (i.e. without FWT)

G NON-RESIDENT – DECLARATION FOR TAX PURPOSES *(see notes 2 to 10) (to be completed ONLY if the Applicant is a Non-Resident)*

TAX COUNTRY	CITY OF BIRTH
TIN (TAX IDENTIFICATION NO.)	COUNTRY OF BIRTH

☐ **NOT** resident in Malta but resident in the European Union. ☐ **NOT** resident in Malta and **NOT** resident in the European Union.

H INTEREST, REFUND AND REDEMPTION MANDATE *(see note 11) (completion of this panel is mandatory)*

BANK	IBAN

I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions of the Bonds as contained therein which I/we fully accept.
I/We hereby authorise the Company to forward the details to the Malta Stock Exchange for the purposes of registering the Bonds in my/ our MSE account, to register for the e-portfolio (where applicable) and to enable the reporting of all necessary transaction and personal information provided in this Application Form in compliance with Article 26 of MiFIR (Markets in Financial Instruments Regulation) to the Malta Financial Services Authority as competent authority ("Transaction Reporting"). Furthermore, I/we understand and acknowledge that the Company may require additional information for Transaction Reporting purposes and agree that such information will be provided.

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 18 July 2019 regulating the Bond Issue

1. This Application is governed by the general Terms and Conditions of Application contained in Section 7.2 of the Securities Note dated 18 July 2019 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. Applicants who are non-residents in Malta for tax purposes, must complete Panel G. The relative box in Panel A must also be marked appropriately.

3. Applicants are to insert full personal details in Panel B. In the case of an Application by more than one person (including husband and wife) full details of all individuals 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 6 below). Applications by more than two persons are to use the Addendum to the Application Form.**

   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 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 may be found on https://eportfolio.borzamalta.com.mt/Help.

4. Applications in the name and for the benefit of minors shall be allowed provided that the applicant already holds and account with the MSE. 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. Panel D must be completed with details of the parents/legal guardians.

5. 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. A valid Legal Entity Identifier ("LEI") needs to be inserted in Panel B. **Failure to include a valid LEI code, will result in the Application being cancelled by the Registrar. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.**

6. **APPLICANTS ARE TO INSERT AN MSE ACCOUNT NUMBER IN THE SPACE PROVIDED IN PANEL B AND FAILURE TO DO SO WILL RESULT IN REJECTION OF THE APPLICATION FORM. 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 AFFECTED.**

7. Where a decision to invest is taken by a third party authorised to transact on behalf of the Applicant (a "decision maker"), such as an individual that holds a power of attorney to trade on the Applicant's account or applications under a discretionary account, details of the decision maker need to be included in the space provided on the Addendum to Application Form.

8. Applications must be for a minimum subscription of €2,000 and thereafter in multiples of €100 and must be accompanied by the relevant subscription amount in Euro, in cash or by cheque payable to the respective Authorised Financial Intermediary.

9. 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 nonresidents 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).

10. 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.

    The contents of Notes 9 and 10 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.

11. Should any Application not be accepted, or accepted for fewer Bonds then those applied for, monies or the balance of the amount paid but not allocated, as the case may be, will be returned by direct credit into the bank account as indicated in panel H. 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.

12. 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 Securities Note by latest 12:00 hours on 29 July 2019. The Issuer, the Registrar and / or the Authorised Financial Intermediary reserve the right to refuse any Application which appears to be in breach of the Terms and Conditions of Application as contained in the Prospectus.

13. By completing and delivering an Application Form you (as the Applicant(s)) acknowledge that:

    a. the Issuer or its duly appointed agents including the CSD and the Registrar, may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 586 of the Laws of Malta) and/or the GDPR;
    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 II – AUTHORISED FINANCIAL INTERMEDIARIES

NAME	ADDRESS	TELEPHONE
Bank of Valletta p.l.c.	BOV Centre, Cannon Road, Zone 4, Central Business District, Santa Venera CBD 4060	2275 1732
FINCO Treasury Management Ltd	The Bastions Office No. 2, Emvin Cremona Street, Floriana FRN 1289	2122 0002
MeDirect Bank (Malta) plc	The Centre, Tigné Point, Sliema TPO 0001	2557 4400

ANNEX III – 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").

18 July 2019

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 18 July 2019 issued by Stivala Group Finance p.l.c. (the "**Issuer**") in connection with the issue of €15,000,000 3.65% Secured Bonds 2029 (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 €15,000,000 in Secured Bonds at an annual interest rate of 3.65% to be redeemed and finally repaid on 29 July 2029 subject to the terms and conditions of the Prospectus (the "**Secured Bonds**"), a copy of which is hereto attached and marked "Annex III";

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:

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 the 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 €15,000,000 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 and/or Mixhael Zammit

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, 1996. 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**
duly authorised, for and on behalf of
CSB Trustees and Fiduciaries Limited

Financial Analysis Summary
26 June 2019

Issuer Stivala Group Finance p.l.c.

WEALTH MANAGEMENT • CORPORATE BROKING
CHARTS
A division of MeDirect Bank (Malta) plc

WEALTH MANAGEMENT • CORPORATE BROKING

CHARTS

A division of MeDirect Bank (Malta) plc

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

26 June 2019

Dear Sirs

Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the 2019 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 "**Issuer**" or the "**Company**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the year ended 31 December 2016 has been extracted from the audited financial statements of Carmelo Stivala Group Limited (the "Guarantor"), C. Stivala & Sons Limited, and the two principal operating companies – Stivala Operators Limited and Stivala Properties Ltd (their respective business activities were transferred to ST Properties Ltd and ST Hotels Ltd with effect from 1 January 2017).
(b) Historical financial data for the year ended 31 December 2017 has been extracted from the audited consolidated financial statements of the Guarantor.
(c) Historical financial data for the period 21 August 2017 (being date of incorporation) to 31 December 2018 has been extracted from the audited consolidated financial statements of the Company.
(d) The projections have been extracted from the projected financial information of the Group for the years ending 31 December 2019 and 31 December 2020.
(e) Our commentary on the results of the Group and on its financial position is based on the explanations provided by the Company.
(f) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 4 of the Analysis.
(g) 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 we bsites 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. 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.

Yours faithfully,

Evan Mohnani
Head – Corporate Finance

CHARTS – a division of MeDirect Bank (Malta) plc
The Centre, Tigné Point, Sliema TPO 0001 - Tel: 2557 4400

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CHARTS
A division of MeDirect Bank (Malta) plc

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 (Carmelo Stivala Group Limited) 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 in anticipation of the issuance of secured bonds in October 2017. 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.

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
Ivan Stivala	Executive Director
Carlo 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:

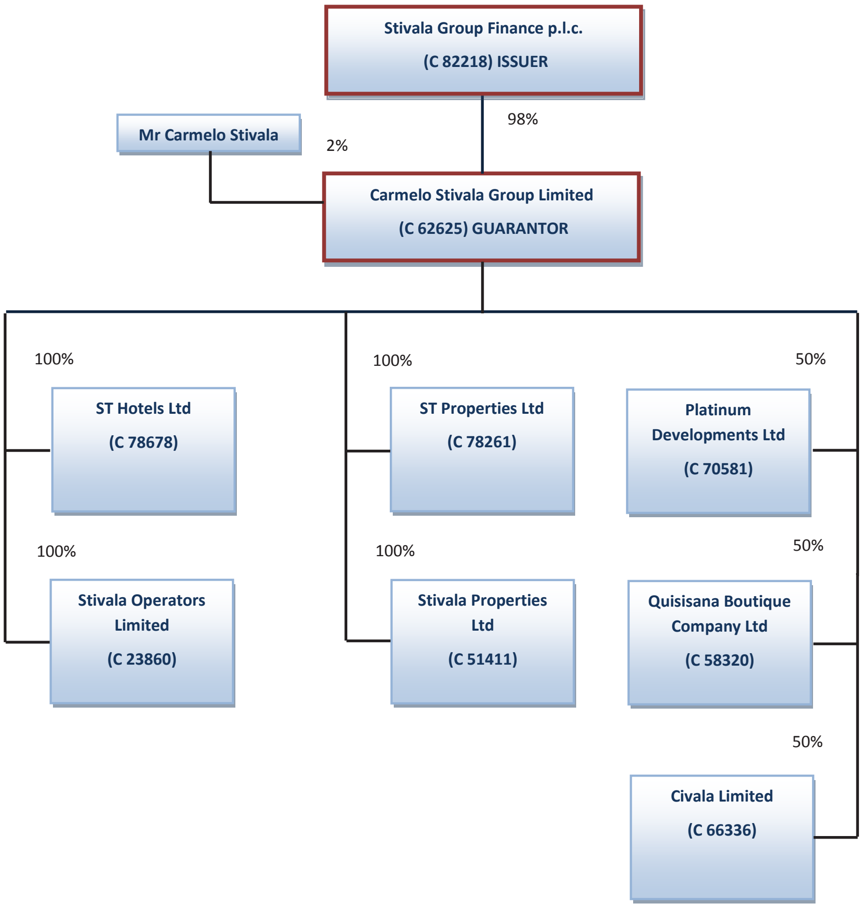
Martin John Stivala	Executive Director
Michael Stivala	Executive Director
Ivan Stivala	Executive Director
Carlo Stivala	Executive Director

2.3 **Key Employees of the Group**

The key members of the Group's management team, apart from the executive directors, are Kevin Bonnici (Group Financial Controller) and Rebecca Stivala (Group Accounts Manager). The Issuer does not have any employees of its own. As at 31 December 2018, the Group employed 17 staff members in management and administration (2017: 15 employees) and 90 staff members in operational activities (2017: 85 employees).

3. ORGANISATIONAL STRUCTURE

The organisational structure of the group is illustrated in the diagram 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).*

With effect from 1 January 2017, the business, operations, assets and the benefit of all contracts of Stivala Operators Limited and Stivala Properties Ltd were taken over by ST Hotels Ltd and ST Properties Ltd respectively. 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.

ST Properties Ltd is principally involved in the business of sub-leasing, on a long-term basis, the commercial and residential properties owned by the Guarantor.

ST Hotels Ltd is primarily engaged in the operation and management of the Guarantor's hotels, hostels and short let apartments.

The Group also has four associate companies as follows: (i) Platinum Developments Ltd (C 70581) owns and leases three residential units and one office on the Sliema Seafront; (ii) Quisisana Boutique Company Ltd (C 58320) was, until Q4 2017, involved in leasing a block of 18 apartments, 37 garages and one office situated on the Qui-Si-Sana Seafront in Sliema. This business activity has been transferred to ST Properties Ltd and accordingly the Group has initiated the liquidation process of the subject company; and (iii) Civala Limited (C 66336) owns a 900m2 plot of land earmarked for the future development of a five-storey car park and overlying office space. In addition, ST Hotels Ltd holds a 33.3% shareholding in Sliema Creek Lido Limited (C 87108) to develop a lido opposite the Bayview Hotel in Gzira. The company has yet to commence operational activities.

4. BUSINESS OVERVIEW OF THE GROUP

4.1 Principal Activities

The Issuer was established on 21 August 2017 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, Msida University Heights, 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** – comprises 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. The Group directly undertakes the development of projects, thus allowing greater control by the Group over 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 accounts for more than 75% of the Group's total revenue. 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 took over 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 was consolidated following the merger of C. Stivala & Sons Limited into the Guarantor, which came into effect in September 2017. Accordingly, the Group 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 real estate portfolio of the Group is included in the statement of financial position under the headings "Property, plant and equipment" and "Investment property". As at 31 December 2018, the carrying value of real estate amounted to **€183.6 million**, analysed as follows:

	€'000
Properties use for business purpose	67,794
Properties rented to third parties or held for sale	87,035
Properties in the course of development or held for future development	28,811
	183,640

Further information on the real estate portfolio is included below:

PROPERTIES USED FOR BUSINESS PURPOSES

Address	Current Use	Valuation (€'000)
Bayview Hotel, The Strand, Gzira	136 room 3-star hotel	18,937
Sliema Hotel, The Strand, Sliema	70 room 3-star hotel	11,385
Azur Hotel, Belvedere Street, Gzira	178 room 3-star hotel	4,839
Blubay Hotel, Ponsonby Street, Gzira	53 studio apartments (in addition, 1 restaurant and 1 shop are rented to third parties)	4,435
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)	3,729
153/154, The Strand, Gzira	11 residential units (in addition, 3 shops and 2 offices are rented to third parties)	3,616
Bring Apartments, Reid Street, Gzira	17 residential units (in addition, 11 garages and 1 shop are rented to third parties)	3,165
Moroni Residence, Moroni Street, Gzira	70 apartments (in addition, 6 garages, 4 parking spaces and 1 store are rented to third parties)	2,957
134/135, The Strand, Gzira	8 residential units (in addition, 4 shops are rented to third parties)	2,693
Blubay Fleet Hostel, Fleet Street, Gzira	46 room hostel	2,385
101, Moroni Street, Gzira	8 residential units and 1 large garage	1,588
Charlie's Guest House, Valley Road, Msida	a guest house, 1 apartment and 3 garages	1,485
Waterline Residence, 176/177, The Strand, Gzira	2 shops and 6 residential units	1,442
51/55 Moroni Street, Gzira	10 residential units	1,095
Other Properties	Residential and commercial units	4,043
TOTAL		**67,794**

Azur Hotel

During FY2018 and the initial quarter of FY2019, the Group developed the Azur Hotel, a 178-room 3-star hotel, which is located in Belvedere Street, Gzira. The hotel commenced operations on 1 April 2019. The carrying amount of the Azur Hotel as at the date of this report is *circa* €9.0 million.

Bring Apartments

The Group is presently developing an extension to this property, which on completion will increase the number of apartments by 5 units to a total of 22 apartments. The estimated cost of development is *circa* €1 million and completion is scheduled for September 2019.

PROPERTIES RENTED TO THIRD PARTIES OR HELD FOR SALE

Address	Current Use	Valuation (€'000)
Qui Si Sana Boutique Apartments, Qui Si Sana Seafront, Sliema	37 car spaces, 18 residential units and office space	22,100
120, The Strand, Gzira	10 levels of office space	14,800
EC Language School, Triq Marguerite Mangion, St Julians	Language School	7,634
41/42/43, The Strand, Sliema	3 residential units and 3 shops	6,266
Vista Point Residence Hostel, University Street, Msida	31 residential units, 1 shop, 1 garage, and an office	4,967
Orchidea Apartments, Tal-Hriereb Street, Msida	10 residential units and 6 parking spaces	2,545
110/112/114 Carlo Manche Street, Gzira	12 residential units and 1 large garage	2,299
165/166, The Strand, Gzira	1 shop and 6 residential units	2,299
Tower Mansions, Tower Gate Street, Msida	12 residential units and 1 large garage with 16 car spaces	1,983
St Louis Mansions, St Louis Street, Msida	7 residential units and 1 garage	1,966
Valley Towers, Valley Road, Birkirkara	3 shops, 14 offices and 2 large garages	1,948
33, Juliani Heights, Triq Zammit Clapp, St Julians	4 residential units and 2 garage (held for re-sale)	1,794
Petit Paradis, G. Bencini Street, Gzira	3 residential units and 1 garage	1,650
Tigne Mansions, 44, Qui Si Sana Sea Front, Sliema	15 residential units and 4 garages	1,580
122/122A, Home Space, Misrah il-Barrieri Street, Sta Venera	1 showroom, 1 large garage and 3 offices	1,439
4/5, Pace Street, Sliema	13 residential units, 2 basement stores and 1 garage	1,299
Bishop Caruana Mansions, 15, Bishop Caruana Street, Msida	5 garages, 11 residential units and 2 shops with basement	1,158
Portside, 71, The Strand, Sliema	1 shop including kitchen and storage area	1,106
14 – 19, Ponsonby Street, Gzira	7 residential units and 3 shops	1,000
Other Properties	Residential and commercial units	7,202
TOTAL		**87,035**

Valley Towers

The Group is currently developing 3 additional commercial units (*circa* 600m^2) at a projected cost amounting to *circa* €600,000. The said project is expected to be completed by end 2019.

PROPERTIES IN COURSE OF DEVELOPMENT OR HELD FOR FUTURE DEVELOPMENT

Address	Current Use	Valuation (€)
26/28/30/32/50/52/56/58/60/62 Coleridge Street, Gzira and 116/117/118/119 Ponsomby Street, Gzria (proposed "Montana Hostel")	225-room hostel	5,200
Proposed ST Tower, Testaferrata Street, Ta'Xbiex	Commercial office block	8,000
196/197/198, Triq Censu Tabone, St Julians (previously Main Street, St Julians)	Development of office and residential units	9,417
Other Properties	Various sites	6,194
TOTAL		**28,811**

Properties in course of development or held for future development are described in more detail hereunder:

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 a carrying value as at 31 December 2018 of **€5,200,000**.

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

This property consists of a plot of land measuring 865m^2 and is earmarked for the development of a commercial property having *circa* 7,300m^2 of office space. The Group has submitted an application to the Planning Authority, which is currently at review stage (re ference number PA 2765/16). Subject to issuance of necessary Planning Authority permits, the Group expects to initiate development in 2019 and completion is set for 18 to 24 months thereafter. The estimated cost of development is *circa* €14,000,000. The property in caption is freehold and has a carrying value as at 31 December 2018 of **€8,000,000**.

196/197/198, Triq Censu Tabone (formerly Main Street), St Julian's

In Q4 2017, the Group acquired 3 adjacent properties for re-development, located at 196, 197 and 198, Triq Censu Tabone, St Julian's, for the aggregate consideration of **€9,256,488**. The proposed project comprises the development of garages (at level -3), commercial space (at levels -2 to 0) and eleven luxury residential units (at levels 1 to 4) – a total built up area of *circa* 4,420m^2. To date, construction of the initial 5 levels have been completed at an estimated cost of *circa* €1 million and works on the 6th level are in progress. The remaining development costs (including finishes) are expected to amount to *circa* €2.8 million. The project is scheduled for completion by the end of 2019.

Other Properties

The Group owns various properties which are held for future development and as at 31 December 2018 had an aggregate carrying value of €6.2 million. Furthermore, the Group has entered into promise of sale agreements in relation to a number of properties earmarked for future development, for an aggregate consideration of €18.5 million.

4.3 Hospitality Operations

Hospitality operations in 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 year ended 31 December 2016. As of 1 January 2017, hospitality operations were transferred to ST Hotels Ltd. The financial information about ST Hotels Ltd is included in the audited financial statements of the said company for the financial years ended 31 December 2017 and 31 December 2018.

Set out below is the income statement extracted from the audited financial statements of Stivala Operators Limited and ST Hotels Ltd for the financial years indicated hereunder:

Income Statement **for the year ended 31 December**	**2016** **€'000**	**2017** **€'000**	**2018** **€'000**
Revenue	7,842	9,656	10,972
Hotels	*3,155*	*4,135*	*4,693*
Hostels and short let apartments	*4,350*	*4,999*	*6,097*
Commercial and other income	*337*	*522*	*182*
Cost of sales	(3,813)	(4,102)	(4,718)
Gross profit	**4,029**	**5,554**	**6,254**
Other net operating costs	(1,267)	(1,167)	(1,799)
EBITDA	**2,762**	**4,387**	**4,455**
Depreciation & amortisation	(948)	(2,004)	(2,386)
Operating profit	**1,814**	**2,383**	**2,069**
Gain on disposals/write offs of assets	1,586	-	-
Waiver of related company balance	(10,190)	10,203	-
Net finance costs	(33)	(855)	(402)
Profit/(loss) before tax	**(6,823)**	**11,731**	**1,667**
Taxation	(553)	400	(273)
Profit/(loss) for the year	**(7,376)**	**12,131**	**1,394**
Total comprehensive income/(expense)	**(7,376)**	**12,131**	**1,394**

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 FY2015. 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 3 above, in 2016, the business of Stivala Operators Limited was transferred to ST Hotels Ltd 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 Ltd. 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 Ltd recorded a gain of the same amount in FY2017.

ST Hotels Ltd generated revenue of €9.7 million in **FY2017**, an increase of €1.8 million (+23%) over the previous year, primarily due to the inclusion of Sliema Hotel's revenue for a full year as compared to 8 months' performance in FY2016. In fact, revenue from hotels increased by €980,000 year-on-year to €4.1 million. Income derived from hostels and short let apartments also increased by €650,000 or 15% from €4.35 million in FY2016 to €5.00 million in FY2017, whilst the commercial segment generated €522,000 as compared to €337,000 a year earlier.

As a consequence of the higher revenue achieved in FY2017, EBITDA improved by €1.6 million (+59%) to €4.4 million and operating profit increased from €1.8 million in FY2016 to €2.4 million (+31%). Profit before tax in FY2017 amounted to €11.7 million, which included the one-off transaction amounting to €10.2 million, described hereinabove. Normalised profit before tax amounted to €1.5 million, marginally lower when compared to the prior year (FY2016: normalised profit before tax of €1.8 million). Overall, profit for the year amounted to €12.1 million (FY2016: loss of €7.4 million).

Revenue in **FY2018** increased by €1.3 million (+14%) from €9.7 million in FY2017 to €11.0 million, mainly on account of an increase in available units in the segment comprising hostels and short let apartments. Notwithstanding the afore-stated increase in revenue, EBITDA increased only marginally from €4.4 million in FY2017 to €4.5 million as operating & other expenses were higher from a year earlier by €1.2 million. During the year, there was an increase in commissions payable to tour operators, and moreover ST Hotels Ltd incurred one-off application fees for future re-development of certain Group properties.

ST Hotels Ltd reported a profit before tax for FY2018 of €1.7 million, an increase of €0.2 million when compared to normalised profit before tax of €1.5 million in FY2017 (that is, excluding the one-off item of €10.2 million. Profit for the year amounted to €1.4 million (FY2017: €12.1 million).

HOTEL OPERATIONS **(Bayview Hotel & Sliema Hotel)**		**FY2016** **Actual**	**FY2017** **Actual**	**FY2018** **Actual**
Turnover (€'000)		3,155	4,135	4,693
Gross operating profit (€'000)		1,227	1,613	1,992
Gross operating profit margin (%)		39	39	42
Occupancy level (%)		83	88	88
Revenue per occupied room (RevPOR) (€)	(a)	57	62	71
Revenue per available room (RevPAR) (€)		47	55	62
Gross operating profit per available room (GOPAR) (€)	(b)	5,928	7,792	9,623
Benchmark performance				
Occupancy level (%)		81	84	82
Revenue per occupied room (RevPOR) (€)	(c)	59	67	70
Revenue per available room (RevPAR) (€)		48	56	57
Gross operating profit per available room (GOPAR) (€)	(d)	4,498	4,266	4,266
Revenue Generating Index (RGI)	(a)/(c)	0.96	0.93	1.01
Gross Operating Profit Generating Index (GOPGI)	(b)/(d)	1.32	1.83	2.26

Note 1: RevPOR is calculated by dividing turnover by occupied room nights

Note 2: RevPAR is calculated by dividing turnover by available room nights

Note 3: GOPAR is calculated by dividing gross operating profit by available room

Source: BOV MHRA Survey; Management information.

Revenue generated from the Bayview Hotel and the Sliema Hotel has increased by 49% over the three financial years under review (FY2016 to FY2018), from €3.2 million in FY2016 to €4.7 million in FY2018 (an increase of €1.5 million). The increase in gross operating profit maintained a similar trend and increased from €1.2 million in FY2016 to €2.0 million in FY2018 (+62%).

Comparing to benchmark performance, the Group managed to register a higher occupancy level than its competitive set (being the 3 star hotel category) in each of the three financial years, while RevPOR and RevPAR were maintained at broadly the same level. With regards to GOPAR, the Group has generated a significantly higher gross operating profit per available room when compared to benchmark results in each of the three years. Furthermore, it is noted that while the Group's GOPAR increased from €7,792 in FY2017 to €9,623 in FY2018, the 3-star hotel category in Malta registered a y-o-y decline from €5,066 in FY2017 to €4,173 in FY2018.

4.4 Property Rentals

Long lets of residential and commercial Group properties to third parties were administered during FY2016 by Stivala Properties Ltd and in FY2017 and FY2018 by ST 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 year ended 31 December 2016. Financial information about ST Properties Ltd is included in the audited financial statements of the said company for the financial years ended 31 December 2017 and 31 December 2018. Set out below is the income statement extracted from the above-mentioned audited financial statements for the financial years indicated hereunder:

Income Statement for the year ended 31 December	**2016**	**2017**	**2018**
	€'000	**€'000**	**€'000**
Revenue	1,748	2,721	5,119
Commercial	*821*	*1,004*	*3,311*
Residential	*927*	*1,717*	*1,808*
Cost of sales	(393)	(315)	(345)
Gross profit	**1,355**	**2,406**	**4,774**
Other net operating (costs)/income	(18)	373	536
Profit before tax	**1,337**	**2,779**	**5,310**
Taxation	(300)	(536)	(841)
Profit for the year	**1,037**	**2,243**	**4,469**
Total comprehensive income	**1,037**	**2,243**	**4,469**

Key Accounting Ratios	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Actual**
Gross profit margin *(Gross profit/revenue)*	78%	88%	93%
Net profit margin *(Profit after tax/revenue)*	59%	82%	87%

Source: Charts - a division of MeDirect Bank (Malta) plc

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CHARTS
A division of MeDirect Bank (Malta) plc

In **FY2016,** Stivala Properties Ltd reported a year-on-year increase of 27% or €371,000 to €1.7 million (FY2015: €1.4 million). The aforesaid growth 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).

The business activities of Stivala Properties Ltd were conducted by ST Properties Ltd in **FY2017**. During the year, revenue increased by €973,000 (+56%) year-on-year, mainly as a result of an increase in properties under management and improvement in rental rates. In consequence, the company's profit for the year increased from €1.0 million in FY2016 to €2.2 million in FY2017.

Revenue generated by ST Properties Ltd in **FY2018** increased by €2.4 million, from €2.7 million in FY2017 to €5.2 million, primarily on account of a full year's rent receivable from the following properties acquired during the prior year: EC language school, St Julian's; The Quisisana Boutique Apartments, Sliema; and the office block at 120, The Strand, Sliema. Overall, the company's profit for the year doubled when compared to FY2017 and amounted to €4.5 million (FY2017: €2.2 million).

5. 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, Msida University Heights 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 for the Group at marginally increased costs, through further investment in new projects. In this context, current market conditions remain supportive for the Group 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 an increase in operational efficiency. This is predominantly evident in the procurement of goods at better discounts, and the consolidation and rationalisation of decision making within the Group, which on the one hand avoids the need for overly complex and costly management and governance structures and on the other allows 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 (being hotels, hostels and guest houses). 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.

6. MARKET OVERVIEW

6.1 Economic Update[1]

Malta's economic expansion is expected to continue with the support of buoyant domestic demand, but the brisk pace of growth will ease slightly. The external surplus remains at historically high levels, due to the strong performance of the export-oriented services sector. Sustained job creation and low unemployment are creating an increasingly tight labour market. Inflation is set to increase only marginally over the forecast horizon. The fiscal position remains sound although the high surpluses recorded in recent years are set to decline.

Malta's economy performed better than expected in 2018, with real GDP growth reaching the high rate of 6.6%. Economic growth accelerated in the second half of the year, driven by record-high levels of private consumption growth, which increased by 7.3% compared to the previous year. In particular, robust employment growth coupled with modest price pressures in the household consumption basket contributed to boost households' real disposable income. Going forward, private consumption growth is expected to slow down but remain well above its historical average.

Real GDP growth is expected to remain solid but to gradually ease over the forecast horizon, to an annual rate of 5.5% in 2019 and 4.8% in 2020. Risks to the macroeconomic outlook appear broadly balanced. In particular, global trade tensions and rising uncertainties in some of Malta's trading partners could negatively affect the short-term growth profile. Important upside risks include the possibility of stronger-than-expected private consumption, driven by employment creation and accumulated savings, and a further decline in the import of services.

6.2 Hospitality[2]

Inbound tourist trips from January to December 2018 reached nearly 2.6 million, an increase of 14.3% over the same period in 2017. Total nights spent by inbound tourists went up by 12.5%, reaching nearly 18.6 million nights. Total tourism expenditure was estimated at €2.1 billion, 8.0% higher than that recorded for 2017. Total expenditure per capita stood at €809, a decrease of 5.5% when compared to 2017. In 2018, total guests reached almost 2.0 million, an increase of 8.4% over the same period in 2017. Within the collective accommodation establishments, the 5-star lost 4,542 guests (-1.1%), whilst the 4-star and 3-star hotels gained 80,814 guests (+10.2%), and 47,716 (+9.3%) respectively for the year 2018 when compared to a year earlier.

The latest inbound tourism numbers, published by the national statistics office (NSO), show that tourism has continued to increase during the first three months of this year. Tourist arrivals are reported to have increased by 2.8% and guest nights by 4.2%. Whilst remaining positive, the increases are less pronounced than those registered in previous years. Tourist expenditure increased at a slower pace and was marginally up by 0.3%.

During this first quarter of the year, the number of tourists staying in hotels remained at par with the previous year, although the number of guest nights spent in hotels decreased by 5.5%. The overall increase in guest nights during Q1 was effectively taken up by the private accommodation sector. This shift in accommodation preference has had a negative impact on the hotel sector's bottom line profitability, with both the 5-star and 4-star categories reporting a decline in gross operating profits.

Compared to the same period last year, the overall average length of stay in Q1 increased by 1.4%. Tourists opting to stay in private accommodation spent 9.31 days in Malta, up by 8.8% over last year and almost 4 days more than those staying in hotel accommodation. With total guest nights in hotel accommodation down by 5.5%, occupancy levels in the 5-star sector as reported by the Deloitte survey, declined from 56.9% in the first three months of 2018 to 53.6% during the same period this year. Average room rates were down marginally by 1% while non-accommodation income slightly increased by 0.4%, resulting in an overall drop of 6.3% in total revenue per available room. On average, 5-star hotels registered a GOPPAR (gross operating profit per available room) of €918, which is €528 lower than what was reported in the same quarter last year and €986 less than 2017.

The evident shift from hotel to private accommodation would appear to be having the greatest knock on effect on 4-star hotels, with occupancy levels in the first quarter of the year declining by 9.2% and room rates decreasing by 2.7%. The quarterly GOPPAR of 4-star hotels decreased by €339 to €36 per available room (Q1 2018: €375). As for the 3-star sector, participating hotels reported a loss of €67 per available room during this quarter, reflecting an improvement on what was reported in the corresponding period last year (Q1 2018: loss of €276).

[1] European Economic Forecast Spring 2019 – European Commission
[2] National Statistics Office - Malta (www.nso.gov.mt); MHRA Q1 2019 Hotel Survey by Deloitte

As highlighted above, bed overcapacity may be a threat to profitability in view of the significant growth in non-collective accommodation (such as AirBnB) experienced in recent years and, to a lesser extent, hotel properties. Competition is expected to increase further in the short to medium term from ongoing development projects earmarked for the hospitality sector and others which are still at planning stage. An increase in competition is also anticipated from other countries, particularly in the southern Mediterranean region, which are reviving their respective hospitality industry as security and safety concerns abate.

6.3 Leases of Commercial and Residential Units

National statistics relating to commercial property 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 also corroborated when assessing the lack of availability of large office and commercial space, as well as, the number of projects presently being developed, and others 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.

PART 2 – PERFORMANCE REVIEW

7. FINANCIAL INFORMATION – THE GROUP

The financial information set out in this section has been extracted from the financial statements described hereunder:

FY2016: Combined Financial Information of the Guarantor for the year ended 31 December 2016

Prior to 2017, 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 year ended 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 year ended 31 December 2016 of Carmelo Stivala Group Limited, C. Stivala & Sons Limited, Stivala Operators Limited and Stivala Properties Ltd. The financial information relating ST Hotels Ltd and ST Properties Ltd 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.

FY2017: Audited Consolidated Financial Statements of the Guarantor for the year ended 31 December 2017

Pursuant to a re-organisation exercise carried out in Q3 2017, the Guarantor became the Group's property holding company and holds almost all of the Group's immovable property. The afore-mentioned property is subsequently leased to and operated by the Guarantor's subsidiaries - ST Hotels Ltd and ST Properties Ltd.

FY2018: Audited Consolidated Financial Information of the Issuer for the period ended 31 December 2018

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. During the 4-month period to 31 December 2017, the Issuer listed €45 million 4% secured bonds 2027 on the Malta Stock Exchange and acquired €45 million worth of preference shares in the Guarantor.

The financial information relating to FY2018 is extracted from the audited consolidated financial statements of the Issuer for the period 21 August 2017 to 31 December 2018.

The projected consolidated financial information for FY2019 and FY 2020 relates 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.

Consolidated Income Statement for the year ended 31 December	**2016 Actual (12 mths) €'000**	**2017 Actual (12 mths) €'000**	**2018 Actual (16 mths) €'000**	**2019 Projection (12 mths) €'000**	**2020 Projection (12 mths) €'000**
Revenue	9,590	12,386	19,655	20,436	23,930
Cost of sales	(1,518)	(3,238)	(6,205)	(6,595)	(7,220)
Gross profit	**8,072**	**9,148**	**13,450**	**13,841**	**16,710**
Net operating costs	(1,358)	(2,396)	(2,645)	(3,310)	(3,450)
EBITDA	**6,714**	**6,752**	**10,805**	**10,531**	**13,260**
Depreciation & amortisation	(1,669)	(2,905)	(3,036)	(2,897)	(3,004)
Operating profit/(loss)	**5,045**	**3,847**	**7,769**	**7,634**	**10,256**
Gain from bargain purchase and other net gains	-	8,644	112,886	-	-
Movement in revaluation of property	-	56,945	2,334	-	-
Other	822	253	(1)	-	-
Net finance costs	(379)	(710)	(2,894)	(2,885)	(3,159)
Profit before tax	**5,488**	**68,979**	**120,094**	**4,749**	**7,097**
Taxation	(1,135)	(9,035)	(4,532)	(627)	(987)
Profit for the year	**4,353**	**59,944**	**115,562**	**4,122**	**6,110**
Other comprehensive income:					
Movement in revaluation of property, net of tax	-	29,085	-	-	-
Deferred taxation	-	-	(35)	-	-
Total comprehensive income	**4,353**	**89,029**	**115,527**	**4,122**	**6,110**

Consolidated Cash Flow Statement for the year ended 31 December	2016 Actual (12 mths) €'000	2017 Actual (12 mths) €'000	2018 Actual (16 mths) €'000	2019 Projection (12 mths) €'000	2020 Projection (12 mths) €'000
Net cash from operating activities	9,592	34,844	9,659	8,386	7,664
Net cash from investing activities	(21,731)	(34,742)	(50,274)	(19,644)	(9,619)
Net cash from financing activities	13,956	4,362	39,653	20,356	(1,175)
Net movement in cash and cash equivalents	**1,817**	**4,464**	**(962)**	**9,098**	**(3,130)**
Cash and cash equivalents at beginning of year	(1,226)	811	(1,410)	(2,372)	6,726
Cash and cash equivalents at end of year	**591**	**5,275**	**(2,372)**	**6,726**	**3,596**

Consolidated Statement of Financial Position as at 31 December	2016 Actual €'000	2017 Actual €'000	2018 Actual €'000	2019 Projection €'000	2020 Projection €'000
ASSETS					
Non-current assets					
Intangible assets	-	36	70	-	-
Investment property	31,593	106,035	115,846	130,535	136,712
Property, plant & equipment	13,990	62,841	74,947	74,910	72,918
Loans and receivables	3,400	-	7,621	10,075	12,575
Other non-current assets	1	1	1	1	1
	48,984	168,913	198,485	215,521	222,206
Current assets					
Trade and other receivables	3,379	5,281	3,705	4,354	5,635
Cash and cash equivalents	914	5,538	235	7,474	4,344
	4,293	10,819	3,940	11,828	9,979
Total assets	**53,277**	**179,732**	**202,425**	**227,349**	**232,185**
EQUITY					
Capital and reserves					
Share capital	1	45,005	300	300	300
Revaluation and other reserves	4,925	77,205	89,169	88,274	88,274
Retained earnings	14,924	22,912	26,357	29,503	35,315
	19,850	**145,122**	**115,826**	**118,077**	**123,889**
LIABILITIES					
Non-current liabilities					
Long-term borrowings	24,940	14,215	59,246	83,302	81,995
Other non-current liabilities	-	13,731	15,394	15,394	15,394
	24,940	27,946	74,640	98,696	97,389
Current liabilities					
Bank overdraft	323	263	2,607	748	748
Borrowings	4,427	1,932	1,077	426	628
Trade and other payables	3,454	3,691	7,072	8,568	8,246
Other current liabilities	283	778	1,203	834	1,285
	8,487	6,664	11,959	10,576	10,907
	33,427	**34,610**	**86,599**	**109,272**	**108,296**
Total equity and liabilities	**53,277**	**179,732**	**202,425**	**227,349**	**232,185**

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Key Accounting Ratios	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Projection	FY2020 Projection
Gross profit margin *(Gross profit/revenue)*	84%	74%	68%	68%	70%
Operating profit margin *(EBITDA/revenue)*	70%	55%	55%	52%	55%
Interest cover (times) *(EBITDA/net finance cost)*	17.72	9.51	3.73	3.65	4.20
Net profit margin *(Profit after tax/revenue)*	45%	484%	588%	20%	26%
Earnings per share (€) *(Profit after tax/number of shares)*	3,627.50	1.33	385.21	13.74	20.37
Return on equity *(Profit after tax/shareholders' equity)*	22%	41%	100%	3%	5%
Return on capital employed *(EBITDA/total assets less current liabilities)*	15%	4%	6%	5%	6%
Return on assets *(Profit after tax/total assets)*	8%	33%	57%	2%	3%
Liquidity ratio (times) *(Current assets/current liabilities)*	0.51	1.62	0.33	1.12	0.91
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	59%	7%	35%	39%	39%

Source: Charts - a division of MeDirect Bank (Malta) plc

The operating results presented hereinabove primarily reflect the performance of the Group's operating subsidiaries - Stivala Operators Limited and Stivala Properties Ltd for FY2016, and ST Hotels Ltd and ST Properties Ltd thereafter - which are described in further detail in sections 4.3 and 4.4 of this report. Revenue increased during the historical financial years from €9.6 million in FY2016 to €12.4 million and €19.7 million in FY2017 and FY2018 respectively (+105%), principally due to a full year's operation of the Sliema Hotel as from FY2017 and substantial increase in commercial and short-let leases due to growth in the Group's property portfolio. Furthermore, financial information for FY2018 reflects a 16-month period.

Operating profit increased in FY2016 from €1.8 million in FY2015 to €5.0 million, but decreased to €3.8 million in FY2017 due to a higher depreciation charge. In consequence of the Group's restructuring exercise implemented in FY2017, the Group reported a positive movement in property revaluation of €56.9 million and net gain on merger of businesses amounting to €8.6 million. Accordingly, profit after tax in FY2017 amounted to €59.9 million (FY2016: €4.4 million).

Revenue in FY2018 increased substantially by €7.3 million (+59%) from €12.4 million in FY2017 to €19.6 million. On a normalised basis (that is, a 12-month period), revenue generated in FY2018 amounted to €15.7 million as compared to €12.4 million a year earlier (+€3.3 million, +27%). In FY2018, profit before tax was positively impacted by a gain from bargain purchase amounting to €112.9 million. This one-off item represented the acquisition by the Issuer of the Guarantor and its subsidiaries. Overall, total comprehensive income in FY2018 amounted to €115.5 million (FY2017: €89.0 million).

In FY2019, the Group is projected to generate revenue amounting to €20.4 million, an increase of €4.7 million (+30%) when compared to FY2018 normalised revenue of €15.7 million. This increase in revenue is a reflection of a full year's operating income derived from a larger property portfolio, the expansion occurring in all operational sectors of the Group (hospitality, commercial leasing and residential rental sectors). As a consequence, the Group is forecasting EBITDA to amount to €7.6 million (FY2018: €7.8 million) and expects to report a profit after tax of €4.1 million (FY2018: €115.6 million).

During FY2020, revenue is projected to increase by €3.5 million (+17%) over the prior year to amount to €23.9 million. The hospitality segment is expected to contribute €1.4 million of the above increase, whilst the remaining €2.1 million should be generated from commercial property leases. The EBITDA ratio is projected to increase from 52% in FY2019 to 55%, and is therefore expected to amount to €13.3 million in FY2020 (FY2019: €10.5 million). Projected total comprehensive income for FY2020 is expected to increase y-o-y by €2.0 million (+49%), from €4.1 million in FY2019 to €6.1 million.

In the Consolidated Statement of Financial Position, the Group's total assets as at 31 December 2018 amounted to €202.4 million, predominantly composed of investment property and property, plant & equipment. Total assets are expected to increase by a further €13.2 million to €215.6 million as at 31 December 2019 on account of further property acquisitions and development in FY2019.

Non-current liabilities as at 31 December 2018 amounted to €74.6 million, comprising 4% secured bonds 2027 of €44.6 million, bank loans of €14.6 million and other non-current liabilities (primarily deferred taxation) of €15.4 million. Current liabilities amounted to €12.0 million and include trade and other payable, current portion of bank and other borrowings, overdraft facilities and other liabilities.

The Consolidated Statement of Financial Position for the projected financial years depict a further expansion in the investment property portfolio of the Group by €14.7 million in FY2019 and a further €6.2 million in FY2020 to amount to €136.7 million. Such capital expenditure is expected to be financed through a bond issue, bank loans and own funds.

The Consolidated Cash Flow Statement shows that in FY2018, the Group generated cash inflows from operating activities of €9.7 million as compared to €34.8 million in FY2017. The material variance from one year to another is mainly attributable to movements in working capital (being inventories, trade and other receivables and payables). Net cash outflows from investing activities amounted to €50.3 million in FY2018 (FY2017: €34.7 million), largely related to the further expansion of the Group's property portfolio through acquisitions and development. As a result, net financing cash inflows amounted to €39.7 million in FY2018 (FY2017: €4.4 million).

Variance Analysis

Income Statement (€'000)	**FY2018 Actual**	**FY2018 Projection**	**Variance**
Revenue	19,655	22,376	(2,721)
Direct costs	(6,205)	(7,277)	1,072
Gross profit	**13,450**	**15,099**	**(1,649)**
Net operating costs	(2,645)	(2,386)	(259)
EBITDA	**10,805**	**12,713**	**(1,908)**
Depreciation and amortisation	(3,036)	(1,745)	(1,291)
Results from operating activities	**7,769**	**10,968**	**(3,199)**
Gain from bargain purchase and other net gains	112,886	-	112,886
Movement in revaluation of property	2,334	-	2,334
Other	(1)	(7)	6
Net finance costs	(2,894)	(2,597)	(297)
Profit before tax	**120,094**	**8,364**	**111,730**
Taxation	(4,532)	(1,877)	(2,655)
Profit for the year	**115,562**	**6,487**	**109,075**

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As presented in the above table, the Group generated lower revenue in FY2018 than forecasted by €2.7 million, principally due to a lower than expected performance in hospitality operations. In consequence, actual EBITDA was also lower than projected by €1.9 million. The adverse variance increased further to €3.2 million as actual depreciation & amortisation was €1.3 million higher than expected. During the financial year, the Group accounted for a gain from bargain purchase and movement in revaluation of property amounting to €115.2 million (in aggregate), which amount was not reflected in the projections. Due to the significance of the afore-mentioned gain, actual profit for the year (€115.6 million) was materially higher when compared to the forecast profit for the year (€6.5 million).

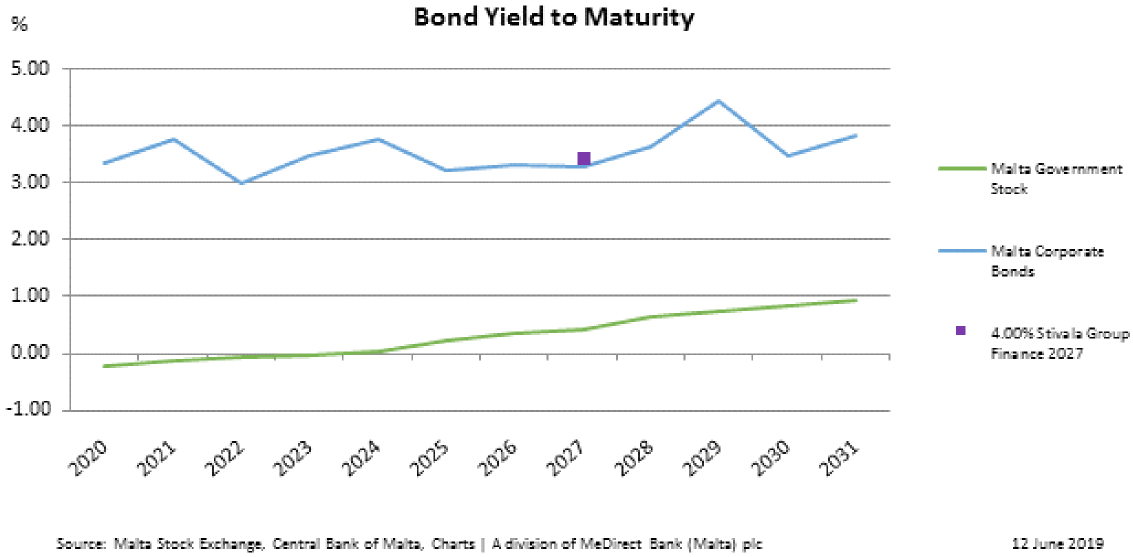
PART 3 – COMPARABLES

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 (%)
5.50% Pendergardens Dev. plc Secured € 2020 Series I	14,711,300	3.36	1.23	80,052	25,712	48.95
6.00% Pendergardens Dev. plc Secured € 2022 Series II	26,921,200	2.60	1.23	80,052	25,712	48.95
4.25% Gap Group plc Secured € 2023	19,931,000	3.48	4.45	55,237	9,869	71.82
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	4.53	1.19	21,625	6,916	62.72
6.00% AX Investments Plc Unsecured € 2024	40,000,000	1.98	6.97	325,243	214,590	18.66
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	4.84	5.33	83,223	44,177	43.99
5.00% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	3.35	2.29	112,006	43,514	51.65
4.25% Best Deal Properties Holding plc Secured 2024	16,000,000	3.50	4.02	25,986	3,432	82.64
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.41	1.41	120,794	38,318	52.41
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.02	1.55	154,742	52,242	61.72
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.81	2.09	5,499	- 19,741	-
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.91	2.59	1,765,072	901,595	40.43
4.00% International Hotel Invest. plc Secured € 2026	55,000,000	3.43	3.27	1,617,853	877,620	36.63
4.00% International Hotel Invest. plc Unsecured € 2026	40,000,000	3.63	3.27	1,617,853	877,620	36.63
4.00% MIDI plc Secured € 2026	50,000,000	3.30	9.80	220,613	97,440	31.83
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.59	12.63	179,451	48,701	54.42
4.35% Hudson Malta plc Unsecured 2026	12,000,000	3.86	10.08	28,166	6,135	60.96
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	3.75	5.93	229,882	63,771	50.15
4.00% Eden Finance plc Unsecured 2027	40,000,000	3.27	5.68	185,717	103,511	31.82
4.00% Stivala Group Finance plc Secured 2027	**45,000,000**	**3.32**	**3.73**	**202,425**	**115,827**	**35.12**
3.85% Hili Finance Company plc Unsecured 2028	40,000,000	3.63	3.44	455,113	86,390	73.98

12 June '19

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts | A division of MeDirect Bank (Malta) plc



To date, there are no corporate bonds which have a redemption date beyond 2031. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

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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.

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.

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