

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")



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



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.

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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

- Orderly and Liquid Market

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

- Subsequent Changes in Interest Rates

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

- Changes to Terms and Conditions

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

- Changes in Law

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

- Continuing Compliance Obligations

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

- Property Valuations

The valuations referred to in the Prospectus are prepared by an independent qualified architect in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors (RICS). In providing a market value of the respective properties, the independent architect has made certain assumptions which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends as reality may not match the assumptions. There can be no assurance that such property valuations and property-related assets will reflect actual market values.

3 PERSONS RESPONSIBLE

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

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

4 ESSENTIAL INFORMATION

4.1 REASONS FOR THE ISSUE AND USE OF PROCEEDS

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

- 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;
- 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:	The Secured Bonds are open for subscription by all categories of investors and the general public;
Bond Issue Price:	At par (€100 per Bond);
Status of the Bonds:	The Secured Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall at all times rank <i>pari passu</i> , 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 Official 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 purposes of the Duty on Documents and Transfers Act, in terms of article 50 of the Financial Markets Act (Cap. 345 of the Laws of Malta), as the Bonds constitute financial instruments of a company quoted on a regulated market exchange, as is the MSE, redemptions and transfers of the Bonds should, in any case, be exempt from 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



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

APPLICATION FORM

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
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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
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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

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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 an 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 than 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



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.



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 websites providing financial data.

The Analysis is meant to assist investors in the Company’s securities and potential investors by summarising the more important financial data of the Group. 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,

A handwritten signature in dark ink, appearing to read "E. Mohnani", written over a light blue circular stamp.

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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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:

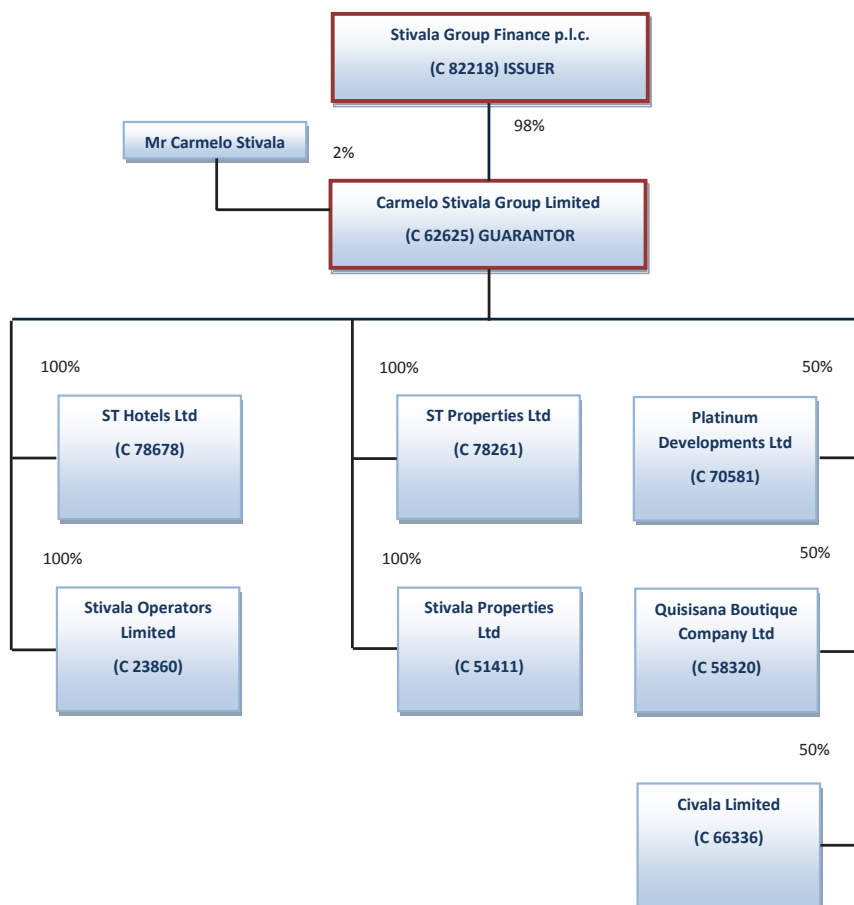
Martin John Stivala	Executive Director
Michael Stivala	Executive Director
Ivan Stivala	Executive Director
Carlo Stivala	Executive Director

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* 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, Gzira (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 Ponsomby 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.

4.3 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	2017	2018
	€'000	€'000	€'000
Revenue	7,842	9,656	10,972
<i>Hotels</i>	<i>3,155</i>	<i>4,135</i>	<i>4,693</i>
<i>Hostels and short let apartments</i>	<i>4,350</i>	<i>4,999</i>	<i>6,097</i>
<i>Commercial and other income</i>	<i>337</i>	<i>522</i>	<i>182</i>
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		FY2016	FY2017	FY2018
(Bayview Hotel & Sliema Hotel)		Actual	Actual	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
<i>Commercial</i>	<i>821</i>	<i>1,004</i>	<i>3,311</i>
<i>Residential</i>	<i>927</i>	<i>1,717</i>	<i>1,808</i>
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	FY2017	FY2018
	Actual	Actual	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

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 Update¹

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 Hospitality²

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	2017	2018	2019	2020
	Actual	Actual	Actual	Projection	Projection
	(12 mths)	(12 mths)	(16 mths)	(12 mths)	(12 mths)
	€'000	€'000	€'000	€'000	€'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	2017	2018	2019	2020
	Actual	Actual	Actual	Projection	Projection
	(12 mths)	(12 mths)	(16 mths)	(12 mths)	(12 mths)
	€'000	€'000	€'000	€'000	€'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	2017	2018	2019	2020
	Actual	Actual	Actual	Projection	Projection
	€'000	€'000	€'000	€'000	€'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
	<u>48,984</u>	<u>168,913</u>	<u>198,485</u>	<u>215,521</u>	<u>222,206</u>
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
	<u>4,293</u>	<u>10,819</u>	<u>3,940</u>	<u>11,828</u>	<u>9,979</u>
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
	<u>19,850</u>	<u>145,122</u>	<u>115,826</u>	<u>118,077</u>	<u>123,889</u>
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
	<u>24,940</u>	<u>27,946</u>	<u>74,640</u>	<u>98,696</u>	<u>97,389</u>
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
	<u>8,487</u>	<u>6,664</u>	<u>11,959</u>	<u>10,576</u>	<u>10,907</u>
	<u>33,427</u>	<u>34,610</u>	<u>86,599</u>	<u>109,272</u>	<u>108,296</u>
Total equity and liabilities	53,277	179,732	202,425	227,349	232,185

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

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).

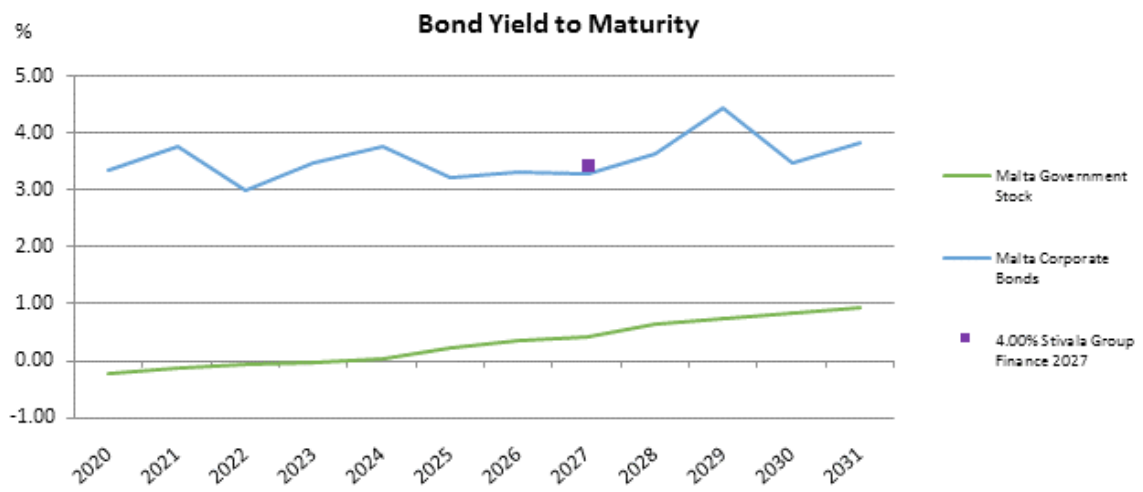
PART 3 – COMPARABLES

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



Source: Malta Stock Exchange, Central Bank of Malta, Charts | A division of MeDirect Bank (Malta) plc

12 June 2019

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.

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.

