

# SECURITIES NOTE

Dated 25 September 2017

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

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



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

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

**ISIN: MT0001601203**

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

Sponsor & Manager

Security Trustee

Legal Counsel

Registrar



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

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

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

**APPROVED BY THE DIRECTORS**

Michael Stivala

Carlo Stivala

Ivan Stivala

Martin John Stivala

Ann Marie Agius

Francis Gouder

Joseph Brincat

# TABLE OF CONTENTS

<b>IMPORTANT INFORMATION</b>	3
<b>1 DEFINITIONS</b>	4
<b>2 RISK FACTORS</b>	6
2.1 Forward Looking Statements	6
2.2 General	6
2.3 Risks relating to the Secured Bonds	6
<b>3 PERSONS RESPONSIBLE</b>	8
<b>4 ESSENTIAL INFORMATION</b>	8
4.1 Reasons for the Issue and Use of Proceeds	8
4.2 Expenses	9
4.3 Issue Statistics	9
4.4 Interest of Natural and Legal Persons involved in the Issue	9
4.5 Security	10
4.6 Consent for Use of Prospectus	10
<b>5 INFORMATION CONCERNING THE SECURITIES TO BE ISSUED AND ADMITTED TO TRADING</b>	11
5.1 General	11
5.2 Ranking of the Secured Bonds	11
5.3 Rights attaching to the Secured Bonds	11
5.4 Interest	12
5.5 Yield	12
5.6 Registration, Form, Denomination and Title	12
5.7 Payments	12
5.8 Redemption and Purchase	13
5.9 Events of Default	13
5.10 Transferability of the Bonds	14
5.11 Further Issues	14
5.12 Meetings of Bondholders	14
5.13 Authorisations and Approvals	15
5.14 Representations and Warranties	15
5.15 Notices	16
5.16 Governing Law and Jurisdiction	16
<b>6 TAXATION</b>	16
6.1 General	16
6.2 Malta Tax on Interest	16
6.3 Exchange of Information	16
6.4 Maltese Taxation on Capital Gains on Transfer of the Bonds	17
6.5 Duty on Documents and Transfers	17
<b>7 TERMS AND CONDITIONS OF THE BOND ISSUE</b>	17
7.1 Expected Timetable of the Bond Issue	17
7.2 Terms and Conditions of Application	17
7.3 Plan of Distribution and Allotment	19
7.4 Placing Agreement	20
7.5 Pricing	20
7.6 Allocation Policy	20
7.7 Admission to Trading	20
7.8 Additional Information	20
<b>ANNEX I – SPECIMEN APPLICATION FORM</b>	21
<b>ANNEX II – AUTHORISED FINANCIAL INTERMEDIARIES</b>	23
<b>ANNEX III – THE GUARANTEE</b>	24
<b>ANNEX IV – FINANCIAL ANALYSIS SUMMARY</b>	FAS 1

## IMPORTANT INFORMATION

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

THIS SECURITIES NOTE:

- A. CONTAINS INFORMATION ABOUT THE ISSUER, THE GUARANTOR AND THE SECURED BONDS IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE ACT AND THE REGULATION, AND SHOULD BE READ IN CONJUNCTION WITH THE REGISTRATION DOCUMENT ISSUED BY THE ISSUER; AND
- B. SETS OUT THE CONTRACTUAL TERMS UNDER WHICH THE SECURED BONDS ARE ISSUED BY THE COMPANY AND ACQUIRED BY A BONDHOLDER WHICH TERMS SHALL REMAIN BINDING UNTIL THE REDEMPTION DATE OF THE SECURED BONDS UNLESS THEY ARE OTHERWISE CHANGED IN ACCORDANCE WITH THE TERMS OF THIS SECURITIES NOTE.

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

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

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

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

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

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

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

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

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

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

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

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

# 1 DEFINITIONS

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

<b>Act</b>	the Companies Act (Cap. 386 of the Laws of Malta);
<b>Applicant/s</b>	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
<b>Application/s</b>	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;
<b>Application Form</b>	the form of application of subscription for Secured Bonds, a specimen of which is contained in Annex I of this Securities Note;
<b>Authorised Financial Intermediaries</b>	the financial intermediaries whose details appear in Annex II to this document;
<b>Bond Issue or Offer</b>	the issue of the Secured Bonds;
<b>Bondholder</b>	a holder of Secured Bonds;
<b>Business Day</b>	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
<b>Collateral</b>	the following security granted by the Guarantor in favour of the Security Trustee for the benefit of Bondholders: <ul style="list-style-type: none"> <li>(a) a first ranking special hypothec over the Security Property;</li> <li>(b) a pledge over the proceeds from any insurance policy required under clause 5(1) (h) of the Security Trust Deed; and</li> <li>(c) the Guarantee;</li> </ul>
<b>CSD</b>	the Central Securities Depository of the Malta Stock Exchange having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063;
<b>Deed of Hypothec</b>	a deed to be entered into by and between the Trustee and the Issuer in the acts of Dr Notary Robert Muscat whereby the Issuer constitutes in favour of the Trustee that part of the Collateral which according to law requires the execution of a notarial deed;
<b>Euro or €</b>	the lawful currency of the Republic of Malta;
<b>Exchange, Malta Stock Exchange or MSE</b>	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta, and bearing company registration number C 42525;
<b>Group</b>	the Issuer, the Guarantor and the Subsidiaries;
<b>Group Company</b>	any one of the companies forming part of the Group. The term “ <b>Group Companies</b> ” shall be construed accordingly;
<b>Guarantee</b>	the joint and several guarantee dated 25 September 2017 granted by the Guarantor as security for the punctual performance of the Issuer’s payment obligations under the Bond Issue, subject to the terms and conditions contained in the Security Trust Deed and as the same is held on trust for the benefit of the Bondholders by the Security Trustee. A copy of the Guarantee and a description of the nature, scope and terms of the Guarantee are appended to the Securities Note as Annex III thereto;
<b>Guarantor</b>	Carmelo Stivala Group Limited, a limited liability company duly registered and validly existing under the laws of Malta with company registration number C 62625 and with its registered office at 143, The Strand, Gzira, Malta;
<b>Interest Payment Date</b>	18 October of each year between and including each of the years 2018 and the year 2027, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
<b>Issue Date</b>	expected on 30 October 2017;
<b>Issuer or Company</b>	Stivala Group Finance p.l.c., a public limited liability company duly registered and validly existing under the laws of Malta with company registration number C 82218 and with its registered office at 143, The Strand, Gzira, Malta;
<b>Listing Authority</b>	the Board of Governors of the Malta Financial Services Authority, appointed as the Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
<b>Listing Rules</b>	the listing rules of the Listing Authority;
<b>Offer Period</b>	the period between 27 September 2017 and 18 October 2017 during which the Secured Bonds are on offer;

<b>Official List</b>	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
<b>Prospectus</b>	collectively the Registration Document, Summary Note and this Securities Note (each as defined in this Securities Note);
<b>Redemption Date</b>	18 October 2027;
<b>Redemption Value</b>	the nominal value of each Bond (€100 per Secured Bond);
<b>Registrar</b>	Malta Stock Exchange plc, a public limited liability company duly registered and validly existing under the laws of Malta with company registration number C 42525 and with its registered office at Garrison Chapel, Castille Place, Valletta, VLT 1063, Malta;
<b>Registration Document</b>	the registration document issued by the Issuer dated 25 September 2017, forming part of the Prospectus;
<b>Regulation</b>	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of supplements to the prospectus; and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of the prospectus and dissemination of advertisements;
<b>Secured Bond(s) or Bond(s)</b>	the €45,000,000 4% Secured Bonds of a nominal value of €100 payable in full upon subscription and redeemable at the nominal value on the Redemption Date, bearing interest at the rate of 4% per annum, as detailed in this Securities Note;
<b>Securities Note</b>	this document in its entirety;
<b>Security Property</b>	the following immovable property: <ul style="list-style-type: none"> <li>i. 120, The Strand, Gzira, Malta;</li> <li>ii. nine apartments, 19 garages and the remaining one half undivided share of an office, all situated at Qui Si Sana Boutique Apartments, Qui Si Sana Road, Sliema, Malta (subject to completion of acquisition);</li> <li>iii. Property situated at Marguerite Mangion Street, St Julian's, Malta (subject to completion of acquisition);</li> <li>iv. 153/154, The Strand, Gzira, Malta;</li> <li>v. Bring Apartments, Reid Street, Gzira, Malta; and</li> <li>vi. 196, Main Street, St Julian's, Malta (subject to completion of acquisition);</li> </ul>
<b>Security Trustee</b>	CSB Trustees and Fiduciaries Limited, a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 40390 and having its registered office at Vincenti Buildings, 28/19, Strait Street, Valletta, Malta, duly authorised to act as a trustee or co-trustee in terms of article 43(3) of the Trusts and Trustees Act (Cap. 331 of the Laws of Malta);
<b>Sponsor &amp; Manager</b>	Charts Investment Management Service Limited, an authorised financial intermediary licensed by the Malta Financial Services Authority and a member of the MSE and a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 7944 and having its registered office at Valletta Waterfront Vault 17, Pinto Wharf, Floriana, FRN 1913, Malta;
<b>Summary Note</b>	the summary note issued by the Issuer dated 25 September 2017, forming part of the Prospectus;
<b>Terms and Conditions</b>	the terms and conditions of issue of the Secured Bonds set out in this Securities Note;
<b>Trust Deed or Security Trust Deed</b>	the security trust deed signed between the Issuer, the Guarantor and the Security Trustee on 25 September 2017; and
<b>Trust Property</b>	the rights attaching to and emanating from the Trust Deed and the benefit of the security created by virtue of the Collateral for the benefit of Bondholders.



## 2 RISK FACTORS

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

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

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

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

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

### 2.1 Forward Looking Statements

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

### 2.2 General

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

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

### 2.3 Risks Relating to the Secured Bonds

- **Orderly and Liquid Market**

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

- **Subsequent Changes in Interest Rates**

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

- **Currency Risk**

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

- **Changes in Circumstances**

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

- **Collateral and the Guarantee**

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

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

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

- **Conditions Precedent**

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

- **Changes to Terms and Conditions**

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

- **Changes in Law**

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

- **Property Valuations**

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

### 3 PERSONS RESPONSIBLE

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

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

### 4 ESSENTIAL INFORMATION

#### 4.1 REASONS FOR THE ISSUE AND USE OF PROCEEDS

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

- i. **Re-financing existing bank loans:** an amount of *circa* €9,129,000 of the proceeds from the Secured Bonds will be used to re-finance outstanding Group banking facilities with FimBank p.l.c. and Bank of Valletta p.l.c., which funds were originally principally utilised to acquire various properties and for capital expenditure purposes;
- ii. **Acquisition and development of 196, Main Street, St Julian's:** the amount of €9,000,000 will be used to finance the acquisition of 196, Main Street, St Julian's and development thereof into a block of luxury residential apartments, as detailed in section 4.6 of the Registration Document;
- iii. **Acquisition of the remaining half of Qui Si Sana Boutique Apartments, Sliema:** the amount of *circa* €11,448,000 is to be utilised for the purpose of acquiring nine apartments, 19 garages and the remaining undivided share of an office at Qui Si Sana Boutique Apartments, Sliema.

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

- iv. **Acquisition of property at Marguerite Mangion Street, St Julian's:** an amount of *circa* €7,706,200 will be utilised for the purpose of acquiring the property situated at Marguerite Mangion Street, St Julian's;
- v. **Development of Azur Hotel:** an amount of €4,500,000 shall be used to develop the proposed Azur Hotel as further described in section 4.6 of the Registration Document; and
- vi. **Other property developments:** the remaining balance of the net Bond Issue proceeds equivalent to *circa* €2,596,800 shall be applied towards the costs of acquisition of other properties in accordance with the Group's business development strategy and/or to fund part of the Group's ongoing capital expenditure on own properties.

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

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

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

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



#### 4.2 EXPENSES

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

#### 4.3 ISSUE STATISTICS

<b>Amount:</b>	€45,000,000;
<b>Form:</b>	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;
<b>Denomination:</b>	Euro (€);
<b>ISIN:</b>	MT0001601203;
<b>Minimum amount per subscription:</b>	Minimum of €2,000 and multiples of €100 thereafter;
<b>Redemption Date:</b>	18 October 2027;
<b>Plan of Distribution:</b>	The Secured Bonds are open for subscription by all categories of investors and the general public;
<b>Bond Issue Price:</b>	At par (€100 per Bond);
<b>Status of the Bonds:</b>	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;
<b>Listing:</b>	The Listing Authority has approved the Secured Bonds for admissibility to 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;
<b>Placement Agreements:</b>	The Issuer and the Guarantor have entered into conditional placement agreements with the Authorised Financial Intermediaries whereby the Secured Bonds have been made available for subscription on 18 October 2017;
<b>Offer Period:</b>	27 September 2017 to 18 October 2017, both days included;
<b>Interest:</b>	4% per annum;
<b>Interest Payment Date(s):</b>	Annually on 18 October as from 18 October 2018 (the first interest payment date);
<b>Governing Law of Bonds:</b>	The Bonds are governed by and shall be construed in accordance with Maltese law;
<b>Jurisdiction:</b>	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

#### 4.4 INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

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

#### 4.5 SECURITY

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

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

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

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

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

#### 4.6 CONSENT FOR USE OF PROSPECTUS

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

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

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

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

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

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

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

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

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

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

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

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

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

### 5.1 GENERAL

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

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

### 5.2 RANKING OF THE SECURED BONDS

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

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

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

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

### 5.3 RIGHTS ATTACHING TO THE SECURED BONDS

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

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

#### **5.4 INTEREST**

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

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

#### **5.5 YIELD**

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

#### **5.6 REGISTRATION, FORM, DENOMINATION AND TITLE**

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

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

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

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

#### **5.7 PAYMENTS**

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

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

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

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

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

## 5.8 REDEMPTION AND PURCHASE

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

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

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

## 5.9 EVENTS OF DEFAULT

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

- (a) the Issuer fails to effect the payment of interest under the Bonds on an Interest Payment Date and such failure continues for a period of 60 days after written notice thereof by the Security Trustee to the Issuer;
- (b) the Issuer fails to pay the principal amount of a Bond on the date fixed for its redemption; and such failure continues for a period of 60 days after written notice thereof by the Security Trustee to the Issuer;
- (c) the Issuer fails duly to perform or shall otherwise be in breach of any other material obligation contained in the Prospectus and such failure shall continue for 60 days after written notice thereof shall have been given to the Issuer by a Bondholder;
- (d) in terms of article 214(5) of the Act, a Court order or other judicial process is levied or enforced upon or sued out against any part of the property of the Issuer and is not paid out, withdrawn or discharged within one month;
- (e) the Issuer stops payment of its debts or ceases or threatens to cease to carry on its business;
- (f) the Issuer or the Guarantor is unable to pay its debts within the meaning of article 214(5) of the Act, or any statutory modification or re-enactment thereof;
- (g) a judicial or provisional administrator is appointed upon the whole or any part of the property of the Issuer or the Guarantor; and such appointment is certified by the Security Trustee to be prejudicial, in its opinion, to the Bondholders;
- (h) an order is made or an effective resolution is passed for winding up of the Issuer or the Guarantor, except for the purpose of a reconstruction, amalgamation or division, the terms of which have been approved in writing by the Security Trustee;
- (i) the Issuer or the Guarantor substantially changes the object or nature of its business as currently carried on;
- (j) the Issuer or the Guarantor commits a breach of any of the covenants or provisions contained in the Trust Deed and on its part to be observed and performed and the said breach still subsists for 30 days after having been notified by the Security Trustee (other than any covenant for the payment of interests or principal monies owing in respect of the Bonds);
- (k) the security constituted by any hypothec, pledge or charge upon the whole or any part of the undertaking or assets of the Issuer or the Guarantor shall become enforceable and steps are taken to enforce the same and the taking of such steps shall be certified in writing by the Security Trustee to be in its opinion prejudicial to the Bondholders;
- (l) any representation or warranty made or deemed to be made or repeated by or in respect of the Issuer or the Guarantor is or proves to have been incorrect in any material respect in the sole opinion of the Security Trustee;
- (m) any material indebtedness of the Issuer or the Guarantor is not paid when properly due or becomes properly due and payable or any creditor of the Issuer or the Guarantor (as the case may be) becomes entitled to declare any such material indebtedness properly due and payable prior to the date when it would otherwise have become properly due or any guarantee or indemnity of the Issuer or the Guarantor in respect of indebtedness is not honoured when properly due and called upon; PROVIDED THAT for the purposes of this provision, material indebtedness shall mean an amount exceeding €1,000,000;
- (n) any consent, permit, authorisation, licence or approval of, or registration with, or declaration to governmental, statutory or public bodies, or authorities or courts, required by the Issuer or the Guarantor in connection with the Group's projects and their development and construction; or pursuant to the execution, delivery, validity, enforceability or admissibility in evidence hereof, or the performance by the Issuer of its obligations hereunder, is substantially modified in the sole opinion of the Security Trustee, or is not granted, or is revoked, or terminated, or expires and is not renewed, or otherwise ceases to be in full force and effect;



- (o) it becomes unlawful at any time for the Issuer or the Guarantor to perform all or any of its obligations hereunder or to develop the Group's projects or to continue with the development of these projects;
- (p) the Issuer or the Guarantor repudiates, or does or causes or permits to be done any act or thing evidencing an intention to repudiate the Bonds and/or the Trust Deed; or
- (q) all, or in the sole opinion of the Security Trustee, a material part, of the undertakings, assets, rights, or revenues of or shares or other ownership interests in the Issuer or the Guarantor are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government.

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

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

#### **5.10 TRANSFERABILITY OF THE BONDS**

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

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

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

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

The Issuer will not register the transfer or transmission of Bonds for a period of 15 days preceding the due date for any payment of interest on the Bonds.

#### **5.11 FURTHER ISSUES**

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

#### **5.12 MEETINGS OF BONDHOLDERS**

The Issuer may, through the Security Trustee, from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting and to effect any change to the applicable Terms and Conditions of the Bonds, including any change to a material term of issuance of the Bonds or the Prospectus.

A meeting of Bondholders shall be called by the Directors by giving the Security Trustee not less than 21 days' notice in writing. Upon receiving due notice from the Directors, the Security Trustee shall call such meeting by giving all Bondholders listed on the register of Bondholders as at a date being not more than 30 days preceding the date scheduled for the meeting, not less than 14 days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or

decided thereat, including, if applicable, sufficient information on any amendment to the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section 5.12 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

The amendment or waiver of any of the provisions of and/or conditions contained in this Securities Note, or in any other part of the Prospectus, may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.

A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose at least two Bondholders present, in person or by proxy, representing not less than 50% in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within 30 minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven days, and not later than 15 days, following the original meeting. At an adjourned meeting: the number of Bondholders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.

Any person who in accordance with the Memorandum and Articles of Association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.

Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions which are required to be taken at the meeting, the Directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.

The voting process shall be managed by the company secretary of the Issuer under the supervision and scrutiny of the auditors of the Issuer and the Security Trustee.

The proposal placed before a meeting of Bondholders shall only be considered approved if at least 60% in nominal value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.

Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

#### **5.13 AUTHORISATIONS AND APPROVALS**

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a Board of Directors' resolution passed on 14 September 2017. The Guarantee being given by the Guarantor in respect of the Secured Bonds has been authorised by a resolution of the board of directors of the Guarantor dated 14 September 2017.

#### **5.14 REPRESENTATIONS AND WARRANTIES**

The Issuer represents and warrants to Bondholders and to the Security Trustee for the benefit of Bondholders, who shall be entitled to rely on such representations and warranties, that:

- i. it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business as it is now being conducted and to hold its property and other assets under legal title; and
- ii. it has the power to execute, deliver and perform its obligations under the Prospectus and that all necessary corporate, shareholder and other actions have been duly taken to authorise the execution, delivery and performance of the same, and further that no limitation on its power to borrow or guarantee shall be exceeded as a result of the Terms and Conditions or the Prospectus.

The Prospectus contains all relevant material information with respect to the Issuer and the Guarantor and all information contained in the Prospectus is in every material respect true and accurate and not misleading, and there are no other facts in relation to the Issuer and/or the Guarantor, their respective businesses and financial position, the omission of which would, in the context of the issue of the Secured Bonds, make any statement in the Prospectus misleading or inaccurate in any material respect.

## 5.15 NOTICES

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of 24 hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his registered address and posted.

## 5.16 GOVERNING LAW AND JURISDICTION

The Secured Bonds are governed by and shall be construed in accordance with Maltese law.

Any legal action, suit or proceedings against the Issuer and/or the Guarantor arising out of or in connection with the Secured Bonds and/or the Prospectus shall be brought exclusively before the Maltese courts.

# 6 TAXATION

## 6.1 GENERAL

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Bonds, including their acquisition, holding and transfer as well as on any income derived therefrom or on any gains derived on the transfer of such Bonds. The following is a summary of the anticipated tax treatment applicable to Bondholders in so far as taxation in Malta is concerned. This information does not constitute legal or tax advice and does not purport to be exhaustive.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Issuer at the date of the Prospectus, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject matter referred to in the preceding paragraph, may change from time to time.

This information is being given solely for the general information of investors. The precise implications for investors will depend, among other things, on their particular circumstances and on the classification of the Bonds from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

## 6.2 MALTA TAX ON INTEREST

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is instructed by a Bondholder to receive the interest gross of any withholding tax, or if the Bondholder does not fall within the definition of "recipient" in terms of Article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such Bondholder net of a final withholding tax, currently at the rate of 15% (10% in the case of certain types of collective investment schemes) of the gross amount of the interest, pursuant to Article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta). Bondholders who do not fall within the definition of a "recipient" do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder is not obliged to declare the interest so received in his income tax return (to the extent that the interest is paid net of tax). No person shall be charged to further tax in respect of such income. The Issuer will render an account to the Maltese Commissioner for Revenue of all amounts so deducted but will not specify the identity of the recipient.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax at the standard rates applicable to such Bondholder at that time. Additionally in this latter case the Issuer will advise the Maltese Commissioner for Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients unless the beneficiary is a non-resident of Malta. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

In terms of article 12(1)(c)(i) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Issuer in terms of law.

## 6.3 EXCHANGE OF INFORMATION

In terms of applicable Maltese legislation, the Issuer and/or its agent are required to collect and forward certain information (including, but not limited to, information regarding payments made to certain Bondholders) to the Commissioner for Revenue. The Commissioner for Revenue will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions.

## 6.4 MALTESE TAXATION ON CAPITAL GAINS ON TRANSFER OF THE BONDS

On the assumption that the Bonds would not fall within the definition of “securities” in terms of article 5(1)(b) of the Income Tax Act, that is, “shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return”, to the extent that the Bonds are held as capital assets by the Bondholder, no income tax on capital gains is chargeable in respect of transfer of the Bonds.

## 6.5 DUTY ON DOCUMENTS AND TRANSFERS

In terms of the Duty on Documents and Transfers Act (Cap. 364 of the Laws of Malta), duty is chargeable *inter alia* on the transfer or transmission *causa mortis* of marketable securities. A marketable security is defined in the said legislation as “a holding of share capital in any company and any document representing the same”. Consequently, the Bonds should not be treated as constituting marketable securities within the meaning of the legislation and therefore, the transfer/transmission thereof should not be chargeable to duty.

Furthermore, even if the Bonds are considered marketable securities for the purposes of the Duty on Documents and Transfers Act, in terms of article 50 of the Financial Markets Act (Cap. 345 of the Laws of Malta) as the Bonds constitute financial instruments of a company quoted on a regulated market Exchange, as is the MSE, redemptions and transfers of the Bonds should, in any case, be exempt from duty.

**INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND DISPOSAL OF BONDS AS WELL AS INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE BONDS AND TO BONDHOLDERS. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.**

# 7 TERMS AND CONDITIONS OF THE BOND ISSUE

## 7.1 EXPECTED TIMETABLE OF THE BOND ISSUE

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

## 7.2 TERMS AND CONDITIONS OF APPLICATION

The following terms and conditions shall be read in conjunction with all the other terms and conditions relative to and regulating the contractual relationship created between the Issuer and the Guarantor on the one hand and the Security Trustee and Bondholders on the other.

**7.2.1** The issue and allotment of the Secured Bonds is conditional upon: (i) the Secured Bonds being admitted to the Official List of the MSE; and (ii) the Collateral being constituted in favour of the Security Trustee, in accordance with the provisions of the Security Trust Deed. In the event that either of the aforesaid conditions is not satisfied within 15 Business Days of the close of the Offer Period, any Application monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form.

**7.2.2** Applications may be lodged with any Authorised Financial Intermediary by not later than 12:00 hours on 18 October 2017.

**7.2.3** By submitting a signed Application Form, the Applicant is thereby confirming to the Issuer and the Authorised Financial Intermediary through whom the Application is made that: (i) the Applicant's remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured on its first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application. Furthermore the Applicant will not be entitled to receive a registration advice or to be registered in the register of Bondholders, unless the Applicant makes payment in cleared funds and such consideration is accepted by the respective Authorised Financial Intermediary (which acceptance shall be made in the Authorised Financial Intermediary's absolute discretion and may be on the basis that the Applicant indemnifies the Authorised Financial Intermediary against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of the Applicant's remittance to be honoured on first presentation).

- 7.2.4** The contract created by the Issuer's acceptance of an Application filed by a prospective Bondholder through an Authorised Financial Intermediary shall be subject to all the Terms and Conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer.
- 7.2.5** If an Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have duly bound his principal, or the relative corporation, corporate entity, or association of persons, and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such representative may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Issuer and the Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to appear on the Application Form.
- 7.2.6** In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each of the joint Applicants, and liability therefor is joint and several. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first-named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional Applicants" in the Application Form or joint holders in the register, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.
- 7.2.7** In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner).
- 7.2.8** Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of 18 years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of 18 years.
- 7.2.9** The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 7.2.10** No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 7.2.11** It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 7.2.12** Subject to all other terms and conditions set out in the Prospectus, an Authorised Financial Intermediary reserves the right to reject, in whole or in part, or to scale down, any Application, including multiple or suspected multiple Applications, and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Authorised Financial Intermediary is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.
- 7.2.13** The Secured Bonds will be issued in multiples of €100. The minimum subscription amount of Secured Bonds that can be subscribed for by Applicants is €2,000. The completed Application Forms are to be lodged with any of the Authorised Financial Intermediaries. Submission of Application Forms must be accompanied by the full price of the Secured Bonds applied for, in Euro. Payment may be made either in cash or by cheque payable to the respective Authorised Financial Intermediary. In the event that any cheque accompanying an Application Form is not honoured on its first presentation, the Authorised Financial Intermediary reserves the right to invalidate the relative Application Form.
- 7.2.14** In the event that an Applicant has not been allocated any Bonds or has been allocated a number of Bonds which is less than the number applied for, the Applicant shall receive a full refund or, as the case may be, the balance of the price of the Bonds applied for but not allocated, without interest, by credit transfer to such account indicated in the Application Form, at the Applicant's sole risk within five Business Days from the date of final allocation. The respective Authorised Financial Intermediary or the Issuer shall not be responsible for any charges, loss or delay arising in connection with such direct credit transfer.



**7.2.15** For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2008 (Legal Notice 180 of 2008, as subsequently amended), all Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the “Members’ Code of Conduct” appended as Appendix 3.6 of the MSE Bye-Laws, irrespective of whether the Authorised Financial Intermediaries are Exchange Members or not. Such information shall be held and controlled by the Malta Stock Exchange in terms of the Data Protection Act (Cap. 440 of the Laws of Malta) for the purposes and within the terms of the MSE’s data protection and privacy policy as published from time to time.

**7.2.16** By completing and delivering an Application Form, the Applicant:

- a agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the Guarantor and the issue of the Bonds contained therein;
- b warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects and in the case where an MSE account number is indicated in the Application Form, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including name and surname and the Applicant’s address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant;
- c authorises the Issuer and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta). The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates;
- d confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
- e agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
- f agrees to provide the Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application;
- g warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond or his/her Application;
- h warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- i represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the “United States”) or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- j agrees that unless such Application is made with Charts Investment Management Service Limited as Authorised Financial Intermediary, Charts Investment Management Service Limited will not, in its capacity of Sponsor & Manager, treat the Applicant as its customer by virtue of such Applicant making an Application for the Bonds, and that Charts Investment Management Service Limited will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their suitability for the Applicant;
- k agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant’s own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form;
- l renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds.

### **7.3 PLAN OF DISTRIBUTION AND ALLOTMENT**

The Secured Bonds shall be allocated to Authorised Financial Intermediaries pursuant to placement agreements, details of which are included in section 7.4 below.

Subscriptions shall be made through any of the Authorised Financial Intermediaries, subject to a minimum subscription amount of €2,000 in nominal value of Secured Bonds and in multiples of €100 thereafter.

The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta), and regulations made thereunder. Such monies will not bear interest while retained as aforesaid.

Dealings in the Secured Bonds shall not commence prior to: (i) the Secured Bonds being admitted to the Official List; and (ii) the Collateral being constituted in favour of the Security Trustee.

#### **7.4 PLACING AGREEMENT**

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

In terms of the placement agreements, Authorised Financial Intermediaries may subscribe for Secured Bonds for their own account or for the account of underlying customers, and shall in addition be entitled to either distribute to the underlying customers any portion of the Secured Bonds subscribed for upon commencement of trading, or submit Application Forms directly in the name of their underlying customers. In either case, subscription amounts made by Applicants through Authorised Financial Intermediaries, including those made under nominee, shall be in multiples of €100, subject to a minimum subscription amount of €2,000 in Bonds by each individual Bondholder/underlying customer.

Each placement agreement, which is subject to the terms of the Prospectus, will become binding on all parties thereto on the respective placement agreement date, subject to the Issuer having received all subscription proceeds in cleared funds on the placement date.

#### **7.5 PRICING**

The Bonds are being issued at par, that is, at €100 per Bond with the full amount payable upon subscription.

#### **7.6 ALLOCATION POLICY**

The Issuer shall allocate the Secured Bonds to Authorised Financial Intermediaries pursuant to the placement agreements entered into with the Issuer and Guarantor, details of which can be found in section 7.4 above.

#### **7.7 ADMISSION TO TRADING**

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

#### **7.8 ADDITIONAL INFORMATION**

Save for the financial analysis summary set out as Annex IV, the Securities Note does not contain any statement or report attributed to any person as an expert.

The financial analysis summary has been included in the form and context in which it appears with the authorisation of Charts Investment Management Service Limited of Valletta Waterfront, Vault 17, Pinto Wharf, Floriana, FRN 1913, Malta, which has given and has not withdrawn its consent to the inclusion of such report herein.

Charts Investment Management Service Limited does not have any material interest in the Issuer or Guarantor. The Issuer confirms that the financial analysis summary has been accurately reproduced in the Securities Note and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

# ANNEX I – SPECIMEN APPLICATION FORM



**€45,000,000 4% SECURED BONDS 2027**

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

Application number

## A APPLICANT (see notes 2 to 7)

☐ Non-Resident ☐ Minor (under 18) ☐ Body Corporate/Body of Persons ☐ CIS-Prescribed Fund

B TITLE (MR/MRS/MS/....)		FULL NAME & SURNAME / REGISTERED NAME	
ADDRESS/ REGISTERED OFFICE			POSTCODE
MSE A/C NO. (IF APPLICABLE)	ID CARD / PASSPORT / COMPANY REG. NO.	TEL. NO.	MOBILE NO. (mandatory for e-portfolio registration)
<input type="checkbox"/> Please register me for e-portfolio			

## C ADDITIONAL (JOINT) APPLICANTS (see note 4) (please use additional Application Forms if space is not sufficient)

TITLE (MR/MRS/MS/....)	FULL NAME & SURNAME	ID CARD / PASSPORT NO.
TITLE (MR/MRS/MS/....)	FULL NAME & SURNAME	ID CARD / PASSPORT NO.

## D MINOR'S PARENTS / LEGAL GUARDIAN/S (see note 5) (to be completed ONLY if the Applicant is a minor)

TITLE (MR/MRS/MS/....)	FULL NAME & SURNAME	ID CARD / PASSPORT NO.
TITLE (MR/MRS/MS/....)	FULL NAME & SURNAME	ID CARD / PASSPORT NO.

## E I/WE APPLY TO PURCHASE AND ACQUIRE (see notes 8 and 9)

AMOUNT IN FIGURES €	AMOUNT IN WORDS
Stivala Group Finance p.l.c. 4% Secured Bonds 2027 (the "Bonds") (minimum €2,000 and in multiples of €100 thereafter) at the Bond Issue Price (at par), as defined in the Prospectus dated 25 September 2017 (the "Prospectus"), payable in full upon application under the Terms and Conditions of the Bonds as set out in the Prospectus.	

## F RESIDENT - WITHHOLDING TAX DECLARATION (see note 10 and 11a) (to be completed ONLY if the Applicant is a Resident of Malta)

☐ I/We elect to have Final Withholding Tax deducted from my/our interest.  
☐ I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).

## G NON-RESIDENT – DECLARATION FOR TAX PURPOSES (see note 3, 11 & 11a) (to be completed ONLY if the Applicant is a Non-Resident)

TAX COUNTRY	CITY OF BIRTH	TIN (TAX IDENTIFICATION NO.)
NATIONAL ID CARD / PASSPORT NO.	COUNTRY OF BIRTH	COUNTRY OF ISSUE
ISSUE DATE		
<input type="checkbox"/> I/We am/are <b>NOT</b> Resident in Malta but I/we am/are Resident in the European Union.		
<input type="checkbox"/> I/We am/are <b>NOT</b> Resident in Malta and I/we am/are <b>NOT</b> Resident in the European Union.		

## H INTEREST AND REDEMPTION MANDATE (see note 12) (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 as contained therein which I/we fully accept.

Signature/s of Applicant/s  
 (parents or legal guardian/s are/is to sign if Applicant is a minor)  
 (all parties are to sign in the case of a joint Application)

Date

Authorised Financial Intermediary's Stamp

Authorised Financial Intermediary's Code

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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 25 September 2017 regulating the Bond Issue

1. This Application is governed by the Terms and Conditions of the Application contained in Section 7.2 of the Securities Note dated 25 September 2017 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS.
3. Applicants who are Non-Residents in Malta for tax purposes, must indicate their passport number in Panel B and complete Panel G. The relative box in Panel A must also be marked appropriately.
4. Applicants are to insert full personal details in Panel B. In the case of an Application by more than one person (including husband and wife) full details of all individuals, including I.D. card numbers, must be given in Panels B and C **but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 7 below).**

Upon submission of an Application Form, Bondholders who opt to have an online e-Portfolio facility (by marking the relative box in Panel B), will receive by mail at their registered address a handle code to activate the new e-Portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to Secured Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further details on the e-portfolio are found on <https://eportfolio.borzamalta.com.mt/Help>.

5. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. The relative box in Panel A must also be marked appropriately. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
6. In the case of a body corporate, the name of the entity exactly as registered, and the registration number are to be inserted in Panel B. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
7. **APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MSE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THIS APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE EFFECTED.**
8. Applications must be for a minimum of €2,000 and thereafter in multiples of €100.
9. Applications must be accompanied by the relevant subscription amount in Euro.
10. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will be obliged to declare interest so received in the tax return. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a prescribed fund (having indicated their status in the appropriate box in Panel A) will have final withholding tax (currently 10%), deducted from interest payments.

In terms of Section 6.2 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of Article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of final withholding tax, (currently 15%) of the gross amount of interest, pursuant to Article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta).

11. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.
  - 11a. The contents of Notes 10 and 11 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.
12. Interest and redemption proceeds will be credited to the account indicated in Panel H or as otherwise amended by the Bondholder/s during the term of the Bond.
13. Authorised Financial Intermediaries are to submit completed Application Forms representing the total amount committed in terms of the Placement Agreement as mentioned in Section 7.4 of the Securities Note by latest 14:00 on 18 October 2017. The Issuer reserves the right to refuse any Application which appears to be in breach of the Terms and Conditions of the Application as contained in the Prospectus.
14. By completing and delivering an Application Form you (as the Applicant(s)) acknowledge that:
  - a. the Issuer may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);
  - b. the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and
  - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

**The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds on offer will be repayable in full upon redemption. An investor should consult an independent financial advisor, licensed under the Investment Services Act (Cap. 370 of the Laws of Malta), for advice.**

## ANNEX I I – AUTHORISED FINANCIAL INTERMEDIARIES

NAME	ADDRESS	TELEPHONE
Bank of Valletta p.l.c.	BOV Centre, Cannon Road, St Venera SVR 9030	22751732
Calamatta Cuschieri Investment Services Ltd	Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034	25688130
Charts Investment Management Service Ltd	Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913	21224106
FINCO Treasury Management Ltd	Level 5, The Mall Complex, The Mall, Floriana FRN 1470	21220002
Jesmond Mizzi Financial Advisors Ltd	67/3 South Street, Valletta VLT 1105	23265696
Mediterranean Bank plc	10, St Barbara Bastion, Valletta VLT 1961	25574400
Michael Grech Financial Investment Services Ltd	The Brokerage, Level 0A St Marta Street, Victoria VCT 2550, Gozo	21554492





143, The Strand, Gzira, Malta

To: CSB Trustees and Fiduciaries Limited  
The Penthouse, Tower Business Centre  
Tower Street, Swatar, Birkirkara,  
MALTA

(hereinafter together with its lawful successors and assigns referred to as the “Security Trustee”).

25 September 2017

Dear Sirs,

**Re: GUARANTEE & INDEMNITY**

**We, Carmelo Stivala Group Limited, a company registered in Malta and bearing company registration number C 62652 (hereinafter together with lawful successors and assigns referred to as the “Guarantor”), having noted that:**

- I. by virtue of a prospectus dated 25 September 2017 issued by Stivala Group Finance p.l.c. (the “**Issuer**”) in connection with the issue of €45,000,000 4% Secured Bonds 2027 (as the same may be amended, varied or supplemented hereinafter referred to as the “**Prospectus**”) the Issuer shall, under the joint and several guarantee of the Guarantor, issue up to €45,000,000 in Secured Bonds at an annual interest rate of 4% to be redeemed and finally repaid on 18 October 2027 subject to the terms and conditions of the Prospectus (the “**Secured Bonds**”), a copy of which is hereto attached and marked “**Annex I**”;
- II. the majority of the Guarantor’s shares are owned by the Issuer;
- III. it is a condition precedent for the issuance of the Secured Bonds that, *inter alia*, the Guarantor executes and grants this Guarantee and Indemnity (hereinafter referred to as “**Guarantee**”) of the obligations of the Issuer above referred to in favour of the Security Trustee; and
- IV. the Guarantor has agreed to the conclusion and execution of this Guarantee in favour of the Security Trustee.

**NOW, THEREFORE, THE GUARANTOR IS HEREBY COVENANTING IN FAVOUR OF THE SECURITY TRUSTEE AS FOLLOWS:**

### **1. INTERPRETATION**

In this Guarantee, unless the context otherwise requires:

- (a) terms and expressions defined in or construed for the purposes of the Prospectus shall have the same meanings or be construed in the same manner when used in this Guarantee, unless defined otherwise in this Guarantee;
- (b) “**Indebtedness**” means any and all moneys, obligations and liabilities now or hereafter due, owing or incurred by the Issuer under the Secured Bonds to the Bondholders (whether alone and/or with others) in terms of the Prospectus and in any and all cases whether for principal, interests, capitalised interests, charges, disbursements, or otherwise and whether for actual or contingent liability;
- (c) “**writing**” or “**in writing**” shall mean any method of visual representation and shall include facsimile transmissions, telexes and other such electronic methods.

### **2. GUARANTEE**

#### **2.1 COVENANT TO PAY**

In satisfaction of the conditions precedent for the issuance of the Secured Bonds, and in consideration of the Bondholders acquiring the Secured Bonds, the Guarantor, as duly authorised, without proof of liability or evidence and as primary obligor, hereby jointly and severally with the Issuer, unconditionally and irrevocably guarantees to the Security Trustee, for the benefit of Bondholders the payment of, and undertakes on first demand in writing made by the Security Trustee on the Guarantor, to pay the Indebtedness to the Security Trustee or any balance thereof at any time due or owing under the Secured Bonds.

#### **2.2 MAXIMUM LIABILITY**

This is a continuing Guarantee for the whole amount due or owing under the Secured Bonds or which may hereafter at any time become due or owing under the Secured Bonds by the Issuer but the amount due by the Guarantor to the Security Trustee under this Guarantee shall be up to and shall not be in excess of €45,000,000 apart from interests due up to the date of payment and costs and expenses relating to the protection, preservation, collection or enforcement of the Security Trustee’s rights against the Issuer and/or the Guarantor which shall be additional to the maximum sum herein stated.

### **2.3 INDEMNITY**

As a separate and independent stipulation, the Guarantor agrees to indemnify the Security Trustee on demand for any damages, losses (excluding loss of profit), costs and expenses arising from any failure on the part of the Issuer to perform any obligation to the Security Trustee and the Guarantor so agrees to indemnify the Security Trustee even in the event that any obligation of the Issuer to the Security Trustee is invalid or ceases to be valid and enforceable against the Issuer for any reason whatsoever including, but without limitation, any legal limitation or any disability or incapacity of the Issuer. In such an event the Guarantor shall be liable towards the Security Trustee as if that obligation was fully valid and enforceable and as if the Guarantor was the principal debtor in respect thereof and shall pay all sums due to the Security Trustee within seven days of a demand in writing by the Security Trustee.

### **3. CONTINUING AND UNCONDITIONAL LIABILITY**

The liability of the Guarantor under this Guarantee shall be continuing until such time as the Indebtedness is fully repaid and shall in no way be prejudiced or effected, nor shall it in any way be discharged or reduced by reason of:

- (a) the bankruptcy, insolvency or winding up of the Issuer; or
- (b) the incapacity or disability of the Issuer or any other person liable for any reason whatsoever; or
- (c) any change in the name, style, constitution, any amalgamation or reconstruction of either the Issuer, or any Guarantor; or
- (d) the Security Trustee conceding any time or indulgence, or compounding with, discharging, releasing or varying the liability of the Issuer or any other person liable or renewing, determining, reducing, varying or increasing any accommodation or transaction or otherwise dealing with the same in any manner whatsoever or concurring in, accepting or in any way varying any compromise, composition, arrangement or settlement or omitting to claim or enforce or exact payment from the Issuer or any other person liable; or
- (e) any event, act or omission that might operate to exonerate the Guarantor without settlement in full of the Indebtedness towards the Security Trustee.

The Security Trustee is being expressly authorised to vary the Prospectus and/or modify the Indebtedness or to release or modify any guarantees or any security the Security Trustee may hold as security for the Indebtedness and this without the need of any prior or subsequent notice to the Guarantor and without any prejudice to the rights of the Security Trustee hereunder. The Guarantor is also hereby expressly consenting to any assignments and transfers made by the Issuer in accordance with the Prospectus and this without the need of any prior or subsequent notice to the Guarantor and without any prejudice to the rights of the Security Trustee hereunder.

### **4. WAIVER OF THE GUARANTOR'S RIGHTS AND THE GUARANTOR'S WARRANTIES**

**4.1** This Guarantee shall be for the full amount of the Indebtedness due from time to time. The liability of the Guarantor under this Guarantee shall be decreased from time to time to the extent, if any, that the Issuer or the Guarantor shall have made any irrevocable payment of the Indebtedness.

**4.2** Until the Indebtedness has been paid in full the Guarantor agrees that it will not, without the prior written consent of the Security Trustee,

- (a) exercise any rights of subrogation, reimbursement and indemnity against the Issuer or any other person liable for the Indebtedness;
- (b) demand or accept repayment, in whole or in part, of any indebtedness now or hereafter due to the Guarantor either from the Issuer or from any other person liable for the Indebtedness or demand any collateral in respect of same or dispose of same;
- (c) take any step to enforce any right against the Issuer or any other person liable for the Indebtedness;
- (d) claim any set-off or counter-claim against the Issuer or any other person liable for the Indebtedness nor shall the Guarantor claim or prove in competition with the Security Trustee in the liquidation of the Issuer or any other person liable for the Indebtedness or benefit or share any payment from or in composition with the Issuer or any other person liable for the Indebtedness.

**4.3** Subject to the overriding provisions of the Prospectus until the Indebtedness has been paid in full the Guarantor further agrees that:

- (a) if an Event of Default under the Prospectus occurs, any sums which may be received by it from the Issuer or any person liable for the Indebtedness shall be held by it on trust exclusively for the Security Trustee and shall be paid to the Security Trustee immediately upon demand in writing or immediately after its receipt if such obligation arises from the documents executed by the Issuer in connection with the Prospectus;

- (b) all rights of relief and subrogation arising in favour of the Guarantor upon a partial payment to the Security Trustee against the Issuer and any other person who may be liable for the Indebtedness, including any co-guarantors, shall be suspended;
- (c) the Security Trustee may and shall receive and retain the whole of the liquidation dividends to the exclusion of the rights (if any) of the Guarantor in competition with the Security Trustee and pursuant to the above the Security Trustee is entitled to hold all payments made by the Guarantor or the Issuer on account of the Indebtedness in suspense for a period of six months from the date of payment and any such payments on account shall not be applied in reduction of the Indebtedness for a period of six months as stated. The Security Trustee may accordingly prove for the whole Indebtedness of the Issuer in liquidation after excluding any and all payments made within a period of six months prior to the liquidation of the Issuer;
- (d) the Security Trustee shall not be required to exhaust any remedy or remedies it may have against the Issuer or other persons who may be liable for the Indebtedness for the settlement of all the Indebtedness before claiming against the Guarantor under this Guarantee which is to be construed as entirely independent from the relationship between the Security Trustee and the Issuer and providing immediate recourse against the Guarantor under this Guarantee. The Guarantor hereby waives any benefit of discussion or division which may be available under any applicable law.

#### **5. APPROPRIATION OF PAYMENTS**

The Security Trustee is entitled to appropriate payments received by it from the Issuer towards the credit of the Collateral Account or such other purposes contemplated in the Prospectus.

#### **6. SETTLEMENTS CONDITIONAL**

Any release, discharge or settlement between the Guarantor and the Security Trustee shall be conditional upon no security, disposition or payment to the Security Trustee by the Issuer or the Guarantor or any other third party liable to being void or set aside for any reason whatsoever and if, for any reason whatsoever, this condition is not fulfilled, such release, discharge or settlement shall be of no effect whatsoever and this Guarantee shall again come into force for all effects and purposes of law.

#### **7. ADDITIONAL GUARANTEE**

This Guarantee is to be construed as being in addition to and in no way prejudicing any other securities or guarantees which the Security Trustee may now or hereafter hold from or on account of the Issuer and is to be binding on the Guarantor as a continuing Guarantee until full and final settlement of all the Issuer's indebtedness towards the Security Trustee. Moreover, the remedies provided in this Guarantee are cumulative and are not exclusive of any remedies provided by law.

#### **8. BENEFIT OF THIS GUARANTEE AND NO ASSIGNMENT**

- 8.1** This Guarantee is to be immediately binding upon the Guarantor for the benefit of the Security Trustee and the liability hereunder is not subject to any conditions as to additional security being received by the Security Trustee or otherwise.
- 8.2** The Guarantor shall not be entitled to assign or transfer any of its obligations under this same Guarantee.

#### **9. REPRESENTATIONS AND WARRANTIES**

##### **9.1** The Guarantor represents and warrants:-

- (i) that it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business;
- (ii) that it has power to grant this Guarantee and that this Guarantee is duly authorised and all corporate action has been taken by the Guarantor in accordance with its deeds of constitution and the laws of its incorporation and regulation;
- (iii) that this Guarantee constitutes and contains valid and legally binding obligations of the Guarantor enforceable in accordance with its terms;
- (iv) that this Guarantee does not and will not constitute default with respect to or run counter to any law, by-law, articles of incorporation, statute, rule, regulation, judgment, decree or permit to which the Guarantor is or may be subject; or any agreement or other instrument to which the Guarantor is a party or is subject or by which it or any of its property is bound;
- (v) that this Guarantee shall not result in or cause the creation or imposition of or oblige the Guarantor to create any encumbrance on any of that Guarantor's undertakings, assets, rights or revenues;
- (vi) that it is in no way engaged in any litigation, arbitration or administrative proceeding of a material

nature and nor is it threatened with any such procedures;

- (vii) that, save for any other priority and preference created by virtue of the Deed of Hypothec, the obligations binding it under this Guarantee rank at least *pari passu* with all other present and future unsecured indebtedness of the Guarantor with the exception of any obligations which are mandatorily preferred by law;
- (viii) that it is not in breach of or in default under any agreement relating to indebtedness to which it is a party or by which it may be bound nor has any default occurred in its regard;
- (ix) that all the information, verbal or otherwise tendered in connection with the negotiation and preparation of this Guarantee is accurate and true and there has been no omission of any material facts;
- (x) that the granting of this Guarantee is in the commercial interest of the Guarantor and that the Guarantor acknowledges that it is deriving commercial benefit therefrom.

**9.2** As from the date of this Guarantee, until such time as the Indebtedness is paid in full to the Security Trustee, and for as long as this Guarantee shall remain in force, the Guarantor shall hold true, good and valid all the representations and warranties given under this clause.

## **10. DEMANDS AND PAYMENTS**

**10.1** All the Indebtedness shall be due by the Guarantor under this Guarantee as a debt, certain, liquidated and due on the seventh day following the Security Trustee's first written demand to the Guarantor to pay. All demands shall be sent to the address or facsimile or other numbers as are stated below in Article 11 as the same may be changed by notice in writing by one party to the other.

The demand shall be accompanied by a statement by the Security Trustee confirming that to the best of its knowledge there exist, at the time of the demand, circumstances which constitute an Event of Default or such that may render the underlying obligations of the Issuer to the Security Trustee or any security document invalid and unenforceable for any reason whatsoever.

It is expressly agreed that the requirement of such statement is not a condition of liability of the Guarantor under this Guarantee and is entirely without prejudice to the on demand nature of this Guarantee. Any disagreement by the Guarantor as to the contents of the statement shall not entitle the Guarantor to delay or interrupt the payment of the sum due under this Guarantee for any reason whatsoever.

**10.2** The statement by the Security Trustee of the amount due under this Guarantee shall be binding on the Guarantor and shall be conclusive evidence of the sum due, saving only manifest error.

**10.3** All payments shall be made to the Security Trustee without any withholding for taxes (and in so far as this obligation exists under any law the payment shall be grossed up by the amount of withholding) and without set-off for any amounts which may be then owing to the Guarantor by the Issuer or the Security Trustee. The Guarantor authorises the Security Trustee to apply any credit balance the Guarantor may have with the Security Trustee towards the satisfaction of the Indebtedness. The Security Trustee shall notify the Guarantor forthwith of the exercise of this right giving full details relating thereto.

## **11. NOTICES**

Any notice required to be given by any party hereto to the other party shall be deemed to have been validly served if delivered by hand or sent by pre-paid registered letter through the post or by facsimile to such other party at his address given herein or such other address as may from time to time be notified to the other party for this purpose and any notice so served shall be deemed to have been served, if delivered by hand, at the time of delivery, or if by post, seven days after posting and if by facsimile, at the time of transmission of the facsimile.

For the purposes of this Guarantee, the proper addresses and facsimile numbers of the Parties are:

### **Stivala Group Finance p.l.c.**

Address: 143, The Strand, Gzira, Malta  
Tel. No.: 2264 1516  
Fax No.: 2134 6212  
Contact Person: Michael Stivala

### **Carmelo Stivala Group Limited**

Address: 143, The Strand, Gzira, Malta  
Tel. No.: 2264 1516  
Fax No.: 2134 6212  
Contact Person: Michael Stivala

### **CSB Trustees and Fiduciaries Limited**

Address: The Penthouse, Tower Business Centre,  
Tower Street, Swatar Birkirkara, Malta  
Tel. No.: 2557 2557  
Fax No.: 2557 2558  
Contact Person: Davinia Cutajar

Provided that each party may at any time change such address or telefax number by giving seven days' prior written notice to the other party. Every notice, request, demand, letter or other communication hereunder shall be in writing and shall be delivered by hand or by post or through any other communication methods including telex, telefax or otherwise and shall be deemed to be received in case of post within seven days of dispatch or in case of other methods immediately upon confirmed transmission.

## 12. APPLICABLE LAW AND JURISDICTION

This Guarantee shall be governed by and construed in accordance with Maltese law.

Any dispute, controversy or claim arising out of or relating to this Guarantee or as to the interpretation, validity, performance or breach thereof shall be referred to and finally resolved by arbitration under the UNCITRAL Rules of Arbitration in accordance with the provisions of Part V (International Arbitration) of the Arbitration Act (Cap. 387 of the Laws of Malta). Any arbitration commenced pursuant to this clause shall take place in Malta and be administered by the Malta Arbitration Centre. The number of arbitrators shall be three, one arbitrator to be appointed by each of the Parties or, in default, by the Malta Arbitration Centre, whereas the third arbitrator shall be appointed by the first two arbitrators or, if they fail to agree on such an appointment, by the Malta Arbitration Centre. No appeal shall lie from any such award given.

Yours faithfully,

*The original copy has been signed by*

---

Name: Michael Stivala  
duly authorised, for and on behalf of  
**Carmelo Stivala Group Limited**

WE ACCEPT.

*The original copy has been signed by*

---

Name: Davinia Cutajar and Michael Zammit  
duly authorised, for and on behalf of  
**CSB Trustees and Fiduciaries Limited**



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# Financial Analysis Summary

## 25 September 2017

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**Issuer** Stivala Group Finance p.l.c.

**Guarantor** Carmelo Stivala Group Limited

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

25 September 2017

Dear Sirs

**Stivala Group Finance p.l.c. Financial Analysis Summary**

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the 2017 Financial Analysis Summary (the “Analysis”) set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Stivala Group Finance p.l.c. (the “**Group**” or the “**Company**”), and Carmelo Stivala Group Limited (the “**Guarantor**”). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the years ended 31 December 2014 to 31 December 2016 has been extracted from the audited financial statements of the two principal operating companies – Stivala Operators Limited and Stivala Properties Ltd.
- (b) Historical financial data for the years ended 31 December 2014 to 2016 has been extracted from the audited financial statements of Carmelo Stivala Group Limited.
- (c) The projections has been extracted from the pro forma forecast consolidated financial information of the Group for the year ending 31 December 2017 and the projected financial information of the Group for the year ending 31 December 2018.
- (d) Our commentary on the results of the Company and the Guarantor, and on their respective financial position is based on the explanations provided by the Company.
- (e) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (f) Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Company’s securities and potential investors by summarising the more important financial data of the Group and the Guarantor. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Company and should not be interpreted as a recommendation to invest in any of the Company’s securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Company’s securities.



**Wilfred Mallia**  
Director

## TABLE OF CONTENTS

<b>PART 1 – INFORMATION ABOUT THE GROUP</b> .....	4
<b>1. Key Activities</b> .....	4
1.1 The Company .....	4
1.2 The Guarantor .....	4
1.3 Historical Development of the Group .....	4
<b>2. Directors and Key Employees</b> .....	5
2.1 The Company .....	5
2.2 The Guarantor .....	5
2.3 Key Employees of the Group .....	5
<b>3. Organisational Structure</b> .....	6
<b>4. Business Overview of the Group</b> .....	7
4.1 Principal Activities .....	7
4.2 Ownership of Real Estate .....	8
4.3 Hospitality Operations .....	12
4.4 Property Rentals .....	15
<b>5. Investments</b> .....	18
<b>6. Business Development Strategy</b> .....	19
<b>7. Market Overview</b> .....	20
7.1 Economic Update .....	20
7.2 Hospitality .....	21
7.3 Leases of Commercial and Residential Units .....	21
<b>PART 2 – PERFORMANCE REVIEW</b> .....	22
<b>8. Financial Information – The Issuer</b> .....	22
<b>9. Financial Information – The Guarantor</b> .....	22
<b>10. Financial Information – The Group</b> .....	24
<b>PART 3 – COMPARABLES</b> .....	31
<b>PART 4 – EXPLANATORY DEFINITIONS</b> .....	32

## PART 1 – INFORMATION ABOUT THE GROUP

### 1. KEY ACTIVITIES

#### 1.1 The Company

The Issuer was set up as the holding company and finance arm of the Group on 21 August 2017 and is the principal vehicle for further expansion of the Group's hospitality business and mixed use developments. The ultimate beneficial owners of the Issuer are the four Stivala brothers Martin John, Ivan, Michael and Carlo together with their direct descendants and families.

The Issuer holds 98% of the shares in the Guarantor that in turn holds the shares in the underlying operating Subsidiaries. The remaining 2% of the shares in the Guarantor are held by the Group's founder, Mr Carmelo Stivala.

#### 1.2 The Guarantor

The Guarantor was established in November 2013 as the holding company of the Group and retained such status until the establishment of the Issuer as part of the rationalisation exercise of the Group over the past months in preparation of the Bond Issue. The majority of the shares in the Guarantor are owned by the Issuer.

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

#### 1.3 Historical Development of the Group

The Group's business has evolved over a number of years, dating back to its origins in 1979 when Carmelo Stivala founded C. Stivala & Sons Limited (C 4510) with the object of providing construction and development of real estate to personal and corporate customers. Over the years the Group shifted its focus from an exclusively construction company to a developer of real estate, through the acquisition of real estate, development of those sites and their operation through leases of commercial and residential properties and hotel accommodation. Since 1979, the Group continued to grow and acquired a significant portfolio of real estate. Initially, the strategy was to acquire real estate and apply the Group's experience and expertise in the construction industry, from where it started, to develop and finish those properties with a view to generating revenues from long-term leases of commercial and residential properties whilst retaining the real estate on balance sheet and benefiting from the residual values of the real estate. The Group's strategy was further diversified in 1998 when Stivala Operators Limited was set up with its principal activity to move into the operation of hotels, hostels and short-let accommodation.

Currently, the Group owns and operates two hotels in the 3 star segment (namely, Sliema Hotel and Bayview Hotel), 10 properties comprising hostels and residential apartments for short-let accommodation, and *circa* 54 properties consisting of residential units, commercial space and retail outlets for long-term letting.

## 2. DIRECTORS AND KEY EMPLOYEES

### 2.1 The Company

The Company is managed by a Board consisting of seven directors entrusted with its overall direction and management.

#### Board of Directors

Michael Stivala	Executive Chairman
Martin John Stivala	Executive Director
Carlo Stivala	Executive Director
Ivan Stivala	Executive Director
Francis Gouder	Independent Non-executive Director
Ann Marie Agius	Independent Non-executive Director
Joseph Brincat	Independent non-executive Director

The executive directors are entrusted with the Company's day-to-day management and are also directors or officers of other companies within the Group.

### 2.2 The Guarantor

The Guarantor is managed by a Board of Directors entrusted with its overall direction and management, and is composed as follows:

#### Board of Directors

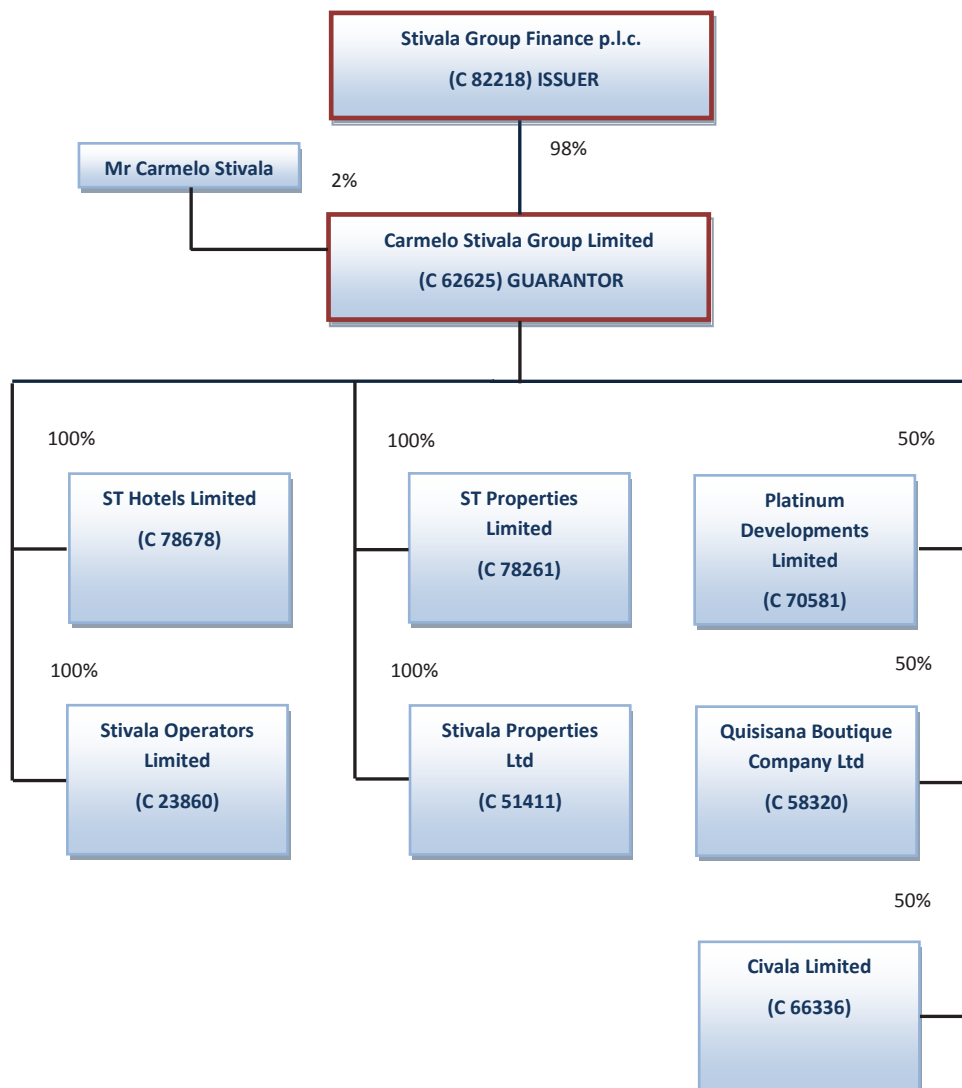
Martin John Stivala	Executive Director
Michael Stivala	Executive Director
Carlo Stivala	Executive Director
Ivan Stivala	Executive Director

### 2.3 Key Employees of the Group

The key members of the Group's management team, apart from the executive directors, are Rudi Xuereb (Group Financial Controller) and Rebecca Stivala (Group Accounts Manager). The Issuer does not have any employees of its own. As at 31 August 2017, the Group employed 95 full-time members of staff, and 10 part-time employees.

### 3. ORGANISATIONAL STRUCTURE

The organisational structure of the group is illustrated in the diagram below:



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



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

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

- **ST Properties Ltd** in connection with the commercial and residential properties, which ST Properties Ltd then sub-leases and operates by entering into agreements with third parties; and
- **ST Hotels Ltd** in connection with hotels and hostels or guesthouses, which ST Hotels Ltd then operates in its own name and for its own risk and benefit.

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

#### 4. BUSINESS OVERVIEW OF THE GROUP

##### 4.1 Principal Activities

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

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

The Group has the following main areas of activity:

- **Ownership of real estate** – this consists of the identification of sites or real estate that can be developed for subsequent operation either as part of its hospitality operations or for residential or commercial letting;
- **Construction and development** – the Group undertakes the development and finishing of the real estate identified and acquired, thus allowing greater control by the Group over the costs and timelines of the developments undertaken;

- **Hospitality operations** – the Group operates properties intended for hospitality purposes consisting of hotels, hostels or apartments for short term accommodation;
- **Long-term letting operations** – comprises the letting over the longer term of commercial properties and residential properties owned by the Group.

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

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

#### 4.2 Ownership of Real Estate

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

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

The Group has a total value of real estate, based on the latest valuation undertaken by Arch. Michael Falzon (dated 28 August 2017), in the region of **€141,022,000**. Further details on the real estate portfolio and the list of properties are included hereunder:

#### PROPERTIES IN COURSE OF DEVELOPMENT

##### Site at 47/48/49/50/51/52/53/54 Belvedere Street, Gzira (proposed “Azur Hotel”)

This property currently has a permit for a 101 room hotel that is under construction (PA 1467/15). An application for an additional two floors comprising another 80 rooms has been submitted to the Planning Authority (TRK 190134). Development commenced in April 2017 and is expected to be completed by May 2018 at an estimated cost of €4,500,000. The property in caption is freehold and has been valued at a total amount of **€3,400,000**.

##### 120, The Strand, Gzira

The property currently comprises a commercial block having *circa* 3,305m<sup>2</sup> of office space. In terms of Planning Authority permit PA 2591/16, alterations to the facade are currently underway, including the re-construction of the seventh floor and the development of the eighth and ninth floors into office space. Construction works commenced in May 2017 and should be concluded by October 2017 at an estimated cost of €2,500,000. The property in caption is freehold and has been valued at a total amount of **€12,286,000**.

## PROPERTIES HELD FOR FUTURE DEVELOPMENT

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

This property currently has a permit for a 225 room hostel on part of the site (PA 0398/14). An application for its extension to include the whole site has been submitted to the Planning Authority (PA 5370/17). The development is expected to commence in 2020 and should be completed within a 12 to 15 month period, at an estimated cost of €3,500,000. The property in caption is freehold and has been valued at a total amount of **€5,200,000**.

### Site for proposed ‘ST Tower’, Testaferrata Street, Ta’ Xbiex

This property consists of a dilapidated block of flats on a site of 865m<sup>2</sup> and is to be redeveloped as a commercial property with *circa* 7,300m<sup>2</sup> of office space. The Group has submitted an application to the Planning Authority, which is currently at review stage (reference number PA 2765/16). Subject to issuance of necessary Planning Authority permits, the Stivala Group expects to initiate development in 2019 and completion is set for 18 to 24 months thereafter. The estimated cost of development is *circa* €6,500,000. The property in caption is freehold and has been valued at a total amount of **€8,000,000**.

## PROPERTIES USED FOR BUSINESS PURPOSES

Address	Current Use	Approx. Age of Property (years)	Tenure	Valuation (€)
Blubay Fleet Hostel, Fleet Street, Gzira	46 room hostel	10	Freehold	2,409,000
Moroni Residence, Moroni Street, Gzira	43 apartments (in addition, 6 garages, 4 parking spaces and 1 store are rented to third parties)	14	Freehold	2,987,000
Blubay Hotel, Ponsonby Street, Gzira	53 studio apartments (in addition, 1 restaurant and 1 shop are rented to third parties)	3	Freehold	4,480,000
Bring Apartments, Reid Street, Gzira	14 residential units (in addition, 11 garages and 1 shop are rented to third parties)	4	Freehold	3,197,000
Bayview Hotel, The Strand, Gzira	136 room 3-star hotel	12	Freehold	19,128,000
Charlie’s Guest House, Valley Road, Msida	a guest house, 1 apartment and 3 garages	30	Freehold	1,500,000
Sliema Hotel, The Strand, Sliema	70 room 3-star hotel	40	Freehold	11,500,000
28/30/32/34/36, Reid Street, Gzira and 121 – 125, Cameron Street, Gzira	11 residential units (in addition, various small residential houses are rented to third parties)	18	Freehold	3,767,000
8, Reid Street, Gzira	3 residential units	6	Freehold	540,000
20, Coleridge Street, Gzira	2 residential units	15	Freehold	511,000
134/135, The Strand, Gzira	8 residential units (in addition, 4 shops are rented to third parties)	9	Freehold	2,720,000
153/154, The Strand, Gzira	11 residential units (in addition, 3 shops and 2 offices are rented to third parties)	9	Freehold	3,390,000
Tal-Balal Works Yard, Tal-Balal	plot of land situated outside development zone	2	Freehold	250,000
				<b>56,379,000</b>

## PROPERTIES RENTED TO THIRD PARTIES

Address	Current Use	Approx. Age of Property (years)	Tenure	Valuation (€)
Moroni Residence, Moroni Street, Gzira *	6 garages, 4 parking spaces and 1 store	14	Freehold	-
51/55 Moroni Street, Gzira	10 residential units	10	Freehold	1,106,000
Blubay Hotel, Ponsonby Street, Gzira *	1 restaurant and 1 shop	10	Freehold	-
Bring Apartments, Reid Street, Gzira *	11 garages and 1 shop	4	Freehold	-
123, Ponsonby Street, Gzira	1 ground floor maisonette and garage	40	Freehold	158,000
28/30/32/34/36, Reid Street, Gzira and 121 – 125, Cameron Street, Gzira *	various small residential houses	40	Freehold	-
134/135, The Strand, Gzira *	4 shops	9	Freehold	-
153/154, The Strand, Gzira *	2 shops and 2 offices	9	Freehold	-
Valley Towers, Valley Road, Birkirkara	3 shops, 14 offices and 2 large garages	13	Freehold	1,948,000
91, Cameron Street, Gzira	1 maisonette	40	Freehold	19,000
110/112/114 Carlo Manche Street, Gzira	12 residential units and 1 large garage	2	Freehold	2,299,000
120 Carlo Manche Street, Gzira	1 maisonette	30	Freehold	105,000
14, Coleridge Street, Gzira	1 maisonette	30	Freehold	126,000
Petit Paradis, G. Bencini Street, Gzira	3 residential units and 1 garage	10	Freehold	1,650,000
14 – 19, Ponsonby Street, Gzira	7 residential units and 3 shops	5	Freehold	1,000,000
41 Ponsonby Street, Gzira	1 shop	7	Freehold	149,000
112, Ponsonby Street, Gzira	1 shop and basement	5	Freehold	174,000
306, Rue D'Argens, Gzira	1 shop	30	Freehold	134,000
Taj Mahal, 122, The Strand, Gzira	1 catering outlet with airspace	30	Freehold	597,000
136A, The Strand, Gzira	1 shop with kitchen and outdoor seating	10	Freehold	263,000
Waterline Residence, 176/177, The Strand, Gzira	2 shops and 6 residential units	12	Freehold	1,457,000
26/28/30/32, Coleridge Street, Gzira ^	2 residential units and 1 garage	30	Freehold	-
14, Reid Street, Gzira	1 shop	10	Freehold	193,000
44, Coleridge Street, Gzira	1 maisonette	40	Freehold	132,000
7, Reid Street, Gzira	1 shop	20	Freehold	193,000
101, Moroni Street, Gzira	8 residential units and 1 large garage	8	Freehold	1,604,000
165/166, The Strand, Gzira	1 shop and 6 residential units	7	Freehold	2,299,000
108/109, Ponsonby Street, Gzira	3 domestic stores, 3 residential units and 1 shop with basement	3	Freehold	562,000
2, Sir Patrick Stuart Street, Gzira	1 shop with basement	5	Freehold	140,000

### PROPERTIES RENTED TO THIRD PARTIES (CONTINUED)

Address	Current Use	Approx. Age of Property (years)	Tenure	Valuation (€)
Bishop Caruana Mansions, 15, Bishop Caruana Street, Msida	5 garages, 11 residential units and 2 shops with basement	10	Freehold	1,158,000
Alavits Showroom, Bishop Caruana Street, Msida	showroom	10	Freehold	221,000
199, Conception Street, Msida	1 garage with trading licence	20	Freehold	61,000
43, New Street, Msida	a maisonette and a shop	2	Freehold	319,000
St Louis Mansions, St Louis Street, Msida	7 residential units and 1 garage	5	Freehold	1,966,000
Orchidea Apartments, Tal-Hrireb Street, Msida	10 residential units and 6 parking spaces	12	Freehold	2,545,000
Tal-Qroqq Mansions, Tal-Qroqq Street, Msida	4 residential units and 1 public service garage	14	Freehold	579,000
Tower Mansions, Tower Gate Street, Msida	12 residential units and 1 large garage with 16 car spaces	11	Freehold	1,983,000
Vista Point Residence Hostel, University Street, Msida	31 residential units, 1 shop, 1 garage, and an office	3	Freehold	4,967,000
Centre Point, Valley Road, Msida	1 shop and 4 offices	9	Freehold	579,000
122/122A, Home Space, Misrah il-Barrieri Street, Sta Venera	1 showroom, 1 large garage and 3 offices	13	Freehold	1,439,000
4/5, Pace Street, Sliema	13 residential units, 2 basement stores and 1 garage	1	Freehold	1,299,000
Margaret Island, 71, The Strand, Sliema	1 shop including kitchen and storage area	10	Freehold	1,106,000
Qui Si Sana Boutique Apartments, Qui Si Sana Seafront, Sliema	18 car spaces, 9 residential units and one half undivided share of office space	3	Freehold	10,800,000
14, Ta' Xbiex Sea Front, Msida	2 residential units and 1 shop	1	Freehold	316,000
Tigne Mansions, 44, Qui Si Sana Sea Front, Sliema	15 residential units and 4 garages	3	Freehold	1,580,000
41/42/43, The Strand, Sliema	3 residential units and 3 shops	3	Freehold	6,266,000
Waterline Front Place, 67, The Strand, Sliema	1 shop	15	Freehold	878,000
125, Fleet Street, Gzira	1 maisonette	40	Freehold	88,000
5, Ponsonby Street, Gzira	1 shop	30	Freehold	263,000
81/83/85/87, Carlo Manche Street, Gzira	9 residential units, 1 domestic store	3	Freehold	351,000
120, The Strand, Gzira #	10 levels of office space	15	Freehold	-
5, Coleridge Street, Gzira	1 terraced house	30	Freehold	53,000
169, The Strand, Gzira	1 maisonette	30	Freehold	123,000
162, The Strand, Gzira	1 shop	20	Freehold	509,000
				<b>55,757,000</b>

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

^ The property forms part of the proposed Montana Hostel described in further detail under the heading "Properties held for future development".

# The property valuation is included under the heading "Properties in course of development".

#### 4.3 Hospitality Operations

Hospitality operations during FY2014 to FY2016 were performed by Stivala Operators Limited. The financial information about Stivala Operators Limited is included in the audited financial statements of Stivala Operators Limited for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016. Set out below are highlights taken from the audited financial statements of Stivala Operators Limited for the financial years indicated hereunder:

##### STIVALA OPERATORS LIMITED Income Statement for the year ended 31 December

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

<sup>1</sup>EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

Key Accounting Ratios	FY2014	FY2015	FY2016
Gross profit margin (Gross profit/revenue)	46%	29%	51%
EBITDA margin (EBITDA/revenue)	37%	19%	35%
Net profit margin (Profit after tax/revenue)	19%	6%	n/a

Source: Charts Investment Management Service Limited



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

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

**STIVALA OPERATORS LIMITED**  
**Statement of Financial Position**  
**as at 31 December**

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

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

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

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

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

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

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

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

Although FY2016 EBITDA increased from €1.1 million in FY2015 to €2.8 million, Stivala Operators Limited was adversely impacted by a one off item (consisting of a waiver of related company balance of €10.2 million) which resulted in a loss for the year of €7.4 million (FY2015: profit of €0.3 million). As described in section 4.3 above, in 2016, the business of Stivala Operators Limited was transferred to ST Hotels Limited as part of an intra-group exercise. The transaction comprised the transfer of net assets amounting to €10.2 million from Stivala Operators Limited to ST Hotels Limited. The resultant intra-group balances were written-off, wherein Stivala Operators Limited registered a charge in its income statement of €10.2 million, whilst ST Hotels Limited recorded a gain of the same amount.

<b>HOTEL OPERATIONS (Bayview Hotel &amp; Sliema Hotel)</b>		<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
Turnover (€'000)		2,031	2,107	3,155
Gross operating profit (€'000)		654	687	1,227
Gross operating profit margin (%)		32	33	39
Available rooms		137	137	207
Available room nights (available rooms x 365 days)		50,005	50,005	75,555
Occupied room nights (available nights x occupancy)		43,004	43,504	61,200
Occupancy level (%)		86	81	81
Revenue per occupied room (RevPOR) (€)	(a)	47	52	52
Revenue per available room (RevPAR) (€)		41	42	42
Gross operating profit per available room (GOPAR) (€)	(b)	4,774	5,015	5,928
<b>Benchmark performance</b>				
Occupancy level (%)		68	78	78
Revenue per occupied room (RevPOR) (€)	(c)	56	56	59
Revenue per available room (RevPAR) (€)		38	44	46
Gross operating profit per available room (GOPAR) (€)	(d)	4,199	5,181	3,023
<b>Revenue Generating Index (RGI)</b>	(a)/(c)	0.84	0.93	0.88
<b>Gross Operating Profit Generating Index (GOPGI)</b>	(b)/(d)	1.14	0.97	1.96

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

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

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

Source: BOV MHRA Survey; Management information.

In FY2014 and FY2015, the Group operated the Bayview Hotel and generated revenue of €2.0 million and €2.1 million in each of the respective financial years. In May 2016, the Group acquired the Sliema Hotel and as a consequence revenue improved by 50% to €3.2 million. Gross operating profit increased on a yearly basis, from €0.7 million in FY2014 to €1.2 million in FY2016, and the GOP margin improved from 32% in FY2014 to 33% and 39% in FY2015 and FY2016 respectively.

In comparison to benchmark performance, the Group's occupancy level was higher than its competitive set (being the 3 star hotel category) in each of the three financial years, but RevPOR and RevPAR were lower than the benchmark results. Overall, the Group has generated lower revenue than its competitive set in the reviewed period, as indicated by the RGI being less than par. In contrast, the Group has generated a higher gross operating profit per available room when compared to the average 3-star sector, particularly in FY2016. In the said year, the Group registered GOPAR of €5,928 as compared to €3,023 generated by its competitive set (GOPGI of 1.96).

#### 4.4 Property Rentals

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

The financial information about Stivala Properties Ltd is included in the audited financial statements of Stivala Properties Ltd for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016. Set out below are highlights taken from the audited financial statements of Stivala Properties Ltd for the financial years indicated overleaf:

**STIVALA PROPERTIES LTD**  
**Income Statement**  
**for the year ended 31 December**

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

<sup>1</sup>EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

<b>KEY ACCOUNTING RATIOS</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
Gross profit margin (Gross profit/revenue)	46%	59%	78%
EBITDA margin (EBITDA/revenue)	45%	57%	76%
Net profit margin (Profit after tax/revenue)	35%	44%	59%

Source: Charts Investment Management Service Limited

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

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

**STIVALA PROPERTIES LTD**
**Statement of Financial Position**
**as at 31 December**

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

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

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

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

## 5. INVESTMENTS

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

### PROPOSED AZUR HOTEL

One of the Group Companies, ST Hotels Limited is currently developing a 101 room hotel in Belvedere Street, Gzira, as per Planning Authority Permit PA 01467/15. Development commenced in April 2017 and as at the date of this Report, the original buildings have been demolished and excavation works are near completion. An application has been submitted to the Planning Authority (TRK 190134) for the development of the additional two floors comprising a further 80 rooms, hence bringing the total to 181 rooms. Completion is targeted for May 2018. The proposed property is expected to cost *circa* €4.5 million and will be financed from the net proceeds of the Bond Issue.

### 120, THE STRAND, GZIRA

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

### 196, MAIN STREET, ST JULIAN'S

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

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



## OTHER INVESTMENTS

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

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

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

- **Property at Marguerite Mangion Street, St. Julian's:** On 8 September 2017, the Group entered into a promise of sale agreement to acquire a property situated at Marguerite Mangion Street, St Julian's, which currently houses the EC Language School for an aggregate consideration of €7,706,200.
- **General capital expenditure:** The remaining balance of *circa* €2,596,800 of net Bond Issue proceeds shall be utilised to acquire other properties in accordance with the Group's business development strategy and/or to fund part of the Group's ongoing capital expenditure on own properties.

## 6. BUSINESS DEVELOPMENT STRATEGY

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

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

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

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

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

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

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

## 7. MARKET OVERVIEW

### 7.1 Economic Update <sup>1</sup>

Economic activity in Malta is expected to remain relatively strong in the near term, supported by both demand and supply factors. In particular, the energy reforms that have taken place in recent years, new investment projects, increased labour market participation and robust services exports are the primary drivers supporting the economic expansion. Real GDP growth in 2016 was at 5.0%, and thereafter is projected to decelerate to 4.1% in 2017, 3.7% in 2018 and 3.3% in 2019.

During 2016, Gross Value Added (GVA) increased by €536.8 million when compared to the prior year (2015), to €8,693.0 million. GVA is the net result of output, valued at basic prices less intermediate consumption valued at purchasers' prices. The increase in GVA was mainly generated by professional, scientific & technical activities and administrative & support services activities which increased by €116.6 million or 11.9%; arts, entertainment & recreation, repair of household goods & other services which increased by €100.8 million or 9.3%; and public administration & defence, education, human health & social work activities which increased by €90.2 million or 6.2%. A decrease of €21.0 million or -6.0% was registered in construction.

Economic growth was primarily driven by net exports of goods and services, which increased (in real terms) by €359.3 million or 63.7% from €563.8 million in 2015 to €923.1 million in 2016. Household consumption expenditure also increased on a y-o-y basis by €164.3 million or 3.9% to €4,397.1 million. On the other hand, declines in investment and government consumption were registered in 2016 when compared to a year earlier.

<sup>1</sup>Central Bank of Malta – Supplement to the Quarterly Review 2017:1 ([www.centralbankmalta.org](http://www.centralbankmalta.org)); National Statistics Office - Malta ([www.nso.gov.mt](http://www.nso.gov.mt))

Inflation rose to 1.06% in December 2016, up from 0.68% in November 2016. The main upward impacts on annual inflation were recorded in the food index, the beverages and tobacco index, and the household equipment and house maintenance costs. This increase was mitigated by a reduction in the prices of fuel, clothing and transport.

## 7.2 Hospitality<sup>1</sup>

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

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

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

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

## 7.3 Leases of Commercial and Residential Units

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

<sup>1</sup>Malta Tourism Authority Report 2016; National Statistics Office - Malta ([www.nso.gov.mt](http://www.nso.gov.mt))

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

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

## PART 2 – PERFORMANCE REVIEW

### 8. FINANCIAL INFORMATION – THE ISSUER

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

### 9. FINANCIAL INFORMATION – THE GUARANTOR

The following financial information is extracted from the audited financial statements of the Guarantor for the financial years ended 31 December 2014 to 2016.

#### CARMELO STIVALA GROUP LIMITED

##### Income Statement

for the year ended 31 December

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

<sup>1</sup>EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

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

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

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

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

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

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

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

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

## 10. FINANCIAL INFORMATION – THE GROUP

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

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

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

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

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



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

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

<sup>1</sup>EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

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

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

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

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

**KEY ACCOUNTING RATIOS**

	2014	2015	2016
Gross profit margin (Gross profit/revenue)	70%	55%	84%
Operating profit margin (EBITDA/revenue)	54%	40%	70%
Interest cover (times) (EBITDA/net finance cost)	20.16	8.78	17.72
Net profit margin (Profit after tax/revenue)	32%	30%	45%
Earnings per share (€) (Profit after tax/number of shares)	1,735.83	1,838.33	3,627.50
Return on equity (Profit after tax/shareholders' equity)	16%	14%	22%
Return on capital employed (EBITDA/total assets less current liabilities)	17%	11%	15%
Return on assets (Profit after tax/total assets)	8%	6%	8%

Source: Charts Investment Management Service Limited

The revenue and profitability as reported in the combined income statement primarily reflects the performance of the operating Subsidiaries, Stivala Operators Limited and Stivala Properties Ltd, which are described in further detail in sections 4. 3 and 4. 4 of this report. Revenue has increased over the reviewed period from €6.6 million in FY2014 to €9.6 million in FY2016, principally due to the initiation of operations of the Sliema Hotel in FY2016. Profit for the year improved from €2.1 million in FY2014 to €2.2 million in FY2015 and €4.4 million in FY2016.

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

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

The Group in its current state has only been in existence since 5 September 2017, following the rationalisation exercise described in the initial part of this document. The financial information for FY2017 represents pro forma forecast consolidated financial statements. This pro forma information presents what the consolidated financial statements of Stivala Group Finance p.l.c. would have looked like had the Group existed in its current form, comprising all its current constituent components, for the forecast period 1 January 2017 to 31 December 2017.

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

The projected consolidated financial statements for FY2018 detailed below relate to events in the future and are based on assumptions which the Issuer believes to be reasonable. **Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.**

**STIVALA GROUP FINANCE P.L.C.**  
**Projected Consolidated Income Statement**  
**for the year ending 31 December**

	2017 Pro Forma €'000	2018 Projection €'000
Revenue	9,452	11,660
ST Hotels Limited	6,978	7,177
ST Properties Limited	2,474	4,483
Cost of sales	(3,393)	(3,489)
<b>Gross profit</b>	<b>6,059</b>	<b>8,171</b>
Other net operating costs	(1,080)	(1,107)
<b>EBITDA<sup>1</sup></b>	<b>4,979</b>	<b>7,064</b>
Depreciation & amortisation	(1,123)	(1,181)
<b>Operating profit</b>	<b>3,856</b>	<b>5,883</b>
Share of results of associated undertakings	250	-
Net finance costs	(801)	(2,382)
<b>Profit before tax</b>	<b>3,305</b>	<b>3,501</b>
Taxation	490	(506)
<b>Profit for the year</b>	<b>3,795</b>	<b>2,995</b>
<b>Other comprehensive income</b>		
Gains on property revaluation, net of tax	97,365	3,145
<b>Total comprehensive income</b>	<b>101,160</b>	<b>6,140</b>

<sup>1</sup>EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

**STIVALA GROUP FINANCE P.L.C.**  
**Projected Consolidated Cash Flow Statement**  
**for the year ending 31 December**

	2017 Pro Forma €'000	2018 Projection €'000
Net cash from operating activities	6,379	5,194
Net cash from investing activities	(36,464)	(8,837)
Net cash from financing activities	35,188	(439)
<b>Net movement in cash and cash equivalents</b>	<b>5,103</b>	<b>(4,082)</b>
Cash and cash equivalents at beginning of year	(712)	4,391
<b>Cash and cash equivalents at end of year</b>	<b>4,391</b>	<b>309</b>

**STIVALA GROUP FINANCE P.L.C.**  
**Projected Consolidated Statement of Financial Position**  
**as at 31 December**

	<b>2017</b>	<b>2018</b>
	<b>Pro Forma</b>	<b>Projection</b>
	<b>€'000</b>	<b>€'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	558	496
Investment property	174,741	186,623
Property, plant and equipment	15,048	14,379
Investments in associates	26	26
	<u>190,373</u>	<u>201,524</u>
<b>Current assets</b>		
Trade and other receivables	3,935	4,088
Current tax assets	861	168
Cash and cash equivalents	4,391	309
	<u>9,187</u>	<u>4,565</u>
<b>Total assets</b>	<b><u>199,560</u></b>	<b><u>206,089</u></b>
<b>EQUITY</b>		
<b>Capital and reserves</b>		
Share capital	300	300
Retained earnings	18,482	20,617
Incentives and benefits	4,893	4,893
Revaluation reserve	97,365	100,511
	<u>121,040</u>	<u>126,321</u>
Equity attributable to equity holders of the parent	117,730	122,905
Non-controlling interest	3,310	3,416
	<u>121,040</u>	<u>126,321</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	60,145	59,706
Other non-current liabilities	10,818	11,168
	<u>70,963</u>	<u>70,874</u>
<b>Current liabilities</b>		
Trade and other payables	6,917	7,952
Other current liabilities	640	942
	<u>7,557</u>	<u>8,894</u>
	<b><u>78,520</u></b>	<b><u>79,768</u></b>
<b>Total equity and liabilities</b>	<b><u>199,560</u></b>	<b><u>206,089</u></b>

KEY ACCOUNTING RATIOS	FY2017	FY2018
Gross profit margin (Gross profit/revenue)	64%	70%
EBITDA margin (EBITDA/revenue)	53%	61%
Interest cover (times) (EBITDA/net finance cost)	6.22	2.97
Net profit margin (Profit after tax/revenue)	40%	26%
Earnings per share (€) <sup>1</sup> (Profit after tax/number of shares)	12.65	9.98
Return on equity (Profit after tax/shareholders' equity)	3%	2%
Return on capital employed (EBITDA/total assets less current liabilities)	3%	4%
Return on assets (Profit after tax/total assets)	2%	1%

Source: Charts Investment Management Service Limited

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

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

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

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

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

Equity is expected to amount to €121.0 million, of which €97.4 million consists of the revaluation reserve. Total liabilities are set to amount to €78.5 million and should mainly comprise the issuance of Bonds of €45 million, other loans amounting to €15.1 million, deferred tax liabilities totalling €10.8 million and trade & other payables of €6.9 million.

Revenue for **FY2018** is projected to increase by €2.2 million (+23%) as compared to the prior year from €9.5 million to €11.7 million, primarily due to a projected increase in revenue generated from ST Properties Limited as a result of additional properties acquired in the latter quarter of FY2017.

EBITDA for FY2018 is projected at €7.1 million, an increase of €2.1 million (+42%) when compared to €5.0 million in FY2017. Net finance costs are projected to increase from €0.8 million in FY2017 to €2.4 million primarily due to the increased Group debt following the issuance of bonds in FY2017. Profit before tax is projected to marginally improve from €3.3 million in FY2017 to €3.5 million in FY2018. After accounting for taxation, the Group expects to register a profit of €3.0 million in FY2018 as compared to €3.8 million in FY2017.

The Group's total assets are expected to amount to €206.1 million (FY2017: €199.6 million). Principal movements include a y-o-y increase in investment property of €11.2 million, including the completion of the Azur Hotel, net revaluation of €3.1 million and various acquisitions, and a reduction in cash and cash equivalents from €4.4 million to €0.3 million.

An analysis of borrowings is provided hereunder:

#### STIVALA GROUP FINANCE P.L.C.

##### Consolidated Borrowings

as at 31 December

	2017 Pro Forma €'000	2018 Projection €'000
<b>Borrowings</b>		
Bank overdrafts	-	-
Bank loans	9,454	9,015
	<b>9,454</b>	<b>9,015</b>
<b>Bonds</b>		
4% Secured Bonds 2027	45,000	45,000
	<b>45,000</b>	<b>45,000</b>
<b>Other loans (unsecured)</b>		
Amounts owed to ultimate shareholders	3,691	3,691
Amounts owed to third party	2,000	2,000
	<b>5,691</b>	<b>5,691</b>
<b>Total borrowings and bonds</b>	<b>60,145</b>	<b>59,706</b>

#### KEY ACCOUNTING RATIOS

	FY2017	FY2018
Net assets per share (€) (Net asset value/number of shares)	484.16	505.28
Liquidity ratio (times) (Current assets/current liabilities)	1.22	0.51
Gearing ratio (Total net debt/net debt and shareholders' equity)	32%	32%

Source: Charts Investment Management Service Limited

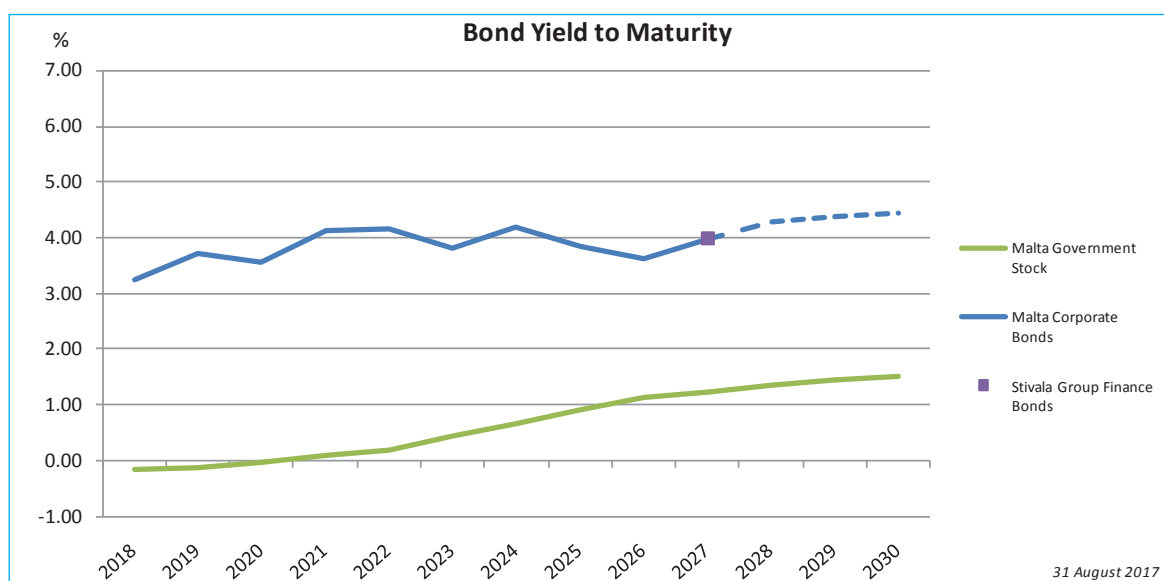
## PART 3 - COMPARABLES

The table below compares the Company and its bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Company and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with the Company's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Company.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.5% Pendergardens Dev. plc Secured € 2020 Series I	15,000,000	3.55	1.49	63,273	11,488	63.23
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	4.16	1.49	63,273	11,488	63.23
4.25% Gap Group plc Secured € 2023	40,000,000	3.70	2.48	57,086	6,004	86.39
5.3% United Finance Plc Unsecured € Bonds 2023	8,500,000	3.82	2.05	18,153	3,796	73.85
6% AX Investments Plc Unsecured € 2024	40,000,000	4.00	3.62	270,425	163,719	27.97
6% Island Hotels Group Holdings plc € 2024	35,000,000	4.28	0.91	144,003	52,994	53.41
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	4.19	4.25	72,117	30,380	52.06
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	4.47	0.02	82,096	32,298	54.54
5.1% PTL Holdings plc Unsecured € 2024	36,000,000	4.76	1.59	71,711	4,751	89.91
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.84	1.40	97,042	28,223	66.81
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.76	1.86	1,389,627	665,357	42.18
4.0% International Hotel Invest. plc Secured € 2026	55,000,000	3.60	2.46	1,220,254	646,822	36.39
4.0% MIDI plc Secured € 2026	50,000,000	3.40	0.59	203,780	67,359	40.62
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.38	7.60	193,351	41,630	58.76
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	3.97	4.82	156,433	56,697	53.20
4.0% Eden Finance plc Unsecured 2027	40,000,000	3.56	3.98	165,496	92,620	34.60
<b>4% Stivala Group Finance plc Secured 2027</b>	<b>45,000,000</b>	<b>4.00</b>	<b>6.21</b>	<b>199,560</b>	<b>121,041</b>	<b>31.54</b>

31 August '17

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts Investment Management Service Limited



To date, there are no corporate bonds which have a redemption date beyond 2027 and therefore a trend line has been plotted (denoted in the above chart by the dashed line). The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.



## 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.
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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.
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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.
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#### PROFITABILITY RATIOS

Gross profit margin	Gross profit margin is the difference between revenue and direct costs expressed as a percentage of total revenue.
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EBITDA margin	EBITDA margin is operating income or EBITDA as a percentage of total revenue.
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Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
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#### 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.
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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.
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Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
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#### 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.
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## 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.