REGISTRATION DOCUMENT

Dated 18 July 2019

This Registration Document is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended.

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

by

Stivala Group Finance p.l.c.

STIVALA GROUP FINANCE P.L.C.

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

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

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

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

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

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

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

APPROVED BY THE DIRECTORS

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

IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION ON STIVALA GROUP FINANCE P.L.C. IN ITS CAPACITY AS ISSUER AND CARMELO STIVALA GROUP LIMITED AS GUARANTOR IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES OF THE LISTING AUTHORITY, THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA) AND COMMISSION REGULATION (EC) NO. 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS, AS AMENDED.

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

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

THE DIRECTORS OF THE ISSUER, AS IDENTIFIED UNDER THE HEADING “DIRECTORS” IN SECTION 3.1 OF THIS REGISTRATION DOCUMENT, ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS OF THE ISSUER (WHO HAVE ALL TAKEN REASONABLE CARE TO ENSURE SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. THE DIRECTORS ACCEPT RESPONSIBILITY ACCORDINGLY.

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

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

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

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

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

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

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

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

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

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1. DEFINITIONS

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

Act	the Companies Act (Cap. 386 of the Laws of Malta);
Bond Issue	the issue of the Secured Bonds;
Bondholder/(s)	a holder of Secured Bonds to be issued by the Issuer in terms of the Prospectus;
Collateral	the following security granted by the Guarantor in favour of the Security Trustee for the benefit of Bondholders: (a) a first ranking special hypothec over the Security Property; (b) a pledge over the proceeds from any insurance policy required under clause 5(1)(h) of the Security Trust Deed; and (c) the Guarantee;
Company or **Issuer**	Stivala Group Finance p.l.c., a company registered under the laws of Malta with company registration number C 82218 and having its registered office at 143, The Strand, Gzira, Malta;
Directors or **Board**	the directors of the Issuer whose names are set out under the heading "Identity of Directors, Senior Management, Advisors and Auditors of the Issuer and Guarantor";
Euro or **€**	the lawful currency of the Republic of Malta;
Group	the Issuer (as parent company), the Guarantor and the Subsidiaries;
Group Company	any one of the companies forming part of the Group. The term "**Group Companies**" shall be construed accordingly;
Guarantee	the joint and several guarantee dated 18 July 2019 granted by the Guarantor as security for the punctual performance of the Issuer's payment obligations under the Bond Issue, subject to the terms and conditions contained in the Security Trust Deed and as the same is held on trust for the benefit of the Bondholders by the Security Trustee. A copy of the Guarantee and a description of the nature, scope and terms of the Guarantee are appended to the Securities Note as Annex III thereto;
Guarantor	Carmelo Stivala Group Limited, a company registered under the laws of Malta with company registration number C 62625 and having its registered office at 143, The Strand, Gzira, Malta;
Listing Authority	the Board of Governors of the Malta Financial Services Authority, appointed as the Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
Malta Stock Exchange or **MSE**	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
New Property	the Group intends to utilise part of the net proceeds of the Bond Issue to acquire the following immovable property for the aggregate cash consideration of *circa* €5,984,125 (including notarial fees, stamp duty and other charges): (i) the amount of *circa* €404,700 shall be disbursed to acquire 26/27/28, Belvedere Street, Gzira; (ii) the amount of *circa* €623,025 shall be disbursed to acquire 60/61, Ponsomby Street, Gzira; (iii) the amount of *circa* €260,925 shall be disbursed to acquire 118 & 120, St Albert Street, Gzira; (iv) the amount of *circa* €4,360,000 shall be disbursed to acquire 137/138, The Strand, Gzira; and (v) the amount of *circa* €335,475 shall be disbursed to acquire 11, Triq San Alwigi, Msida;
Prospectus	collectively, the Registration Document, the Securities Note and the Summary Note;
Registration Document	this document in its entirety;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended;
Secured Bond(s)	a maximum of €15,000,000 secured bonds due 2029 of a face value of €100 per bond bearing interest at the rate of 3.65% per annum and redeemable at their nominal value, as detailed in the Securities Note;
Securities Note	the securities note issued by the Issuer dated 18 July 2019, forming part of the Prospectus;

Security Property	the following immovable property: (i) a plot of land measuring *circa* 865m^2 situated in Testaferrata Street, Ta' Xbiex, which is earmarked for the development of a commercial property known as 'ST Tower' as better described in section 4.4.2 of this Registration Document; (ii) 41 – 43, The Strand, Sliema comprising 3 shops and 3 apartments. The above properties have been valued at €15,266,000 (in aggregate) by an independent architect in terms of the architect's valuation report included as Annex I to this Registration Document;
Security Trustee or **Trustee**	CSB Trustees and Fiduciaries Limited, a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 40390 and having its registered office at Level 3, Tower Business Centre, Tower Street, Swatar, Birkirkara BKR 4013, Malta, duly authorised to act as a trustee or co-trustee in terms of Article 43(3) of the Trusts and Trustees Act (Cap. 331 of the Laws of Malta);
Security Trust Deed or **Trust Deed**	means the security trust deed entered into between the Security Trustee, the Issuer and the Guarantor on 18 July 2019;
Sponsor, Manager & Registrar or **SMR**	MeDirect Bank (Malta) plc having company registration number C 34125 and registered office at The Centre, Tigné Point, Sliema TPO 001, Malta, licensed by the MFSA and is a member of the MSE. The role of sponsor, manager & registrar is conducted by the corporate finance division of MeDirect Bank (Malta) plc, which operates under the brand name 'Charts'. The use of the logo 'Charts' in the Prospectus shall be construed accordingly;
Subsidiaries	means all entities (including structured entities) over which the Issuer has control. In terms of International Financial Reporting Standards (IFRS) 10 'Consolidated Financial Statements' as adopted by the European Union (EU), a group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity;
Summary Note	the summary note issued by the Issuer dated 18 July 2019, forming part of the Prospectus.

2. RISK FACTORS

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

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

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

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

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

2.1 **Forward-looking Statements**

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

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

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

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

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

2.2 **General**

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

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

2.3 **Risks relating to the Issuer and its Business**

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

2.4 **Risks relating to the Group and its Business**

General

The Issuer is the ultimate parent company of the Group and given its fairly recent incorporation, has a limited trading history. The Group, through the Guarantor and the operational subsidiaries, has a long trading history in the acquisition, development and management of real estate developments that consist principally of hotels, hostels, residential, office and retail property. The Group is exposed to the real estate market as well as to the array of competitive pressures in the operation and management of the hospitality, residential and retail markets.

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

Risks relating to the political, economic and social environment in which the Group operates

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

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

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

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

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

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

Litigation risk

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

The Group's insurance policies

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

Risks relative to changes in laws

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

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

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

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

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

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

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

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

The Group's indebtedness could adversely affect its financial position

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

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

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

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

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

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

2.5 Risks relating to the Operations of the Issuer and Guarantor

Risks relating to the hospitality industry

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Liquidity risk

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

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

Development risk

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

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

2.6 Risks inherent in Property Valuations

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

2.7 Risks relating to the Security

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

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

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

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

3.1 Directors

3.1.1 Directors of the Issuer

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

Michael Stivala (499374M)	7, St. Anthony, Triq San Tofimu, Sliema	Executive Chairman
Martin John Stivala (35672M)	2, Orchidea, Flat 10, Triq Tal-Hriereb, Msida	Executive Director
Ivan Stivala (352278M)	4, Buogainvillea, Triq l-Ornitologija, Kappara, San Gwann	Executive Director
Carlo Stivala (23589M)	Tal-Qroqq Mansions, Flat 4, Triq Tal-Qroqq, Msida	Executive Director
Francis Gouder (866550M)	Lotus, Flat 3, Triq it-Tamal, St Julians	Independent Non-Executive Director
Ann Marie Agius (118784M)	42, Triq it-Torri, Qrendi	Independent Non-Executive Director
Joseph Brincat (311174M)	1, Gilda Court, Flat 4, Trejqa Albert M Cassola, Swieqi	Independent Non-Executive Director

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

THE DIRECTORS OF THE ISSUER ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS OF THE ISSUER (WHO HAVE ALL TAKEN REASONABLE CARE TO ENSURE SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. THE DIRECTORS ACCEPT RESPONSIBILITY ACCORDINGLY.

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

3.1.2 Directors of the Guarantor

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

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

3.2 Senior Management

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

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

3.3 Advisors to the Issuer and the Guarantor

Sponsor, Manager & Registrar

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

Financial Advisors

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

3.4 Auditors of the Issuer and of the Guarantor

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

The consolidated financial statements of the Issuer for the period 21 August 2017 to 31 December 2018, and the annual financial statements of the Guarantor for the financial years ended 31 December 2016, 2017 and 2018 were audited by Nexia BT. Nexia BT is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta). The Accountancy Board registration number of Nexia BT is AB/26/84/61.

3.5 Security Trustee

Name: CSB Trustees & Fiduciaries Limited
Address: Level 3, Tower Business Centre, Tower Street, Swatar Birkirkara BKR 4013, Malta

4. INFORMATION ABOUT THE ISSUER AND THE GROUP

4.1 Introduction

4.1.1 The Issuer

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

The Issuer was set up as the ultimate parent company of the Group and as the principal vehicle for further expansion of the Group's hospitality business and mixed use developments.

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

The Issuer holds 98% of the shares in the Guarantor that in turn holds the shares in the underlying operating Subsidiaries. The remaining 2% of the shares in the Guarantor are held by the Group's founder, Mr Carmelo Stivala (847533M). The Group's main operations through its Subsidiaries and associated companies are described in section 4.4 of this Registration Document.

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

4.1.2 The Guarantor

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

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

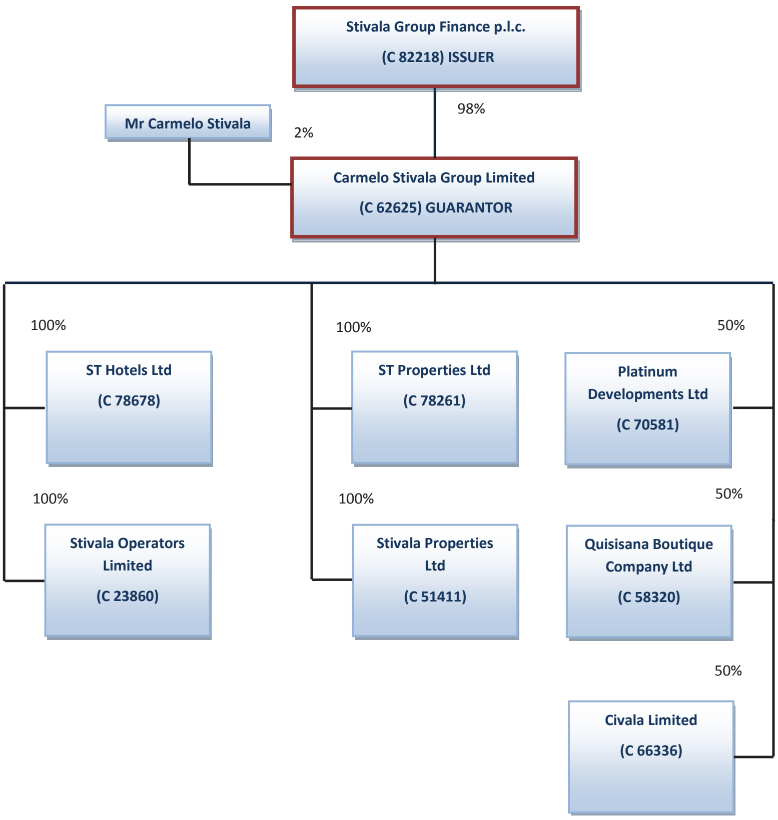
The Guarantor acts as the Group's property holding company and owns almost all of the Group's immovable property, which property is subsequently leased to and operated by the Subsidiaries, as better explained in section 4.4 below.

4.2 Organisational Structure of the Group

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

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

The Issuer is the 98% shareholder of the Guarantor, which was established as a limited liability company in Malta under the Act on 14 November 2013 and bears registration number C 62625. The remaining 2% of the shares of the Guarantor are held by the Group's founder, Mr Carmelo Stivala.



*The remaining 50% of Platinum Developments Limited is held by Bastille Malta Trustees Limited as trustee.
*The remaining 50% of Quisisana Boutique Company Limited is held by Edward Calleja (432870M).
*The remaining 50% of Civala Limited is held by John Cilia (262857M).

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

ST Hotels Ltd (C 78678) and ST Properties Ltd (C 78261) were established as private limited liability companies on 16 December 2016 and 23 November 2016 respectively as subsidiaries within the Group and which have the majority of their shares indirectly owned by the Issuer.

With effect from 1 January 2017, the business, operations, assets and the benefit of all contracts of Stivala Operators Limited and Stivala Properties Ltd were taken over by ST Hotels Ltd and ST Properties Ltd respectively. Accordingly, as from 1 January 2017, Stivala Operators Limited and Stivala Properties Ltd ceased all trading and operating activities and it is intended that both companies will be liquidated in the near future.

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

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

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

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

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

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

4.3 Historical Development of the Group

The Group's business has evolved over a number of years, dating back to its origins in 1979 when Carmelo Stivala founded C. Stivala & Sons Limited (C 4510) with the object of providing construction and development of real estate to personal and corporate customers. Over the years the Group shifted its focus from an exclusively construction company to a developer of real estate, through the acquisition of real estate, development of those sites and their operation through leases of commercial and residential properties and hotel accommodation.

Since 1979, the Group continued to grow and acquired a significant portfolio of real estate. Initially, the strategy was to acquire real estate and apply the Group's experience and expertise in the construction industry, from where it started, to develop and finish those properties with a view to generating revenues from long-term leases of commercial and residential properties whilst retaining the real estate on balance sheet and benefiting from the residual values of the real estate. The Group's strategy was further diversified in 1998 when Stivala Operators Limited was set up with its principal activity to move into the operation of hotels, hostels and short-let accommodation.

Further information about the Group's property portfolio is provided in section 4.4.2 below. Through ST Hotels Ltd, the Group also provides taxi services to all clients who use its accommodation.

4.4 Business Overview of the Group

4.4.1 Business Overview

The Issuer was established on 21 August 2017 as the holding company and finance arm of the Group.

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

The Group has the following main areas of activity:

- **Ownership and development of real estate** – comprises the identification of sites or real estate that can be developed for subsequent operation, either as part of its hospitality operations or for residential or commercial letting. The Group directly undertakes the development of projects, thus allowing greater control by the Group over costs and timelines of the developments undertaken;

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

Group revenue and earnings are derived primarily from the operation of owned hotels, hostels and short let apartments, which business was operated up to 31 December 2016 by Stivala Operators Limited. This business activity accounts for more than 75% of the Group's total revenue. Rentals generated from commercial and long let residential properties were, prior to 1 January 2017, operated by Stivala Properties Ltd.

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

An overview of the financial performance of each of Stivala Operators Limited and Stivala Properties Ltd for the year ended 31 December 2016, and of each of ST Hotels Ltd and ST Properties Ltd for the years ended 31 December 2017 and 2018, is provided in sections 4.4.3 and 4.4.4 below.

4.4.2 Ownership of Real Estate

Until 31 December 2013, C. Stivala & Sons Limited served as one of the main property holding companies of the Group. Following the incorporation of the Guarantor on 14 November 2013, ownership of the Group's immovable property was split between C. Stivala & Sons Limited and the Guarantor. The Guarantor's ownership of the entire Group's real estate portfolio was consolidated following the merger of C. Stivala & Sons Limited into the Guarantor, which came into effect in September 2017.

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

The fair value of buildings amounting to €39 million is based on the discounted cash flow approach. This valuation model takes into consideration the free cash flows arising from the projected income streams that could be expected to be derived from the operation of the property. These projected free cash flows were discounted to present value using the Group's weighted average cost of capital estimated at 6.95%.

Investment property

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

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

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

Further information on the real estate portfolio is included below:

PROPERTIES USED FOR BUSINESS PURPOSES

Address	Current Use	Valuation (€'000)
Bayview Hotel, The Strand, Gzira	136 room 3-star hotel	18,937
Sliema Hotel, The Strand, Sliema	70 room 3-star hotel	11,385
Azur Hotel, Belvedere Street, Gzira	178 room 3-star hotel	4,839
Blubay Hotel, Ponsonby Street, Gzira	53 studio apartments (in addition, 1 restaurant and 1 shop are rented to third parties)	4,435
28/30/32/34/36, Reid Street, Gzira and 121 – 125, Cameron Street, Gzira	11 residential units (in addition, various small residential houses are rented to third parties)	3,729
153/154, The Strand, Gzira	11 residential units (in addition, 3 shops and 2 offices are rented to third parties)	3,616
Bring Apartments, Reid Street, Gzira	17 residential units (in addition, 11 garages and 1 shop are rented to third parties)	3,165
Moroni Residence, Moroni Street, Gzira	70 apartments (in addition, 6 garages, 4 parking spaces and 1 store are rented to third parties)	2,957
134/135, The Strand, Gzira	8 residential units (in addition, 4 shops are rented to third parties)	2,693
Blubay Fleet Hostel, Fleet Street, Gzira	46 room hostel	2,385
101, Moroni Street, Gzira	8 residential units and 1 large garage	1,588
Charlie's Guest House, Valley Road, Msida	a guest house, 1 apartment and 3 garages	1,485
Waterline Residence, 176/177, The Strand, Gzira	2 shops and 6 residential units	1,442
51/55 Moroni Street, Gzira	10 residential units	1,095
Other Properties	Residential and commercial units	4,043
TOTAL		**67,794**

Azur Hotel

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

Bring Apartments

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

PROPERTIES RENTED TO THIRD PARTIES OR HELD FOR SALE

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

Valley Towers

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

PROPERTIES IN COURSE OF DEVELOPMENT OR HELD FOR FUTURE DEVELOPMENT

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

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

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

This property currently has a permit for a 225 room hostel on part of the site (PA 0398/14). An application for its extension to include the whole site has been submitted to the Planning Authority (PA 5370/17). The development is expected to commence in 2020 and should be completed within a 12 to 15 month period, at an estimated cost of €3,500,000. The property in caption is freehold and has a carrying value as at 31 December 2018 of €5,200,000.

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

This property consists of a plot of land measuring 865m² and is earmarked for the development of a commercial property having *circa* 7,300m² of office space. The Group has submitted an application to the Planning Authority, which is currently at review stage (reference number PA 2765/16). Subject to issuance of necessary Planning Authority permits, the Group expects to initiate development in 2019 and completion is set for 18 to 24 months thereafter. The estimated cost of development is *circa* €14,000,000. The property in caption is freehold and has a carrying value as at 31 December 2018 of €8,000,000.

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

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

Other Properties

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

4.4.3 Hospitality Operations

Hospitality operations in FY2016 were performed by Stivala Operators Limited. The financial information about Stivala Operators Limited is included in the audited financial statements of Stivala Operators Limited for the financial year ended 31 December 2016. As of 1 January 2017, hospitality operations were transferred to ST Hotels Ltd. The financial information about ST Hotels Ltd is included in the audited financial statements of the said company for the financial years ended 31 December 2017 and 31 December 2018.

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

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

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

Although FY2016 EBITDA increased from €1.1 million in FY2015 to €2.8 million, Stivala Operators Limited was adversely impacted by a one-off item (consisting of a waiver of related company balance of €10.2 million) which resulted in a loss for the year of €7.4 million (FY2015: profit of €0.3 million). As described in section 3 above, in 2016, the business of Stivala Operators Limited was transferred to ST Hotels Ltd as part of an intra-group exercise. The transaction comprised the transfer of net assets amounting to €10.2 million from Stivala Operators Limited to ST Hotels Ltd. The resultant intra-group balances were written-off, wherein Stivala Operators Limited registered a charge in its income statement of €10.2 million, whilst ST Hotels Ltd recorded a gain of the same amount in FY2017.

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

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

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

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

4.4.4 Property Rentals

Long lets of residential and commercial Group properties to third parties were administered during FY2016 by Stivala Properties Ltd and in FY2017 and FY2018 by ST Properties Ltd. Such leases typically involve rental periods exceeding six months up to a maximum of eight years. Commercial properties principally comprise restaurants, retail outlets and office space.

The financial information about Stivala Properties Ltd is included in the audited financial statements of Stivala Properties Ltd for the financial year ended 31 December 2016. Financial information about ST Properties Ltd is included in the audited financial statements of the said company for the financial years ended 31 December 2017 and 31 December 2018.

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

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

In **FY2016**, Stivala Properties Ltd reported a year-on-year increase of 27% or €371,000 to €1.7 million (FY2015: €1.4 million). The aforesaid growth was due to an increase in the number of properties subject to long term lease agreements. Such improvement was also reflected in EBITDA, which increased from €779,000 in FY2015 to €1.3 million in FY2016. Stivala Properties Ltd registered a profit for the year of €1.0 million (FY2015: €600,000).

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

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

4.5 Development Strategy

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

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

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

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

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

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

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

4.6 Investments

The principal investments of the Group since 31 December 2018, being the date of the latest audited financial statements, are described hereunder:

(a) Azur Hotel, Belvedere Street, Gzira

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

(b) Bring Apartments, Reid Street, Gzira

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

(c) Valley Towers, Valley Road, Birkirkara

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

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

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

(e) Other investments

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

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

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

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

4.7 Security Property

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

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

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

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

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

(SH: Special Hypothec; GH: General Hypothec)

Pursuant to the Security Trust Deed, the Guarantor and the Company agree to jointly and severally between them guarantee the punctual performance by the Company of the Secured Bond obligations by entering into the Guarantee, which shall become effective upon the full subscription of the Secured Bonds. In support of the Guarantee and as part of the Collateral the Guarantor has agreed to grant a first ranking special hypothec over the Security Property for the full amount of €15,000,000 and interests thereon.

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

4.8 Dynamics for Closing

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

Indeed, the Secured Bonds shall not be admitted to the Official List of the Malta Stock Exchange unless all security has been duly perfected, in accordance with the provisions of the Security Trust Deed. It is expected that within 15 Business Days from the close of the Bond Issue and following allocation of the Secured Bonds, the Issuer and the Guarantor and the Security Trustee will enter into a notarial deed pursuant to which the Issuer and/or the Guarantor shall constitute first ranking special hypothecs over the Security Property.

Following registration of the above-mentioned notarial deed and the presentation to the Security Trustee of the appropriate notes of hypothec, the Security Trustee shall release the net proceeds of the Bond Issue to the Issuer for the purposes and in the manner outlined below, as indicated in the Security Trust Deed:

(i) **Repayment of loan facility granted by FIMBank p.l.c.**: The Issuer shall repay the outstanding loan and accrued interest payable due to FIMBank p.l.c. amounting to *circa* €4,300,000 (in aggregate).

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

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

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

The Guarantor shall also acknowledge itself as the true and lawful debtor of the Issuer for an amount equivalent to the payment effected by the Issuer to repay the FIMBank p.l.c. loan of the Guarantor.

The Bond Issue proceeds are to be made available to the Guarantor by way of an issue of preference shares to the Issuer, whereby the Guarantor shall be issuing and allotting to the Issuer the amount of 15,000,000 cumulative redeemable preference shares having a nominal value of €1.00 each share, having a term of not more than nine and a half years, and which carry a fixed dividend payout of 4%.

5. TREND INFORMATION AND FINANCIAL PERFORMANCE

5.1 Trend Information

There has been no material adverse change in the prospects of the Issuer and Group since the date of publication of its latest audited financial statements.

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

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

5.1.1 Hospitality[1]

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

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

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

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

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

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

5.1.2 Leases of Commercial and Residential Units

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

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

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

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

5.2 Selected Financial Information of the Issuer and Group

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

The tables and discussion included in this section 5.2 contain certain alternative performance measures (as defined by the European Securities and Markets Authority (ESMA)), including EBITDA, that the Group's management and other competitors in the industry use. EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.

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

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

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

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

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

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

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

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

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

The Issuer was registered and incorporated on 21 August 2017 as a special purpose vehicle to act as the parent company and financing arm of the Group. During the 4-month period to 31 December 2017, the Issuer listed €45 million 4% secured bonds 2027 on the Malta Stock Exchange and acquired €45 million worth of preference shares in the Guarantor.

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

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

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

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

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

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

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

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

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

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

5.3 Selected Financial Information of the Guarantor

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

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

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

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

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

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

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

6. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

6.1 Board of Directors and Management of the Issuer

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

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

6.1.1 Executive Directors

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

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

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

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

The following are the *curriculum vitae* of the executive Directors:

Michael Stivala

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

Martin John Stivala

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

Ivan Stivala

Ivan Stivala began working with the Group approximately 25 years ago and is one of the executive directors on a number of Group companies. Ivan Stivala is responsible for the management of the Group's major property finishing works relating to the Group's various projects involving office blocks, hotels and apartments.

Carlo Stivala

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

6.1.2 Non-executive Directors

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

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

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

Ann Marie Agius

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

Francis Gouder

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

Joseph Brincat

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

6.2 Boards of the Guarantor and Subsidiary Companies

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

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

6.2.1 *Curriculum Vitae* of Directors of the Guarantor

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

6.3 Directors' Service Contracts

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

6.4 Aggregate Emoluments of Directors

In terms of the Memorandum and Articles of Association of the Issuer, the maximum aggregate emoluments of all Directors in any one financial year, and any increases thereto, shall be such amount as may from time to time be determined by the Issuer in general meeting, and any notice convening the general meeting during which an increase in the maximum limit of such aggregate emoluments shall be proposed, shall contain a reference to such fact. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of Directors or other committee of the Directors or general meetings of the Issuer or in connection with the business of the Issuer. The maximum aggregate annual emoluments currently approved by the shareholders in respect of the Board of Directors amount to €24,500. In 2018, the Issuer paid the amount of €22,500 as remuneration to its Directors.

6.5 Loans to Directors

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

6.6 Removal of Directors

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

6.7 Powers of Directors

By virtue of the Articles of Association of the Issuer, the Directors are empowered to transact all business which is not by the Articles expressly reserved for the shareholders in general meeting. Powers of Directors are described in further detail in section 12.2.3 of this Registration Document.

7. MANAGEMENT STRUCTURE

7.1 General

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

7.2 Management Team

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

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

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

7.3 Conflict of Interest

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

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

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

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

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

7.4 Employees

The Issuer does not have any employees of its own. As at 31 December 2018, the Group employed 17 staff members in management and administration (2017: 15 employees) and 90 staff members in operational activities (2017: 85 employees).

8. BOARD PRACTICES OF THE ISSUER AND THE GUARANTOR

8.1 Audit Committee

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

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

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

(a) its monitoring responsibility over the financial reporting processes, financial policies and internal control structures;
(b) maintaining communications on such matters between the Board, management and the external auditors; and
(c) preserving the Company's assets by assessing the Company's risk environment and determining how to deal with those risks.

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

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

9. COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

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

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

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

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

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

(ii) **Principle 8 "Committees"**

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

Appointments to the Board of Directors are determined by the shareholders of the Company in accordance with the Memorandum and Articles of Association of the Issuer. The Issuer considers that the current members of the Board provide the required level of skill, knowledge and experience expected in terms of the Code.

10. HISTORICAL INFORMATION

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

The historical financial information relating to the Guarantor for the financial year ended 31 December 2017 as audited by Nexia BT are set out in the financial statements of the Guarantor, which are available for inspection as set out in section 16 below.

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

There have been no significant changes to the financial or trading position of the Issuer and Guarantor since the end of the financial period to which the last audited financial statements relate.

11. LITIGATION

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

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

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

12. ADDITIONAL INFORMATION

12.1 Share Capital of the Issuer

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

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

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

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

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

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

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

12.2 Memorandum and Articles of Association of the Issuer

12.2.1 Objects

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

12.2.2 Appointment of Directors

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

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

12.2.3 Powers of Directors

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

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

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

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

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

12.3 Share Capital of the Guarantor

The authorised and issued share capital of the Guarantor is €45,004,895 divided into 4,895 Ordinary Shares of a nominal value of €1.00 each and 45,000,000 Preference Shares of a nominal value of €1.00 each. 98 per cent of the paid up Ordinary shares have been subscribed for, allotted and fully taken up by the Issuer. The remaining 2 per cent of the Guarantor's share capital is held by the founder of the Group, Mr Carmelo Stivala. The Preference Shares are cumulative redeemable preference shares and have been allocated to the Issuer. They are redeemable by not later than June 2027 and carry a fixed dividend payout of 4.5%.

Following the Bond Issue, the Guarantor shall be increasing its authorised share capital and shall be issuing and allotting to the Issuer the amount of 15,000,000 cumulative redeemable preference shares having a nominal value of € 1.00 each share, having a term of not more than nine and a half years, and which carry a fixed dividend payout of 4%.

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

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

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

12.4 Memorandum and Articles of Association of the Guarantor

12.4.1 Objects

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

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

12.4.2 Appointment of Directors

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

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

12.4.3 Powers of Directors

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

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

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

13. MATERIAL CONTRACTS

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

14. PROPERTY VALUATION REPORT

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

Listing Rule 7.4.3 provides that property valuations to be included in a prospectus must not be dated (or be effective from) more than 60 days prior to the date of publication of the prospectus. The valuation report is dated 28 June 2019.

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

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

Save for the valuation report contained in Annex I to the Registration Document and the financial analysis report set out as Annex IV to the Securities Note, the Prospectus does not contain any statement or report attributed to any person as an expert. The valuation report and financial analysis summary have been included in the form and context in which they appear with the authorisation of Arch. Michael Falzon of Falzon & Cutajar Architects and Civil Engineers, 45, Triq il-Wied, Birkirkara BKR 9015, Malta and Charts (a division of MeDirect Bank (Malta) plc of The Centre, Tigné Point, Sliema TPO 0001, Malta respectively, that have given and have not withdrawn their consent to the inclusion of their respective reports herein. Arch. Michael Falzon and Charts (a division of MeDirect Bank (Malta) plc) do not have any interest in the Issuer. The Issuer confirms that the valuation report and the financial analysis report have been accurately reproduced in the Prospectus and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

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

16. DOCUMENTS AVAILABLE FOR INSPECTION

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

(a) Memorandum and Articles of Association of the Issuer and the Guarantor;
(b) Audited financial statements of the Guarantor for the financial years ended 31 December 2016 to 2018;
(c) Audited consolidated financial statements of the Issuer for the financial period 21 August 2017 to 31 December 2018;
(d) Audited financial statements of each of the Group Subsidiaries for the financial years ended 31 December 2016 to 2018, where applicable;
(e) Combined financial statements of the Guarantor for the financial year ended 31 December 2016;
(f) Independent Expert's property valuation report dated 28 June 2019 and prepared at the Issuer's request;
(g) Financial analysis summary dated 26 June 2019 and prepared by Charts (a division of MeDirect Bank (Malta) plc);
(h) The Guarantee;
(i) The Security Trust Deed;
(j) Directors' service contracts; and
(k) The letter of confirmation drawn up by Nexia BT and dated 18 July 2019.

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

ANNEX I – ARCHITECT'S VALUATION REPORT

FALZON & CUTAJAR
ARCHITECTS & CIVIL ENGINEERS

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

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MFF/829B-361B

28th June 2019

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

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

1.0 INTRODUCTION

1.1 In accordance with your instructions, the undersigned in the capacity of warranted architect and civil engineer has carried out a valuation of the immovable properties indicated all located in Malta. The detailed valuation report that includes the undersigned's opinion of the values of the properties, is submitted herewith. The effective date of the valuation is 28 June 2019.

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

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

2.0 PURPOSE OF VALUATION

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

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

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

The undersigned declares that he has visited all the subject sites and properties to better understand the characteristics and qualities of the various properties and to identify any obvious defects that could influence the values of the said properties, and to confirm their current uses. It is noted that these inspections were not intended to be building surveys and do not constitute such. All properties in Malta were inspected by the undersigned between 1 May 2019 and 13 June 2019.

2.4 This valuation has been prepared solely for the above-mentioned purpose and is not suitable for any other use. In accordance with standard practice, neither the whole, nor any part of this valuation, nor any reference thereto, may be included in any document published without the prior written approval of the undersigned for the context in which it may appear.

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

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

3.0 DECLARATION OF INDEPENDENCE

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

4.0 BASIS OF VALUATION

4.1 The valuation is based on the Open Market Value which provides the same result as Market Value as defined in the RICS Valuation Standards, namely "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion*".

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

4.3 The valuations of the development potential of properties and existing properties are based on comparisons of recent sales transactions involving comparable properties in Malta, together with the experience of the undersigned in such valuations, and analysis of data available on the property market.

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

5.0 SUBJECT OF VALUATION

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

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

6.0 ASSUMPTIONS

An assumption can be defined as a supposition taken to be true. Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuation, certain assumptions were made and reliance was made on certain sources of information. The undersigned believes that the assumptions made are reasonable taking into account the personal knowledge of the properties and the contents of reports and other information made available. However, in the event that any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, then our valuation conclusion may also be incorrect or invalid.

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

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

With reference to our valuation of the property used for business purposes we have made the following assumptions in the preparation of our Report:

- The building is in a good state of repair;
- All building services and any associated controls or software are in working order and free from defect;
- The property is not contaminated and no contaminative or potentially contaminative uses has ever been carried out on it;
- There are no abnormal ground conditions, nor archaeological remains present which might adversely affect the present or future occupation, development or value of the property;
- All buildings have been erected either prior to planning control or in accordance with planning permissions and have the benefit of permanent planning consents or existing use rights for their current use;
- This valuation is based solely on visual observations made during our inspections and does not consider hidden defects in the structure, finishes and equipment and services in the premises;
- The property complies with all applicable laws and regulations, including those relating to health and safety;

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

- In so far as the property is rented to third parties, there are no tenants' improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
- In so far as the property is rented to third parties, the current trade-related use of the property will continue throughout the period of the lease;
- The property is, in all respects, insured against all usual risks at normal, commercially acceptable premiums;
- The property constitutes a fully equipped operational entity which has in place, and will continue to have over the period of the lease (if applicable), all the necessary licenses and other enablers required to continue trading.

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

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

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

7.0 SOURCES OF INFORMATION

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

- The preliminary purchase agreement (konvenju) or other agreements with third parties entered into with respect to each of the properties.
- The existing lease agreements in place, with respect to each of the properties except for vacant properties.
- Planning Authority permits and permit drawings where applicable.
- A written declaration by Carmelo Stivala Group Limited that none of the Directors nor promoters have had an interest in any acquisitions or disposals of any of the properties during the two (2) years preceding this valuation, as described in Article 7.4.8 of the Listing Rules.
- A written declaration by Carmelo Stivala Group Limited confirming that they have provided us with copies of all relevant agreements for the properties.
- Other relevant details in relation to the properties.

8.0 PROPERTIES TO BE PURCHASED FOR FUTURE DEVELOPMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9.0 PROPERTY HELD FOR FUTURE DEVELOPMENT

- **Ta' Xbiex Palace', Testaferrata Street, Ta' Xbiex (Proposed ST Tower)**

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

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

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

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

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

10.0 PROPERTY USED FOR BUSINESS PURPOSES

- **41/42/43, The Strand, Sliema**

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

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

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

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

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

11.0 VALUATION SUMMARY

On the basis of information set out in this Report, the estimated market value of all the above-mentioned properties in their existing state at the date of valuation is being valued at a total of **€20,791,000 (twenty million, seven hundred and ninety one thousand euro)**.

12.0 GENERAL

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

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

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

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

This valuation was carried out by the undersigned, a partner in the firm 'Falzon & Cutajar' of 45, Valley Road, Birkirkara. The undersigned is a qualified architect (perit) with 50 years' experience in valuations of property. The undersigned is in possession of the diploma of A&CE, and a warrant (No. 64) issued by the Government of Malta granting him the right to practice as a 'Perit', which practice includes the preparation of valuations.

Michael F. Falzon B.Arch., A&CE
28 June 2019