



143, The Strand, Gzira. Malta

COMPANY ANNOUNCEMENT

Stivala Group Finance p.l.c. (the “Company”)

Intention of a Major Shareholder to Divest Ownership Interest in the Company

Date of Announcement	25 th November 2020
Reference	STV28/2020

Company Announcement issued by Stivala Group Finance p.l.c. (the “Company”) in terms of Chapter 5 of the Listing Rules.

QUOTE

The Company announces that Carlo Stivala, ultimate beneficial owner of the Company, has intimated his intention to leave the business operated by the Company and relinquish all and any ownership interest that he may have in the Stivala group of companies. It has been agreed that in consideration for relinquishing of all of his ownership interest in the Stivala group of companies (including North Harbour Limited), certain immovable properties currently owned by Carmelo Stivala Group Limited and North Harbour Limited shall be transferred to CAST Holdings Limited, a company that is ultimately owned by TRIMMER Services Ltd as trustee of the CAST TRUST, the beneficiaries of which are Carlo Stivala and his descendants.

In order to regulate the manner in which the above transaction shall take place, on 24 November 2020, the Company, Carmelo Stivala Group Limited, Carmelo Stivala Trustee Limited, North Harbour Limited, ST Properties Ltd, ST Hotels Ltd, CAST Holdings Limited, CAST Renting Ltd, Ivan Stivala, Martin John Stivala, Michael Stivala and Carlo Stivala entered into a framework agreement (the “Framework Agreement”).

Pursuant to the terms of the Framework Agreement, and on the same date thereof:

- (i) the shareholders of the Company, Carmelo Stivala Group Limited and North Harbour Limited passed resolutions resolving to reduce the share capital of each of the aforesaid companies by cancelling all shares held therein by Carlo Stivala and Carmelo Stivala Trustee Limited as trustee of the Seaside Trust, the beneficiaries of which are Carlo Stivala and his descendants (the “Reductions”); and

- (ii) Carmelo Stivala Group Limited, North Harbour Limited, Carmelo Stivala Trustee Limited, CAST Holdings Limited and Carlo Stivala entered into a promise of sale agreement, whereby Carmelo Stivala Group Limited and North Harbour obliged themselves to sell, transfer and convey unto CAST Holdings Limited the properties described therein in consideration for a total aggregate value of €81.2 million, which value represents the consideration due to Carlo Stivala and Carmelo Stivala Trustee Limited as trustee of the Seaside Trust, for the aforesaid parties relinquishing all of their rights and interests in the share capital of the companies forming part of Stivala group of companies (the “POSA”).

Following entry into the POSA, the immovable properties agreed to be transferred thereunder will be managed by CAST Renting Ltd at its own risk and benefit until the date of the final deed of transfer of the said properties. Accordingly, throughout this period any amounts due to the Stivala group in respect of such immovable properties will be receivable by CAST Renting Ltd, and any fees, costs, liabilities, claims, expenses to be incurred in connection with any of the said immovable properties during such period will be borne by CAST Renting Ltd.

In terms of the Framework Agreement, and subject to the conditions set out therein, the final deed of transfer in respect of the properties that were agreed to be transferred in terms of the POSA will be entered into by the seventh day after the lapse of the three-month period following publication of the notices required under article 401 of the Companies Act for the Reductions to become fully effective at law.

Upon entry into the final deed of transfer as aforesaid, title of the said immovable properties will be transferred to Carlo Stivala and the said properties will no longer form part of the assets of the Stivala group of companies; and the Company, Carmelo Stivala Group Limited and North Harbour Limited shall file their respective updated Memorandum and Articles of Association in order to give effect to the Reductions. Immediately upon entry into the final deed of transfer, Carlo Stivala will resign with immediate effect from the board of directors of the Company and from the board of directors of any other company forming part of the Stivala group of companies of which he is a director.

Summary of Statement of Financial Position

The table below marked ‘Annex A’ sets out extracts from the consolidated unaudited statement of financial position of the Company as at 30 June 2020. It also sets out a pro forma statement of financial position for the Company as at 30 June 2020, including the effect of an uplift in fair values of the Company’s investment property and property, plant & equipment of €71.3 million, which was approved by the Company’s board of directors on 23 November 2020, and the transactions that will have been implemented by the Company as at the date of final deed of transfer and Reductions in terms of the Framework Agreement described hereinabove.

Any queries in relation to the above may be addressed to Rudi Xuereb at accounts4@sthotelsmalta.com

UNQUOTE

By order of the Board



Rudi Xuereb f: Stivala Group Finance PLC
Company Secretary
25th November 2020

Annex A

Stivala Group Finance plc

Consolidated Statement of Financial Position (unaudited)

As at 30 June 2020

	Actual	Pro forma
	€	€
ASSETS		
Non-current assets		
Intangible Assets	70,387	70,387
Right of use asset	452,152	452,152
Property, plant & equipment	85,450,703	101,880,645
Investment property	117,533,788	132,744,355
Investment in associates	500	500
Loans and receivables	15,643,758	15,643,758
	<u>219,151,288</u>	<u>250,791,797</u>
Current Assets		
Inventory	658,500	17,688
Trade and other receivables	4,057,509	4,057,509
Bank and cash equivalents	2,286,159	1,995,804
	<u>7,002,168</u>	<u>6,071,001</u>
Total Assets	<u>226,153,456</u>	<u>256,862,798</u>
EQUITY AND LIABILITIES		
Non-current liabilities		
Long term borrowings	16,909,809	16,909,809
Other non-current liabilities	59,580,000	59,580,000
Deferred tax liability	15,498,803	17,616,985
	<u>91,988,612</u>	<u>94,106,794</u>
Current liabilities		
Short-term borrowings	126,102	126,102
Trade and other payables	6,084,876	5,764,521
Current tax liability	2,033,697	2,033,697
	<u>8,244,675</u>	<u>7,924,320</u>
Total Liabilities	<u>100,233,287</u>	<u>102,031,114</u>
Capital and reserves		
Called up issued share capital	300,000	255,000
Retained earnings	35,280,186	60,794,476
Revaluation reserve	90,339,983	93,782,209
Total Equity	<u>125,920,169</u>	<u>154,831,685</u>
Total Equity and Liabilities	<u>226,153,456</u>	<u>256,862,798</u>

The Company's total equity amounted to €125.9 million as at 30 June 2020 represented by share capital of €0.3 million, retained earnings of €35.3 million and revaluation reserve of €90.3 million.

The Company's total equity would increase to €154.8 million on a pro forma basis on account of the above-mentioned revaluation of immovable assets and once the transactions contemplated in the Framework Agreement have been completed. Thereafter, the remaining shareholders shall increase the Company's issued share capital by €30,000 to €255,000.

The property portfolio held by the Company as at 30 June 2020 is carried at a value of €203.0 million, which as set out in the pro forma statement of financial position will increase to €234.6 million, reflecting the aggregate uplift in carrying values of €71.3 million and a decrease of €39.7 million once the transfer of properties to Carlo Stivala (through CAST Holdings Ltd) is completed. The increase in asset values represent the Directors' assessment of the fair value of the Company's properties, which is supported by valuations carried out by valuers who are considered to have the appropriate recognised professional qualifications and experience in both location and category of the property being valued.

Current assets are expected to decrease by €1.0 million, reflecting the proposed transfer to CAST Holdings Ltd of certain properties in inventory and payment of deposits held in relation to rental properties to be assigned to CAST Holdings Ltd.

The major liability included in the Company's statement of financial position as at 30 June 2020 relates to the deferred tax liability arising in connection with the revaluation of investment property and property, plant & equipment, which amounted to €15.5 million. This liability is expected to increase to €17.6 million once the transfer of properties to CAST Holdings Ltd is completed.

Impact on the Income Statement

During the financial year ended 31 December 2019, being the last historical normalised year prior to the outbreak of COVID-19, the properties earmarked to be transferred out of the Company in terms of the Framework Agreement generated an operating profit of €2.4 million. Accordingly, had the stated transactions occurred in FY2019, the Company's operating profit would have been lower by 23% (from €10.5 million to €8.1 million) and profit before taxation would have been lower by 32% (from €7.6 million to €5.2 million).

