FINANCIAL PLANNING
SERVICES LIMITED

4, Marina Court, 1, G. Cali Street,
Ta' Xbiex XBX 1421, Malta.
Tel: +356 2134 4244
Fax: +356 2134 1202
E-mail: info@bonellofinancial.com
Co. Reg. No: C3608

19 June 2017

The Directors
Dizz Finance plc
Dizz Buildings
Triq il-Harruba
Santa Venera
Malta

Dear Sirs

Dizz Finance plc – Financial analysis summary

In accordance with your instructions, and in line with the requirements of the Listing Authority, we have compiled the Financial Analysis Summary (the "Analysis") set out on the following pages. A copy of this report is also attached to this letter.

The purpose of the Analysis is that of summarising key financial data appertaining to Dizz Finance plc (the "Issuer") and Dizz Group of Companies Limited (the "Guarantor" or "Dizz Group" or "Group"). The information is derived from various sources, as disclosed, or is based on our own computation as follows:

1. Historical financial data for the period 24 June 2015 (date of incorporation) to 31 December 2016 were extracted from the audited financial statements of the Issuer;
2. Historical financial data for the three years ended 31 December 2014, 31 December 2015 and 31 December 2016 were extracted from audited financial statements of the Guarantor;
3. The forecast for the financial year ending 31 December 2017 and the projection for the year ending 31 December 2018 were prepared by management;
4. Our commentary on the result of the Issuer and Guarantor and on its financial position is based on the explanations provided by management; and
5. The ratios quoted in the following pages are computed through the application of the definitions set out in Part 7 of the Analysis.

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of the Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of the proposed Bond Issue and should not be interpreted as a recommendation to invest in the Bonds. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. Prospective investors should seek professional advice before investing in the Bonds.

Yours faithfully,

Matthew Bonello
Director

WWW.BONELLOFINANCIAL.COM
Directors: Matthew Bonello | Elaine Bonello | Antoinette Bonello

Founding member of The Malta Stock Exchange and Licensed to conduct Investment Services and Insurance Broking Business by the Malta Financial Services Authority

Contents

Glossary

Analysis	Financial Analysis Summary
Bond Issue	The €8.0 million 5% unsecured bonds 2026
Company or Dizz Finance or Issuer	Dizz Finance p.l.c.
Dizz Group or Group or Guarantor	Dizz Group of Companies Limited
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax Depreciation and Amortisation
FY	Financial Year
Hub	Development of a site in Mriehel
Management	Management of the Dizz Group, including Dizz Finance p.l.c.
POS	Promise of Sale
ROA	Return on Assets
ROE	Return on Equity
ROCE	Return on Capital Employed

1 Information about the Issuer and Guarantor

1.1 Key activities

1.1.1 The Issuer

Dizz Finance plc (the "Issuer", the "Company" or "Dizz Finance") was originally registered as Dizz Rentals Ltd, a limited liability company under the laws of Malta, on 24 June 2015. This company was converted into a public limited company and re-named on 15 January 2016.

The principal object of Dizz Finance p.l.c. is to act as the financing arm of the Dizz Group, by raising funds and lending them on to Group companies. The Issuer owns and manages a portfolio of properties in Malta either for use by the Dizz Group or for rental to third parties. The Issuer's property portfolio includes both residential properties (apartments and a maisonette) mainly situated in upmarket localities and retail properties including a shop and garage. The retail properties are rented out to other companies within the Dizz Group while a number of the residential properties are leased out to third parties.

1.1.2 The Guarantor

Dizz Group of Companies Limited (the "Guarantor") was registered as a private limited liability company on 28 March 2014 and is the holding company of the Group. The Dizz Group's core activities involve the retail of branded garments and apparel together with the operation of a beauty product outlet and the operation of four catering establishments.

The Dizz Group is an established business operator in Malta which started its retail operations in 2000. The Group is the local franchisor of Terranova, Terranova Kids, Calliope, Liu Jo and Liu Jo Uomo. In 2016, the Group became the local franchisor for a number of high-end franchises, namely, Elisabetta Franchi and Max & Co. During the year, the Group also acquired representation rights for a number of other high-end brands, including Guess, Brooks Brothers, Trussardi, Paul & Shark and Harmont & Blaine.

The Dizz Group's catering activities include the operation of four cafeterias through the representation of the Italian franchise Café Pascucci in Malta. In addition, the Group also operates The Make Up Store, a beauty products outlet.

During the financial year ended 31 December 2016, the Group employed an average of 144 full-time employees across the 33 outlets it operated across Malta during the year. The Group's outlets are concentrated in the St. Julian's and Sliema area, while one Terranova megastore was opened in Iklin in June 2016, with another megastore opened in Fgura in November 2016. The Group also sub-leases commercial properties held at The Point (Sliema) and The Embassy (Valletta) to a third party.

1.2 Directors and key employees

1.2.1 The Issuer

Dizz Finance p.l.c. is managed by a Board of seven directors who are entrusted with its overall direction and management. The members of the Board as at date of this Analysis are included hereunder:

Directors	**Position**
Diane Izzo	Chairperson and Executive director
Karl Izzo	Executive director
Nigel Scerri	Executive director
Edwin Pisani	Executive director
Dr Laragh Cassar	Independent non-executive director
Francis Gouder	Independent non-executive director
Joseph C. Schembri	Independent non-executive director

The Executive Directors of the Issuer are entrusted with the company's day-to-day management and are also a director or officer 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 Dizz Group.

1.2.2 The Guarantor

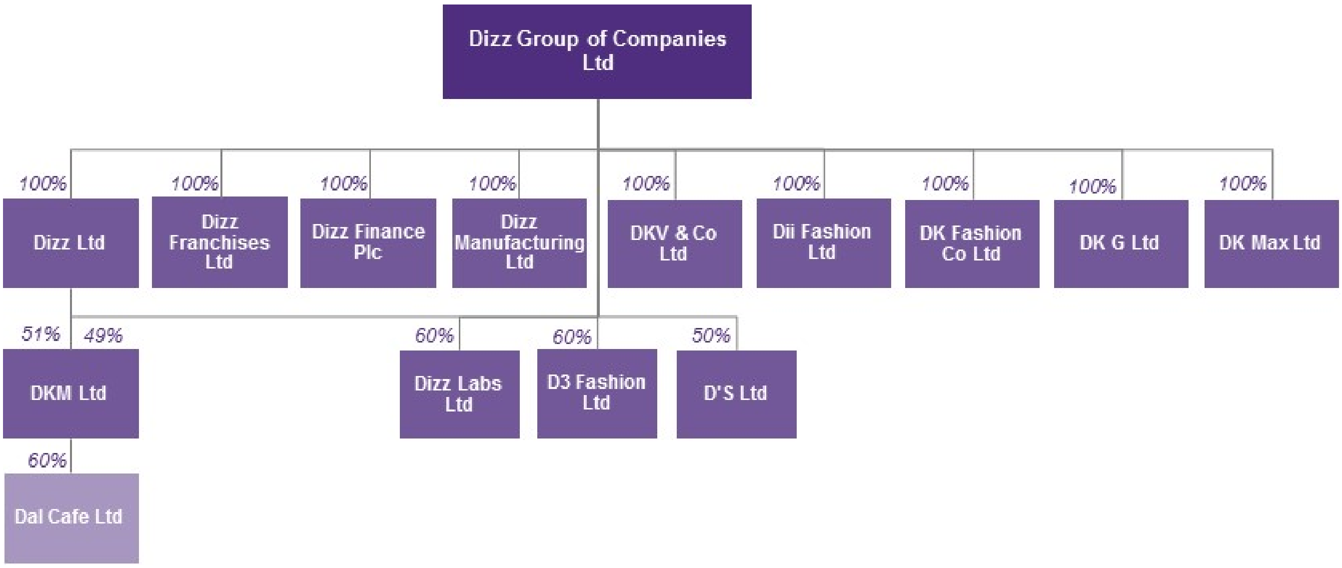
Dizz Group of Companies Limited is managed by a Board of Directors who is entrusted with its overall direction and management. The members of the board as at the date of this Analysis are included hereunder:

Directors	**Position**
Diane Izzo	Chief Executive and Executive Director
Denise Bonello	Operational Director
Daniela Bonello	Operational Director
Jean Paul Muscat	Finance Director
Edwin Pisani	Operational Director

1.3 Organisational structure

The authorised and issued share capital of Dizz Group as at the date of this Analysis is 3,290,000 ordinary shares at a nominal value of €1 per share. All issued shares are fully paid up. The shares are owned equally by Diane Izzo and Karl Izzo.

The diagram below illustrates the organisational structure of the Group as at 31 December 2016.



Source: Dizz Group of Companies Ltd 2016 audited financial statements and Registry of Companies

1.3.1 Dizz Ltd – 100% shareholding

Dizz Ltd was set up on 16 August 2000. This was the first company of the Group and was incorporated with the objective of holding and operating the Terranova and Calliope franchises in Malta. More recently, Dizz Ltd entered into a franchise agreement for representation of the Italian franchise Café Pascucci.

1.3.2 DKM Ltd – 100% shareholding

DKM Ltd was set up on 5 December 2012 with the scope of holding and operating the food and beverage franchise Café Pascucci. The Group owns 100% of the company though Dizz Ltd and Dizz Group of Companies Ltd, after the latter acquired the 49% of the shareholding which was not previously owned by the Group in April 2017. Currently, this company operates four Cafe' Pascucci cafeterias, including an outlet in Santa Venera and Paceville and two cubicles, situated in Bay Street and Tigne', but intends on opening a fifth outlet in Gzira in the near future.

1.3.3 DAL Cafe Limited – 60% shareholding

DAL Café Limited was set up on 19 October 2015. This company is 60% owned by DKM Ltd and operates a third party owned cafeteria in Cospicua under the Café Pascucci brand. The remaining shares in the company are owned by Dr. Alicia Agius Gatt. This sub-franchise agreement was entered into in 2015 and is expected to last for a 10 year period.

1.3.4 Dizz Franchises Ltd – 100% shareholding

Dizz Franchises Ltd was set up on 9 November 2015. The objective of this company is to act as the holding company for all of the Group's franchises. Rights on the franchise agreements will be assigned to the respective Group companies, who will be charged royalty fees. The company is still not operational.

1.3.5 Dizz Finance p.l.c. – 100% shareholding

Dizz Finance p.l.c. was originally set up as Dizz Rentals Ltd on 24 June 2015. The company was converted into a public limited company and re-named on 15 January 2016. The company is the financing arm of the Group, having issued an €8m bond in 2016, and also holds the Group's properties.

1.3.6 Dizz Manufacturing Ltd – 100% shareholding

Dizz Manufacturing Ltd was set up on 19 November 2013 with the scope of developing the Hub project in Mriehel. The Hub is a multi-purpose complex which will serve as the logistics centre for the Group's retail operations and house its head office. The Hub will also serve as a manufacturing hub, as well as the Group's storage and distribution centre.

1.3.7 DKV & Co Ltd – 100% shareholding

DKV & Co Ltd was set up on 4 June 2015. The objective of this company is to hold and operate the Paul & Shark, Harmont & Blaine and Trussardi brands which were acquired in 2016. The company operates five retail outlets in Sliema, Valletta and St Julian's.

1.3.8 Dii Fashion Ltd (formerly DVA Ltd) – 100% shareholding

Dii Fashion Ltd (formerly DVA Ltd) was set up on 7 September 2012. Whilst originally the Group held a 12.5% shareholding in this company, it acquired the remaining shareholding in 2015. Dii Fashion Ltd operates The Make Up Store outlet and designer sunglasses through You Vee Sunglasses outlet, both of which are situated at The Point. The company also sub-leases commercial premises situated at The Point and The Embassy to a third party.

1.3.9 DK Fashion Co. Ltd. – 100% shareholding

DK Fashion Company Ltd was set up on 14 July 2009. The objective of the company is to hold and operate the Liu Jo and Liu Jo Uomo franchises in Malta. There are currently three outlets representing this brand in Malta. The brand is also present at the Malta International Airport, and this is governed by an agreement with a third party retailer at the Departures Lounge.

1.3.10 Dizz Labs Ltd – 60% shareholding

Dizz Labs Ltd was set up on 9 February 2016. The remaining 40% shareholding is owned by Edwin Pisani. Management transferred the Group's administrative functions to Dizz Labs in 2016. Dizz Labs, in turn, charges a management fee to the other Group companies for the administration services provided.

1.3.11 D3 Fashion Ltd – 60% shareholding

D3 Fashion was set up on 21 May 2015 with the objective of holding and operating the Elisabetta Franchi brand in Malta. The Group owns 60% of the company, with the remaining 40% being split equally between Daniela Bonello and Denise Bonello. The company currently operates one outlet in Sliema, with plans for adding another outlet in the near future.

1.3.12 D's Ltd – 50% shareholding

D'S Ltd was set up on 30 April 2004 with the objective of holding and operating the Terranova Kids franchise in Malta. The company is 50% owned by Dizz Group of Companies Ltd with the remaining 50% being owned by Denise Bonello. The company currently operates one outlet in Santa Venera.

1.3.13 DK Max Ltd – 100% shareholding

DK Max Ltd was set up on 8 April 2016 with the aim of holding and operating the Max & Co brand. The company currently operates one outlet in Valletta, which was previously a Brooks Brothers outlet.

1.3.14 DK G Ltd (formerly DK Guess Ltd) – 100% shareholding

DK G Ltd (formerly DK Guess Ltd) was set up on 8 April 2016 with the aim of holding and operating the Guess and 7 Camicie franchises, which have recently been acquired. The company currently operates four Guess retail outlets, with plans of adding an additional outlet in future.

2 Principal assets of the Issuer

2.1 Property portfolio

As part of the restructuring of the Group, properties previously held by Dizz Limited (a Group company) and by its shareholders were in November 2015 transferred to Dizz Finance p.l.c. All the respective rental agreements were assigned to the Issuer on 1 January 2016.

The table below highlights the properties currently held by the Issuer, including both property used by the Group for its operations and also investment property held for rental income and capital appreciation. The Issuer's properties were independently valued by architect Kurt Vella at 31 December 2016, resulting in an uplift in value of €601k. In total, the properties had a fair value of €4.6m.

Name of property	Location	Description	Fair value as at 31 December 2016 (€)
Dizz Group Head Office	Carob Street, Santa Venera	Offices currently used as the Dizz Group Head Office	254,500
Terranova retail outlet Santa Venera	Kappillan Mifsud Street, Santa Venera	Retail outlet, currently a Terranova outlet	567,000
Mriehel land (the Hub)	Mriehel	Land in Mriehel earmarked for the development of the Hub, including the Group's new Head Office	675,380
Mellieha apartment	Tas-Sellum, Mellieha	Investment property in Mellieha to be rented out to third parties	216,500
St Julian's apartment	Church Street, St Julian's	Investment property in St Julian's to be rented out to third parties	262,500
Santa Venera maisonette	St Joseph Street, Santa Venera	Investment property in Santa Venera to be rented out to third parties	189,500
Gzira apartment	Savoy Gardens, Gzira	Investment property in Gzira to be rented out to third parties	260,000
Swieqi apartment	Corner View apartment, Swieqi	Investment property in Swieqi to be rented out to third parties	368,400
Sliema apartments	Qui Si Sana, Sliema	Two adjacent apartments in Sliema, acquired on plan and currently being built	1,490,588
Swieqi maisonette and garage	Aquarius maisonette and garage, Swieqi	Investment property in Swieqi to be rented out to third parties	274,677
Total			**4,559,045**

Properties rented out to Group companies

The Issuer owns freehold title to the premises known as the Terranova retail outlet in Santa Venera. The outlet measures 420sqm and was the first Terranova outlet in Malta. The Issuer also owns the Group's

Head Office, which is also situated in Santa Venera. The offices measure 114sqm and were valued at €255k on 31 December 2016.

Dizz Limited is the lessee of the Santa Venera outlet and head office. The rental agreement came into effect on 1 January 2016 and expires on 31 December 2025. The initial three year term is *di fermo*, whilst the subsequent 7 years are *di rispetto*, at the option of the lessee. Annual rent on the Terranova outlet in Santa Venera is fixed at €120k (excl. VAT), while the annual rent on the Group's Head Office is fixed at €12k (excl. VAT). Rent is payable quarterly in advance in equal instalments and shall increase annually at 4% per annum. The lessee is responsible to pay for all running expenses over and above the rental cost.

It is management's intention to relocate its Head Office to the premises it is currently developing in Mriehel and plans to lease out the existing offices to third parties once vacated. The land in Mriehel earmarked for the development of the new Head Office was valued at €675k on 31 December 2016. Preliminary planning and works have commenced on the site in Mriehel.

Other investment property

The Issuer owns a portfolio of seven properties which are held for leasing out to third parties. In addition to the five properties already owned by Dizz Finance p.l.c. at 31 December 2015, in August 2016 the Issuer acquired two adjacent apartments on plan in Qui Si Sana, Sliema for a total consideration of €1.0m. The apartments are expected to be developed and transferred to the Issuer in shell form during 2017, upon completion of construction works. In 2016, The Issuer recognised an increase in the fair value of these apartments totalling €601k. Also during 2016, the Issuer acquired a maisonette and garage in Swieqi for a consideration of €200k, with additional works totalling €75k also being made to this property during the year.

Properties under promise of sale agreements

The Issuer has entered into a number of promise of sale agreements during 2015 and 2016, with sales contracts yet to be completed for a number of these properties. However, one of these agreements was assigned to a third party for a profit of €5k (excluding agency costs, tax and stamp duty implications, if any).

The promise of sale agreements include an agreement for the acquisition of a commercial property in Gzira for a total consideration of €350k. The premises, having an area of 80sqm, is earmarked for the opening of a fifth Café Pascucci outlet in Malta. Deposits totalling €150k have been paid to date, with the remaining €200k expected to be paid during 2017. The new outlet is expected to be operational in 2018.

Furthermore, the Issuer has recently entered into a promise of sale agreement for the acquisition of an apartment at the Portomaso Laguna for a total consideration of €1.2m. A deposit of €240k was paid on the apartment in 2016, with a second deposit of €480k being paid in 2017. The final payment of €480k is expected to be made in March 2018.

During 2016, the Issuer also entered into a promise of sale agreement to acquire an apartment in Sliema having a value of €343k. As at 31 December 2016, the full amount had been paid as a deposit on the property. This apartment is currently in the process of being sold to third parties.

The total consideration for the acquisition of the remaining two apartments currently under promise of sale agreements in Pieta and another one in St Julian's, measuring 97sqm and 195sqm, amounts to €614k. Deposits totalling €56k were paid on these properties, with the remaining balances expected to be paid in 2017.

Improvements to properties

Improvements to properties primarily include the value of movables (equipment, furniture and fittings) within the investment properties owned by Dizz Finance p.l.c., which were acquired as part of the initial transfer. The carrying amount of these movables is €369k as at 31 December 2016, and are depreciated over 5 years.

2.2 Amounts due by Group companies

As at 31 December 2016, amounts due to Dizz Finance p.l.c. from related parties totalled €6.3m. These represented amounts loaned out to Group companies, in line with the use of proceeds from the bond issue. These loans are covered by agreements between Dizz Finance p.l.c. and the respective Group companies, dated 30 November 2016. These loans have a 10 year term, and are subject to an interest rate of 8% per annum.

2.3 Dependencies on the Group

The Issuer's principal business is to act as the main financing arm and property holding company of the Group. The Issuer is dependent on other entities within the Group and 81% of its revenue in FY16 was generated from Group companies. This included interest income from related parties totalling €114k and also rental income totalling €132k. It is estimated that around 84% of the Issuer's revenue will be generated by Group companies in FY18.

3 Material contracts of the Group

The Group, through its subsidiaries, has entered into the following material contracts:

3.1.1 Franchise agreements

The Group has entered into a number of franchise agreements for all the brands it represents. The Terranova and Calliope brands are key contributors to the performance of the Group's fashion retail operations while the franchise agreement with Café Pascucci is key to the Group's catering operations. The main commercial terms of these agreements are summarised below:

- Terranova franchise agreement: Dizz Ltd entered into five franchise agreements with Teddy S.p.A. for the operation of five Terranova outlets in Bay Street, Embassy, Santa Venera, Paola and Tigne Mall. The contracts are renewed annually and are subject to minimum turnover levels per outlet. Dizz Ltd has signed a sales network contract agreement with respect to the Terranova megastores in Fgura and Iklin. These contracts were signed in 2016 and are valid for seven years but will be automatically renewed upon expiry.

- Calliope franchise agreement: Dizz Ltd entered into two franchise agreements with Teddy S.p.A. for the operation of two Calliope outlets in Bay Street and Tigne Mall. The contracts are renewed annually and are subject to minimum turnover levels.

- Café Pascucci franchise agreement: Dizz Ltd entered into four franchise agreements with Café Pascucci Torrefazione S.p.A. for the operation of four Café Pascucci cafeterias in Bay Street, Tigne Mall, Santa Venera and Paceville. The agreements have an initial duration of three years, after which they will be renewed for a further three years. Dizz Ltd was required to pay an entrance fee upon signing the agreement (which includes material and services), together with an annual fee payable thereafter.

The Group also has franchise agreements in place with Liu Jo S.p.A. and Cocama Ltd for the distribution of Liu Jo and Liu Jo Uomo garments and apparel in Malta together with an agreement with Make Up Store AB for the distribution of make-up products under the Make Up Store trademark.

In line with the Group's objective to expand its operations, during 2016, the Dizz Group obtained the right to distribute and sell a number of new high-end brands. The main commercial terms of these agreements are summarised below:

- Dizz Group acquired the franchise of the following three brands, Guess, 7 Camicie and Brooks Brothers on 1 May 2016. This transfer was secured for a consideration of €1.0m; €0.1m will be paid in 2016 whilst the outstanding €0.9m will be paid in five equal instalments thereafter.

- During the latter part of 2016 the Group acquired the right to distribute and sell through exclusive stores three new high end brands in Malta, being Paul & Shark, Trussardi and Harmont & Blaine. The transfer was made for a total consideration of €1.3m (excluding the value of inventory). In addition, any stock held by the transferor as at transfer date was valued and transferred to the Group along with any fixtures and fittings.

In addition to the brands acquired by the Group mentioned above, the Group also entered into agreements with Betty Blue S.p.A. to open an Elisabetta Franchi branded store in Malta together with an agreement with Manifatture Del Nord S.r.l. for the distribution of Max & Co products in Malta. Both agreements have a five year term, started in late 2015 and require the Dizz Group to make a minimum number of purchases every year.

3.1.2 Development of the Hub

The Group is currently in the process of developing the proposed site in Mriehel (referred to as the "Hub" or the "Hub project"), which is earmarked as a logistics centre for the Group's retail operations, house its Head Office, serve as a manufacturing site and also house the Group's storage and distribution centre. A Café Pascucci outlet is also expected to be developed in the reception area. The Hub is expected to be completed by June 2018. Planning and preliminary works for the project have already commenced.

The Hub will be constructed on a site of c. 1,245sqm located in Mriehel. The site has been granted to Dizz Manufacturing by the Government Property Department on a temporary emphyteusis of 65 years. This emphyteutical grant was granted against a lump sum of €500k in 2016 upon commencement of the grant, with €18k being payable annually throughout the term of the grant. The ground rent is also subject to a revision every five years.

This project will be set on seven floors including two which will be used as a parking area. The other floors will be used to organise the storage and distribution hub for the Group's retail operations. Part of the storage hub will be used for the assembly and packaging of garments. These operations will involve buttoning, zipping and packaging of Terranova clothing before these are distributed to various countries. These operations are expected to account for c. 41% of the proposed area. The remaining area will be used for the Group's Head Office and the Café Pascucci cafeteria.

3.1.3 Lease agreements

The Group has a number of lease agreements in place. The main terms of these agreements are listed below:

- Embassy Management Ltd: Dizz Limited has entered into a lease agreement with Embassy Management Ltd to operate a Terranova outlet in the Embassy Complex. This agreement will expire in 2024. During this period the lessee is expected to pay a monthly concession fee in advance.

- Bay Street Holdings Ltd: the following four subsidiaries, Dizz Ltd, D's Ltd, DK Fashion Co. Ltd and DKM Ltd have signed separate lease agreements to operate Terranova, Calliope, Calliope (Kids), Liu Jo and Café Pascucci brands. All agreements with Bay Street Holdings Ltd are expected to expire by 2020. The lessees agreed to pay a one-time goodwill fee to the lessor and also an operator's fee and a service fee per square meterage of the designated area. The latter charges are required to be paid one month in advance. DK Guess Limited has also entered into an agreement with a third party for the assignment of an additional outlet in Baystreet to the Group, from which a Guess outlet will be operated. The assigned agreement expires in 2019.

- Tigné Mall Ltd: Dizz Ltd, DK Fashion Co. Ltd and DKM Ltd signed a lease agreement with the lessor to operate the Terranova, Calliope, Liu Jo and Pascucci brands in an assigned space in Tigné Mall. The lease agreements are expected to expire between 2020 and 2030. During such tenure the Lessee is expected to make rental payments on a quarterly/monthly basis.

- Approved Ltd: DKM Limited entered into a lease agreement with the lessor for the rental of an area forming part of the Dragonara Business Centre in Paceville from which a Café Pascucci outlet is operated. The agreement was signed in 2016 and is valid for 10 years. Rent is payable yearly in advance.

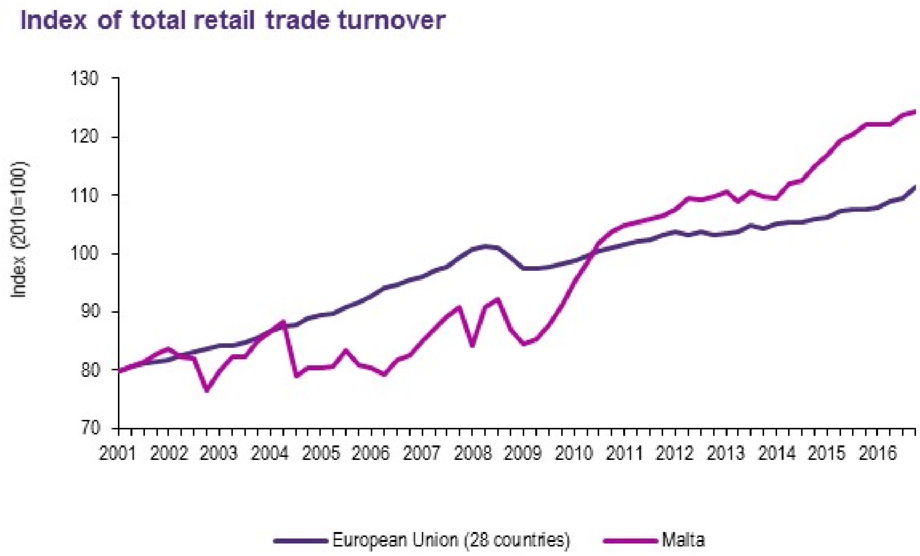
- Other outlets: The Group has entered into rental agreements for two additional outlets in Valletta from which Brooks Brothers and Elisabetta Franchi outlets will be operated. The rental agreement for the outlet in Republic Street will expire in 2028, with rent being payable quarterly in advance. The agreement for the outlet in South Street will expire in 2027 with rent also being payable quarterly in advance.

4 Market analysis

4.1 Retail sales in Malta

As shown in the chart below, the total retail trade turnover in Malta has registered strong growth since 2009 and has outpaced the average growth experienced within the 28 EU countries. This reflected the stronger increase in prices experienced in Malta when compared to the EU average, together with stable overall volumes of trade. Prior to 2010, Malta's performance lagged behind the EU average retail turnover, however this situation has since reversed. A number of factors have contributed to this strong performance, including:

- The increase in disposable income resulting from lower utility costs and a robust labour market;
- The opening of various commercial centres in Malta; and
- The robust overall growth of the Maltese economy which has outpaced the EU average; and
- The increase in the expat community in Malta.



Source: Eurostat – Retail trade, except of motor vehicles and motorcycles, Index of total turnover, quarterly data (seasonally and calendar adjusted)

4.2 Overview of the apparel retail sector in Malta

Retail sales of clothing in specialised stores in Malta have performed strongly over the past few years, reflecting the performance of the retail sector in general over the period. NSO data illustrates that turnover within the sector has registered consecutive years of growth between 2011 and 2015, increasing from €168.5m in 2011 to €203.8m in 2015, representing a Compound Annual Growth Rate (CAGR) of 4.9%.

While the total number of outlets selling fashion apparel remained relatively stable between 2011 and 2014 at just over 700 outlets, data for 2015 illustrates that the number of outlets has decreased to 570, despite a substantial increase in turnover. The significant decrease in outlets related principally to small outlets, employing up to 9 employees.

Performance of specialised clothing retail stores in Malta

	2011	2012	2013	2014	2015
0-9 employees					
Total turnover (€'000)	53,578	59,492	56,686	59,231	63,888
Number of outlets (units)	675	681	662	675	530
Average turnover per outlet (€'000)	79	87	86	88	121
Growth in average turnover		10.1%	-2.0%	2.5%	37.4%
10-49 employees					
Total turnover (€'000)	51,030	45,339	47,639	42,273	36,571
Number of outlets (units)	29	29	28	26	25
Average turnover per outlet (€'000)	1,760	1,563	1,701	1,626	1,463
Growth in average turnover		-11.2%	8.8%	-4.4%	-10.0%
50-249 employees					
Total turnover (€'000)	63,910	77,761	80,866	91,591	103,299
Number of outlets (units)	13	14	14	14	15
Average turnover per outlet (€'000)	4,916	5,554	5,776	6,542	6,887
Growth in average turnover		13.0%	4.0%	13.3%	5.3%
Total turnover (€'000)	**168,517**	**182,593**	**185,190**	**193,095**	**203,758**
Growth in total turnover		**8.4%**	**1.4%**	**4.3%**	**5.5%**
Total number of outlets	**717**	**724**	**704**	**715**	**570**

Source: National Statistics Office (NACE 47.71)

Note: Data presented in the table above is still subject to changes by NSO

Outlets employing 9 employees or less registered relatively stable growth in total turnover between 2011 and 2015, with the drop in the number of outlets seen in 2015 contributing to a substantial increase in average turnover per outlet. Conversely, medium sized outlets (employing between 10 and 49 employees) registered a decrease in both total turnover and average turnover between 2011 and 2015.

The trend towards larger outlets has persisted throughout the five year period between 2011 and 2015, as outlets employing over 50 employees increased from 13 to 15 and managed to capture an increasing percentage of the sector's turnover. The turnover of large outlets within the sector has increased from €63.9m or 38% of the clothing retail sector's turnover in 2011 to €103.3m or 51% of the sector's revenue in 2015. In addition, average turnover per outlet has increased from €4.9m in 2011 to €6.9m in 2015.

The Dizz Group's total market share in 2015 is estimated at 2.9%, based on the Group's retail clothing sales in 2015 of €4.6m. The Group's market share is expected to increase going forward, as a result of the acquisitions made in 2016 which have enabled the Group to almost double its revenue.

4.3 Market positioning

The table below illustrates the performance of the Dizz Group when compared to the performance of a number of its key competitors in the fashion retail industry in Malta.

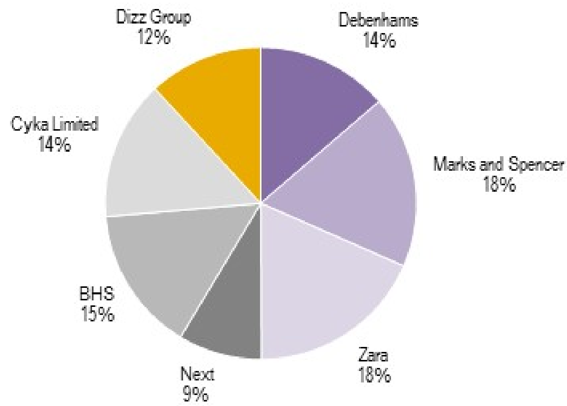
Performance of competitors

	FY13	FY14	FY15
Debenhams			
Revenue (€000)	6,028	6,965	7,256
Growth	8.9%	13.5%	4.0%
Gross profit	3,293	3,524	3,524
Gross profit margin	54.6%	50.6%	48.6%
Marks and Spencer			
Revenue (€000)	9,616	9,296	9,483
Growth	-1.1%	-3.4%	2.0%
Gross profit	4,596	4,507	4,461
Gross profit margin	47.8%	48.5%	47.0%
Zara			
Revenue (€000)	8,149	9,217	9,735
Growth	15.8%	11.6%	5.3%
Gross profit	3,639	4,042	4,256
Gross profit margin	44.7%	43.9%	43.7%
Next			
Revenue (€000)	4,511	4,482	4,597
Growth	-4.5%	-0.6%	2.6%
Gross profit	2,223	2,151	1,989
Gross profit margin	49.3%	48.0%	43.3%
BHS			
Revenue (€000)	9,368	7,912	7,962
Growth	-10.6%	-15.5%	0.6%
Gross profit	2,088	2,254	2,674
Gross profit margin	22.3%	28.5%	33.6%
Cyka Limited			
Revenue (€000)	5,795	6,919	7,670
Growth	84.9%	19.4%	10.9%
Gross profit	2,299	2,499	2,589
Gross profit margin	39.7%	36.1%	33.8%
Dizz Group			
Revenue (€000)	4,741	5,118	6,299
Growth	n/a	8.0%	23.1%
Gross profit	2,364	2,776	3,468
Gross profit margin	49.9%	54.2%	55.1%

Source: Audited financial statements of each company

Note: Cyka Limited represent Miss Selfridge, Promod, George and Morgan in Malta

Revenue by competitor for 2015



Source: Audited financial statements of each company

The Dizz Group registered particularly high growth in 2015 and 2016 as the company embarked on a substantial growth plan. This is expected to carry on into 2017, as further outlets are opened, while 2017 is also set to be the first full year of operations for a number of new outlets which the Group opened in 2016. The gross margins earned by the Dizz Group compare favourably with its competitors, with a 55.1% margin registered in 2015 being the highest registered by any of the companies included in this analysis. Though the Group's margins have decreased to 52% in 2016, these have remained healthy when compared to the margins earned by competitors in 2015.

5 Review of financial performance and position

5.1 Financial information of the Issuer

This section makes reference to the audited financial statements of the Issuer for the financial year ending 31 December 2015 and 2016. These have been audited by SWK Certified Public Accountants & Auditors in 2015 and KSi Malta Certified Public Accountants in 2016. The forecast financial information for the years ending 31 December 2017 and 2018 was provided by the Issuer's Management. The projected financial statements relate to events in the future and are based on assumptions which Management believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

It is worth noting that the 2015 financial statements were restated in 2016, in line with the requirements of IAS40 (Investment Property), as a result of which gains on property revaluation are now being accounted for through the statement of profit and loss rather than other comprehensive income. Balances held in the revaluation reserve were reclassified to retained earnings.

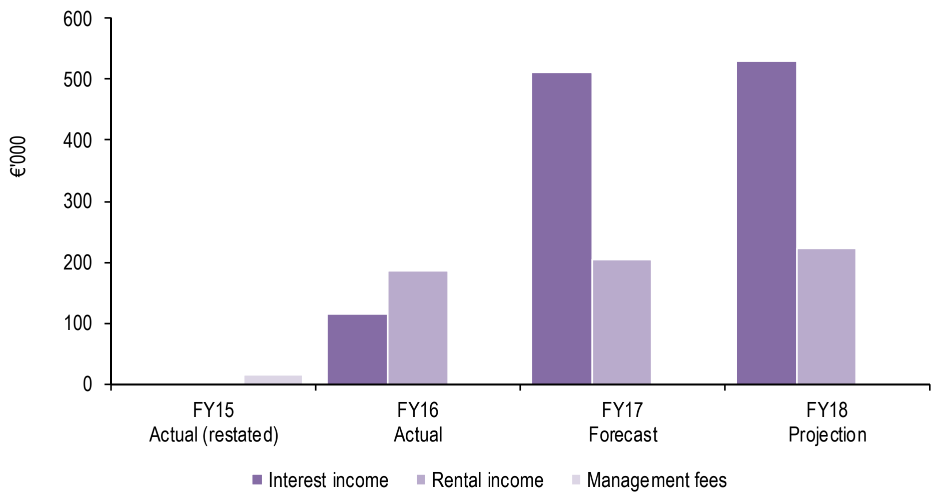
Issuer's statement of comprehensive income

€000	FY15 (1) Actual (restated)	FY16 Actual	FY17 Forecast	FY18 Projection
Revenue	15	303	716	754
Finance costs	(0)	(94)	(400)	(400)
Gross profit	15	208	316	354
Administrative expenses	(1)	(66)	(78)	(79)
Depreciation and amortisation	(8)	(47)	(65)	(65)
Operating profit	5	96	173	210
Fair value movement on property	836	601	-	-
Net profit before tax	842	697	173	210
Taxation	(156)	(104)	(51)	(60)
Net profit after tax	**685**	**593**	**122**	**149**

Source: Dizz Finance p.l.c. 2015 and 2016 audited financial statements and Management projections
Note (1): Period covers from 24 June 2015 to 31 December 2015

Following the Group restructuring which took place in FY15, during FY16, the Company's first full year of operation, revenue totalled €303k, as set out in the table above.

Breakdown of Issuer's revenue



Source: Dizz Finance p.l.c. 2015 and 2016 audited financial statements and Management projections
Note: Period covers from 24 June 2015 to 31 December 2015

Revenue in FY16 consisted mainly of interest income from related parties (€114k), rental income due from related companies (€132k) and rental income from third parties (€55k). Going forward, Management expects to achieve revenues of €754k in FY18, representing a stabilised year of performance. This growth in revenue is projected to arise from:

- Interest receivable from loans to Group undertakings: The Issuer has entered into loan agreements with Group companies, earning interest at the rate of 8% per annum, during the latter part of FY16. This is expected to grow in FY17, reflecting the payment of a full year's interest on these loans;

- Rental income: The Issuer is expected to generate a stabilised annual rental income of €223k, including €132k in rent from Group companies and €91k from third party lessees. The projections are based on the assumption that existing contracts will be automatically renewed on termination and that no revenue will be generated on the two apartments in Qui Si Sana, Sliema.

Finance costs in FY16 amounted to €94k, representing primarily accrued interest on the Bond. The Company's administrative expenses, which totalled €66k in FY16, include Directors' fees, management fees charged by Group companies (including general administration costs and salaries, accountancy and professional fees), audit fees, listing fees and registration fees. Directors' remuneration is expected to increase by 10% every three years whilst management fees, which principally include general administrative costs and salaries, are expected to increase at the rate of 2% per annum, in line with general inflation.

As mentioned previously, during FY16, the Issuer changed its accounting policies relating to uplifts in the value of investment property. During the year, the Issuer commissioned architect Kurt Vella, an independent valuer not related to the Issuer, to carry out the fair value assessment of its properties. As a result, the Company recognised an increase in the fair value of investment property of €601k in its income statement, relating to the apartments that the Issuer acquired in Qui Si Sana Sliema. The fair value of the properties was determined based on the market comparable approach, reflecting recent transaction prices for similar properties.

Issuer's statement of financial position

€000	FY15 [1] Actual (restated)	FY16 Actual	FY17 Forecast	FY18 Projection
ASSETS				
Non-current assets				
Property, plant and equipment	410	369	328	287
Investment property	2,118	3,884	4,848	6,048
Other financial assets	-	100	-	-
Loans owed by related companies	-	6,263	6,263	6,263
Bond issue costs	-	237	213	189
Deposits on property	132	793	720	-
Total non-current assets	**2,660**	**11,646**	**12,372**	**12,787**
Current assets				
Trade and other receivables	32	199	199	199
Cash and cash equivalents	-	220	2,027	663
Total current assets	**32**	**419**	**2,226**	**862**
Total assets	**2,692**	**12,065**	**14,597**	**13,648**
EQUITY AND LIABILITIES				
Equity				
Share capital	900	1,910	1,910	1,910
Retained earnings	686	1,278	1,400	1,550
Total equity	**1,586**	**3,188**	**3,310**	**3,460**
Non-current liabilities				
Borrowings	930	8,000	8,000	8,000
Shareholder loans	-	-	600	600
Deferred tax liability	151	194	194	194
Total non-current liabilities	**1,081**	**8,194**	**8,794**	**8,795**
Current liabilities				
Trade and other payables	1	202	100	100
Borrowings	19	420	2,341	1,233
Current taxation	5	60	51	60
Total current liabilities	**25**	**682**	**2,492**	**1,393**
Total liabilities	**1,107**	**8,877**	**11,287**	**10,188**
Total equity and liabilities	**2,692**	**12,065**	**14,597**	**13,648**

Source: Dizz Finance p.l.c. 2015 and 2016 audited financial statements and Management projections

Note (1): Period covers from 24 June 2015 to 31 Dec 2015

The Issuer's total assets increased from €2.7m as at 31 December 2015 to €12.1m by the end of FY16. This increase reflected the investment in and increases in value of investment property which, including deposits made on properties, rose from €2.3m as at 31 December 2015 to €4.7m as at 31 December 2016. In addition, the Issuer advanced loans to Group companies, totalling €6.3m, in line with the use of proceeds from the Bond Issue. As per the terms of loan agreements included in the contracts dated 30 November 2016, the amounts due from related parties are repayable at the end of the 10 year period from the commencement of the agreements.

The increases in investment property arose as a result of a revaluation of €601k during 2016, together with new investments totalling €1.2m made on properties in Qui Si Sana and Swieqi. At 31 December 2016, the Issuer had €2.5m in capital commitments with respect to the acquisition of immovable property held on promise of sale (excluding deposits paid of €793k), as detailed in section 2.1. The increases in investment property in 2017 and 2018 are expected to arise from the completion of the acquisitions of the investment property held under promise of sale agreements.

The Issuer's borrowings also increased from €949k at 31 December 2015 to €8.4m as at 31 December 2016 following the Bond Issue. This included an amount totalling €420k due to related parties. Net debt is expected to gradually decrease going forward as the Company's cash reserves increase in anticipation of the redemption of the bond. Given the Issuer's role as the Dizz Group's financing arm, the Group intends to use a cash sweep mechanism going forward. While the mechanism was not utilised during 2016, this will entail that all cash balances held by Group companies will be deposited with Dizz Finance p.l.c. This will increase both the Issuer's cash reserves together with amounts due to related parties (shown under the current portion of borrowings in the forecasted statement of financial position).

As at 31 December 2016, total equity stood at €3.2m, increasing from €1.6m as at 31 December 2015. An injection of share capital of €1m occurred during 2016 while profits registered during the year, mainly relating to property revaluation, increased retained earnings from €686k in 2015 to €1.3m in 2016. The Issuer's equity base is expected to increase further in 2017 and 2018, as a result of retention of profits earned during these years.

Issuer's statement of cash flows

€000	FY15 (1) Actual (restated)	FY16 Actual	FY17 Forecast	FY18 Projection
Cash flows from operating activities	15	192	76	224
Cash flows from investing activities	(1,832)	(1,926)	(791)	(480)
Cash flows from financing activities	1,798	1,974	2,521	(1,108)
Movements in cash and cash equivalents	(19)	240	1,806	(1,364)
Opening balance	-	(19)	221	2,027
Closing balance	**(19)**	**221**	**2,027**	**663**

Source: Dizz Finance p.l.c. 2015 and 2016 audited financial statements and Management projections

Note (1): Period covers from 24 June 2015 to 31 December 2015

The cash flow statement for the Company reflects the flows into and out of the company that relate to the raising, servicing and repayment of debt, in addition to the income derived from the rent and interest receivable.

During FY16, the Issuer generated €192k from operations, mainly resulting from the rental of the Company's properties. In addition, the Issuer also used €1.9m in cash for investing activities, representing:

- the acquisition of investment property totalling €1.2m, including two apartments in Qui Si Sana and a property in Swieqi;
- deposits paid for the acquisition of additional properties, including the apartment in Portomaso and the apartment in Sliema, amounting to €661k;
- the acquisition of investments in HSBC and Bank of Valletta, listed on the Malta Stock Exchange, totalling €100k. These investments have subsequently been sold by the Issuer in 2017.

Cash inflows from financing activities amounted to €2m in FY16. This included the proceeds from the bond issue, net of issue costs, which amounted to €7.8m, of which €7.2m were used to settle an outstanding related party loan of €930k and €6.3m loaned out to other Group companies. The Issuer also received a cash inflow from related parties of €452k. The injection of share capital made during the year resulted in a further inflow of €1m, with these funds used to fund the acquisition of the Qui Si Sana apartments.

Going forward, cash flows from investing activities represent payments for the acquisition of properties held under promise of sale. Also, cash flows from financing activities represent the net amounts received through the cash sweep mechanism described previously. The projections assume that such transfers will not bear interest.

At 31 December 2016, the Issuer held a cash balance of €220k, as opposed to an overdrawn balance of €19k a year earlier.

Issuer's evaluation of performance and financial position

	FY15 (1) Actual (restated)	FY16 Actual	FY17 Projection	FY18 Projection
Gross profit margin (Gross Profit / Revenue)	99.7%	68.8%	44.1%	47.0%
Operating profit margin (Operating Profit / Revenue)	34.4%	31.7%	24.1%	27.8%
Net profit margin (Profit for the year / Revenue)	4569.9%	195.9%	17.0%	19.8%
Interest coverage ratio (Operating profit adding back depreciaition, amortisation and interest payable / interest payable)	289.36x	2.51x	1.60x	1.69x
Return on assets (Operating Profit / Total Assets)	0.2%	0.8%	1.2%	1.5%
Return on capital employed (Operating Profit / Capital Employed)	0.2%	0.8%	1.4%	1.7%
Return on equity (Profit attributable to owners / Average Equity attributable to owners)	43.2%	18.6%	3.7%	4.3%
Current ratio (Current Assets / Current Liabilities)	1.27x	0.61x	0.89x	0.62x
Gearing Ratio (Net Borrowings / (Total Equity + Net Borrowings))	37.5%	72.0%	71.5%	71.2%

Source: Financial Services Planning Ltd based on Dizz Finance p.l.c. 2015 and 2016 audited financial statements and Management projections

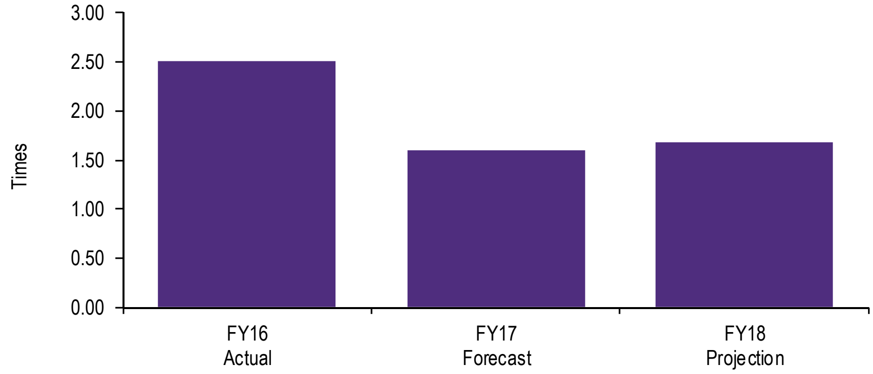
Note (1): Period covers from 24 June 2015 to 31 Dec 2015

The Issuer's profitability ratios for FY16 reflected the increasing level of activity undertaken by the Company after the issuance of the bond. The Issuer started receiving both interest and rental income during FY16, resulting from the lending out of bond proceeds to Group companies and the rental of property to Group companies and third parties. Profitability ratios in FY15 and FY16 were higher than those expected to be registered in FY17 and FY18, primarily reflecting increases in the fair value of the Issuer's properties registered during the year. These ratios are expected to stabilise in FY17 and FY18, particularly given the stable nature of the Issuer's operating activities.

The decrease in gross profit margin expected in FY17 and FY18 reflects the higher interest cost the Issuer will incur during the period in relation to its outstanding bond, as FY17 will be the first year in which the Company will incur a full year's interest. The Group's performance going forward is expected to be supported by the leasing out of properties on which promise of sale agreements have already been signed.

The Issuer's interest cover, calculated as income (after deducting administrative expenses, and excluding fair value movement on property, depreciation and amortisation) to interest payable, amounted to 2.51 times in FY16 and is expected to remain above 1.6 times in FY17 and FY18.

Interest cover ratio analysis

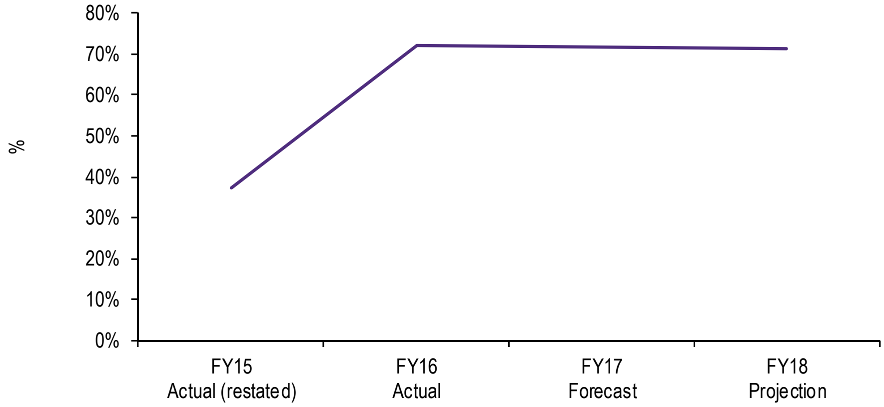


Source: Financial Planning Services Ltd based on Dizz Finance p.l.c. 2015 and 2016 audited financial statements and Management projections

Amounts loaned out to Group companies are expected to be repaid in 2026 while short term borrowings are expected to take the form of cash surpluses from Group companies which will be deposited with Dizz Finance p.l.c. As a result, the Issuer's current ratio totalled 0.61:1 in FY16. This is expected to remain relatively unchanged by FY18, primarily due to the increase in amounts due to related parties classified as current borrowings and the continued investment in investment properties in 2017 and 2018.

The gearing ratio, which measures the extent to which the Issuer is financed through debt and shareholders' equity, amounted to 72% in FY16. For the purposes of this calculation, borrowings are based on the outstanding bonds and other borrowings, net of cash balances held by the Issuer. On the other hand, the Issuer's equity includes issued share capital and any accumulated reserves. This is expected to gradually improve to around 71% in FY17 and FY18. Further improvement in the Company's gearing is expected going forward as a result of the gradual build-up of cash resources as the Group continues to grow its operations.

Gearing ratio analysis



Source: Financial Planning Services Ltd based on Dizz Finance p.l.c. 2015 and 2016 audited financial statements and Management projections

5.2 Financial information of the Guarantor

As illustrated in previous sections, the Issuer is owned by Dizz Group of Companies Limited. As the Issuer's primary role is that of raising funds to finance the Group's operations, combined with the fact that the proposed Bond Issue is unsecured, but is guaranteed by the Dizz Group, an overview of the performance and financial position of the Group is set out below.

This section makes reference to the audited financial statements of the Guarantor for the financial years 31 December 2014, 2015 and 2016. All financial statements have been audited by SWK Certified Public Accountants & Auditors in 2014 and 2015 and KSi Malta Certified Public Accountants in 2016. The forecasted financial information for the years ending 31 December 2017 and 2018 was provided by the Group's Management. The projected financial statements relate to future events and are based on assumptions which Management believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

Guarantor's Statement of comprehensive income

€000	FY14 Actual	FY15 Actual (restated)	FY16 Actual	FY17 Forecast	FY18 Projection
Revenue	5,118	6,299	10,156	16,882	17,691
Cost of material	(2,342)	(2,831)	(4,873)	(8,670)	(9,026)
Gross profit	2,776	3,468	5,283	8,212	8,665
Administrative costs	(2,313)	(2,770)	(4,066)	(5,928)	(6,352)
EBITDA	464	698	1,217	2,284	2,313
Depreciation and amortisation	(344)	(360)	(791)	(803)	(818)
Operating profit	120	339	426	1,481	1,495
Fair value movement of investment properties	-	282	601	-	-
Gain on disposal of property, plant and equipment	-	-	24	-	-
Foreign exchange gains	2	-	-	-	-
Other income	39	-	105	119	140
Finance costs	(40)	(128)	(381)	(441)	(430)
Profit before tax	121	493	774	1,159	1,205
Taxation	(28)	(162)	(181)	(359)	(410)
Net profit	92	331	593	800	796
Other comprehensive income					
Property revaluation	-	76	-	-	-
Deferred tax	-	(41)	-	-	-
Other comprehensive income for the year, net of income tax	**-**	**35**	**-**	**-**	**-**
Total comprehensive income for the year	**92**	**366**	**593**	**800**	**796**
Profit/(loss) for the year attributable to:					
Owners of the Company	92	305	605	800	796
Non-controlling interest	-	26	(12)	-	-
	92	331	593	800	796
Total comprehensive income for the year attributable to:					
Owners of the Company	92	340	605	800	796
Non-controlling interest	-	26	(12)	-	-
	92	**366**	**593**	**800**	**796**

Source: Dizz Group of Companies Ltd 2014 to 2016 audited financial statements and Management projections

Note 1: Based on Audited pro-forma results as Dizz Group of Companies Ltd as incorporated on 28 March 2014

The Group generates the vast majority of its revenue from the sale of clothing items, with 92.5% of total revenue being generated from the sale of clothing in 2016. In FY16, the Group's turnover rose from €6.3m in FY15 to €10.2m, representing an increase of 61.2%, as the number of outlets operated by the Group grew to 33.

Breakdown of Group's revenue

Source: Dizz Group of Companies Ltd 2014 to 2016 audited financial statements and Management projections

The growth in the Group's revenue during FY16 was principally as a result of:

a) The acquisition of a number of new franchises, including Elisabetta Franchi and Max & Co, together with the transfer of a number of other brands, including Guess, Trussardi, Harmont & Blaine, Paul & Shark and Brooks Brothers, through transactions which were completed during 2016.

b) The opening of two Terranova megastores in Iklin and Fgura during 2016. The Iklin megastore opened its doors in June while the Fgura megastore opened its doors in November of the same year. The Group currently also operates a Terranova outlet in Paola, however this outlet is expected to be closed down in the near future as a result of the opening of the megastore in Fgura.

During the latter part of FY16, the Group opened three new outlets which had not been included in the initial forecasts for the year. These included a Golden Point outlet in Bay Street, a Brooks Brothers outlet in Valletta and a Café Pascucci outlet in Paceville.

Despite the Group opening a number of new outlets and representing various new brands in Malta, Management expect that the Terranova brand will still contribute c. 50% of total turnover in FY17 and FY18.

The Group's catering operations also registered strong growth during FY16, totalling €760k, more than double the revenue of €359k registered in FY15. All the revenue generated from the Group's F&B operations is generated from the representation of the Italian franchise Café Pascucci, which commenced during 2014. The Group operated four Café Pascucci outlets during FY16, with a fifth expected to open in the near future.

The Group also operates a beauty outlet in the Tigne Mall which sells products of the franchise Make Up store. This operation represents a negligible part of the Group's overall revenue.

Revenue is expected to again increase significantly in FY17, primarily as a result of a full year's operation of the Group's new outlets, including the two new Terranova megastores. In addition, Management anticipates that the Group will be presented with further opportunities to grow its network of outlets further during FY17 and FY18. However, forecasts and projections for FY17 and FY18 only include revenue from outlets on which the Group can make accurate estimates of expected performance.

Administration costs of the Group are managed centrally by the Head Office and are subsequently allocated to individual companies. Total administrative costs continued to grow during FY16, in order to support the Group's operations. These costs rose from €2.8m in FY15 to €4.1m in FY16, representing an increase of 46.8%, with the increases primarily relating to rent and staff costs (including staff employed in the Group's outlets). Administrative costs are expected to rise further during FY17 and FY18, as the Group continues to expand its operations, requiring increased levels of resources.

The Group's finance costs rose from €128k in FY15 to €386k during FY16. This included bank charges of €199k (FY15: €84k), interest on bank overdrafts of €89k (FY15: €44k) together with accrued interest on the Bond totalling €93k and amortisation of bond expenses of €6k. Going forward, the Group's main finance costs is expected to be interest on the outstanding €8m bond, which at a coupon of 5% will amount to €400k. The Group also expects to incur interest on outstanding overdraft balances, resulting in an interest cost of around €50k to €60k in FY17 and FY18. This is expected to be partly offset by interest income on cash balances held by the Group.

During FY16, the Group also recognised a fair value gain on investment property amounting to €601k which related to the property which had been acquired on plan in Qui Si Sana, Sliema. The increase in the property's fair value had previously been expected to take place in FY17. The Group also recognised a gain on the disposal of non-current assets totalling €24k during the year.

As a result, the Group registered profit before tax of €774k during FY16, with net profit after tax amounting to €593k. The Group's profit is expected to increase to €800k in FY17 and FY18, excluding any gains on the fair value of investment property, as a result of the sustained growth in operations over the period.

Guarantor's statement of financial position

€000	FY14 Actual	FY15 Actual (restated)	FY16 Actual	FY17 Forecast	FY18 Projection
ASSETS					
Non-current assets					
Property, plant and equipment	2,360	3,075	7,698	9,178	9,892
Investment property	-	1,297	3,062	4,026	5,226
Intangible asset	149	280	1,079	991	911
Investment in associates	1	-	-	-	-
Deferred tax asset	3	14	37	37	37
Bond issue costs	-	-	237	213	189
Other financial assets	-	-	100	-	-
Other assets	-	132	793	480	-
Total non-current assets	**2,513**	**4,798**	**13,006**	**14,925**	**16,255**
Current assets					
Inventories	471	565	2,019	2,119	2,319
Trade and other receivables	55	151	1,651	1,291	1,291
Cash and cash equivalents	134	8	600	520	693
Total current assets	**660**	**724**	**4,270**	**3,930**	**4,303**
Total Assets	**3,173**	**5,522**	**17,277**	**18,854**	**20,558**
EQUITY AND LIABILITIES					
Equity					
Share capital	468	2,280	3,290	3,290	3,290
Retained earnings	(93)	197	802	1,602	2,397
Other reserves	478	513	513	513	513
	853	2,989	4,605	5,405	6,200
Non-controlling interest	10	54	58	58	58
Total equity	**863**	**3,043**	**4,662**	**5,462**	**6,258**
Non-current liabilities					
Borrowings	1,093	723	8,000	8,000	8,000
Shareholder loans	-	-	-	600	600
Trade and other payables	-	-	704	756	1,158
Deferred tax liability	-	151	194	194	194
Total non-current liabilities	**1,093**	**874**	**8,898**	**9,550**	**9,953**
Current liabilities					
Borrowings	397	912	1,074	1,000	1,455
Trade and other payables	736	659	2,483	2,483	2,483
Current taxation	84	34	159	359	410
Total current liabilities	**1,217**	**1,605**	**3,716**	**3,842**	**4,347**
Total liabilities	**2,310**	**2,480**	**12,614**	**13,392**	**14,300**
Total equity and liabilities	**3,173**	**5,523**	**17,277**	**18,854**	**20,558**

Source: Dizz Group of Companies Ltd 2014 to 2016 audited financial statements and Management projections

Note 1: Based on Audited pro-forma results as Dizz Group of Companies Ltd as incorporated on 28 March 2014

The Group's total assets rose from €5.5m at 31 December 2015 to €17.3m at 31 December 2016, reflecting the significant growth experienced by the Group during the year. The Group invested €5.9m in furniture and fittings and improvements to premises together with €675k in premises as part of the roll out of a number of new outlets during the year. This included the opening of a Golden Point outlet in Bay Street, a Brooks Brothers outlet in Valletta and a Café Pascucci outlet in Paceville which were not included in previous forecasts. The cost incurred in opening a number of the new outlets will be recovered from the franchisors, through credit notes, over a period of two to three years.

In addition, the Group's investment property increased by €1.8m during the year, as a result of both the acquisition of additional property totalling €1.2m and an uplift in the value of property of €601k. Deposits on properties paid by the Group amounted to €793k at 31 December 2016, as the Group entered into promise of sale agreements for another two apartments in Portomaso and Sliema. The Sliema apartment is currently in the process of being sold to third parties.

The Group's assets are expected to continue increasing in FY17 and FY18 as a result of:

- Capital expenditure expected to be incurred in relation to the development of the Hub;
- The acquisition of property currently held under promise of sale agreements;
- Investment in furniture, fittings and improvements to property relating to the Group's outlets.

The Group's intangible assets increased from €280k in 2015 to €1.1m in 2016 as a result of the acquisition of new brands in 2016 and the opening of the Terranova megastore in Iklin, on which the Group recognised an intangible asset of €700k which was not included in previous forecasts. Furthermore, the addition of these brands and the opening of new outlets has resulted in the Group's investment in inventories rising from €565k to €2m. It is worth noting that the inventory shown above does not include the inventory for the Terranova and Calliope brands, two major contributors to the Group's overall performance, which are bought on a consignment basis. The Group only expects to increase inventory levels marginally going forward, given the current number of outlets.

The Group's trade and other receivables rose from €151k in 2015 to €1.7m in 2016. This reflected amounts paid in advance by the Group for the rental of premises together with the temporary utilisation of cash resources as guarantees in favour of lessors and suppliers. The Group has been sanctioned new guarantee facilities for this purpose in March and April 2017, which will help decrease outstanding receivables in 2017. Trade and other payables rose from €659k as at 31 December 2015 to €3.2m as at 31 December 2016, due to the increase in the number of franchises operated by the Group. This also included capital creditors totalling €880k, relating to amounts due as part of the acquisition of the new brands made during 2016 and which will be paid over a period of five years. Capital creditors are expected to increase in FY17 and FY18, reflecting amounts due in relation to the development of the Hub.

As at 31 December 2016, the Group had a number of overdraft facilities in place, with overdrawn balances totalling €1.1m at year end. The Group also had off balance sheet financing of €1.7m, relating to bank guarantees and letters of credit in favour of suppliers. These guarantees are secured, *inter alia*, by the Group's properties, including the investment property portfolio held by the Issuer. In 2017, the Group have been granted extensions over existing facilities and a number of new overdraft and guarantee facilities have also been sanctioned. Available overdraft limits total €1.5m while guarantee facilities and letters of credit amount to €2.6m.

The Group's total equity rose from €3m in FY15 to €4.7m in FY16. This included an injection of share capital, totalling €1m, registered during the year together with the increase in retained earnings as a result retention of the profits for the year. This included a substantial proportion which related to a fair value gain on the apartments acquired in Qui Si Sana. Going forward, the Group's equity is expected to increase as a result of the retention of profits which will contribute towards financing of the Group's growing operations.

Guarantor's statement of cash flows

€000	FY14 Actual	FY15 Actual (restated)	FY16 Actual	FY17 Forecast	FY18 Projection
Cash flows from operating activities	254	229	474	2,062	1,464
Cash flows from investing activities	(580)	(2,883)	(8,109)	(2,722)	(2,148)
Cash flows from financing activities	392	2,030	7,813	652	402
Movements in cash and cash equivalents	66	(624)	178	(8)	(281)
Opening balance	(77)	(27)	(651)	(473)	(480)
Cash acquired upon acquisition	(15)	-	-	-	-
Closing balance	**(27)**	**(651)**	**(473)**	**(480)**	**(762)**

Source: Dizz Group of Companies Ltd 2014 to 2016 audited financial statements and Management projections

Note 1: Based on Audited pro-forma results as Dizz Group of Companies Ltd as incorporated on 28 March 2014

In FY16, the Group generated €474k from its operating activities, as cash flow continued to be impacted by the Group's increasing working capital requirements due to the sustained growth over the period.

The Group's investment over the period also resulted in a cash outflow from investing activities of €8.1m being registered. This included capital expenditure totalling €5.4m relating to the acquisition of new premises, improvements to premises and furniture and fittings for the Group's outlets. A further €890k were paid as goodwill/key money as the Group added a number of new brands to its portfolio through acquisitions and also opened a number of new outlets. The Group also invested cash totalling €1.8m in investment property and deposits on investment property, including the acquisition of two apartments on plan in Qui Si Sana and promise of sale agreements being entered into with respect to the apartments in Portomaso and Sliema.

Going forward, Management expect to use further cash resources in the acquisition of investment property together with the development of the Hub together with further investments in the outlets operated by the Group.

The investments made during the year were primarily financed by the proceeds from the bond issue which, net of issue costs, amounted to €7.8m. The Group also raised €1m through an injection of share capital. On the other hand, bank loans totalling €976k were repaid through the proceeds raised from the Bond Issue.

As a result, the Group's cash position improved by €178k during the year, with the net overdrawn balance decreasing from €652k in FY15 to €473k in FY16.

Management have obtained extensions of existing overdraft facilities, together with a number of new overdraft facilities, which will be used to finance any short-term working capital requirements going forward.

Guarantor's evaluation of performance and financial position

	FY14 Actual	FY15 Actual (restated)	FY16 Actual	FY17 Projection	FY18 Projection
Gross profit margin (Gross Profit / Revenue)	54.2%	55.1%	52.0%	48.6%	49.0%
Operating profit margin (Operating Profit / Revenue)	2.3%	5.4%	4.2%	8.8%	8.5%
Net profit margin (Profit for the year / Revenue)	1.8%	5.3%	5.8%	4.7%	4.5%
Interest coverage ratio (EBITDA / interest payable)	11.59x	15.88x	6.68x	5.18x	5.38x
Return on assets (Net Profit / Total Assets)	2.9%	6.0%	3.4%	4.2%	3.9%
Return on capital employed (ROCE) (Net Profit / Capital Employed)	4.7%	9.3%	4.4%	5.3%	4.9%
Return on equity (Profit attributable to owners / Equity attributable to owners)	10.8%	11.4%	13.1%	14.8%	12.8%
Current ratio (Current Assets / Current Liabilities)	0.54x	0.45x	1.15x	1.02x	0.99x
Gearing Ratio (Net Borrowings / (Total Equity + Net Borrowings))	61.1%	34.8%	64.5%	60.8%	58.3%

Source: Financial Services Planning Ltd based on Dizz Group of Companies Ltd 2014 to 2016 audited financial statements and Management projections

Note 1: Based on Audited pro-forma results as Dizz Group of Companies Ltd as incorporated on 28 March 2014

The table above sets out a number of KPIs illustrating the Group's historic and projected performance over the period between FY14 and FY18. Given the significant growth in FY16 and FY17, Management expect FY18 to represent a stabilised year of performance for the Group. Over the past three years, the Group has managed to maintain gross profit margins above 50% while growing its operations significantly, with gross margins in FY16 amounting to 52%. Going forward, the Group expect gross margins to register a slight decline as operations continue to grow, with gross margins in FY17 and FY18 projected at around 49%.

The Group's operating profit margin stood at 4.2% in FY16. This reflects the high staff and rental costs paid by the Group, particularly due to the fact that the Group's outlets are located in prime locations on the island. However, Management expect operating profit margins to increase to 8.8% in FY17 and 8.5% in FY18 as the Group continues to ramp up its operations. The improvement in operating profit margins is expected to be reflected in an improvement in the Group's net profit margin, which is projected to increase to 4.7% in FY17 and 4.5% in FY18.

Interest cover ratio stood at 6.68x in FY16, as opposed to 15.88x in FY15. This reflected the higher interest cost faced by the Group during the year as a result of the Bond. Going forward, the Group is expected to incur higher interest costs due to the recognition of a full year's interest on its outstanding Bond. Notwithstanding this, interest cover is expected to be more than 5x in both FY17 and FY18.

Interest cover ratio analysis

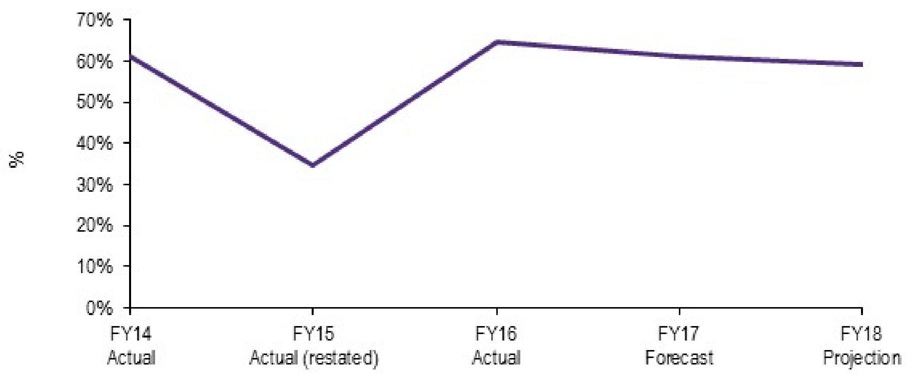
Source: Financial Planning Services Ltd based on Dizz Group of Companies Ltd 2014 to 2016 audited financial statements and Management projections

The Return on Assets (ROA) amounted to 3.4% in FY16 as the Group invested heavily in its assets during the year. The ROA is expected to improve to 4% by FY18 as a result of the expected improvement in performance going forward. The Group's Return on Capital Employed (ROCE) amounted to 4.6% in FY16. This is also expected to improve to 5.3% in FY18 as a result of improvements in the Group's profitability. Return on Equity (ROE) amounted to 13.2% in FY16, aided by the revaluation gain registered during the year. This is expected to reach 14.8% in FY17 as the Group's profitability improves, reflecting a full year's operation of the brands acquired and outlets opened in FY16. ROE is expected to amount to 12.8% in FY18 as a result of the growth in the Group's equity base due to retention of profits generated in FY17.

The current ratio stood at 1.15:1 at 31 December 2016, improving significantly over 2015 as a result of the significant investment in current assets made during the year, particularly with respect to inventory. The current ratio is expected to amount to around 1:1 in FY17 and FY18 as the Group continues to invest in its outlets, the development of the Hub and investment property.

The Group's gearing, measured as its debt to total funding, stood at 64.5% on 31 December 2016. This represented an increase from the 34.8% registered in 2015, primarily as a result of the Bond issued during 2016. Gearing is expected to improve to 59.3% by FY18 as a result of retention of profits within the Group, which will strengthen its equity base. This excludes the capital creditors the Group expects to have over the periods under review.

Gearing ratio analysis



Source: Financial Planning Services Ltd based on Dizz Group of Companies Ltd 2014 to 2016 audited financial statements and Management projections

5.3 Variance analysis

Dizz Group variance analysis

€'000	FY16 Actual	FY16 Forecast	Variance
Revenue	10,156	11,204	(1,048)
Cost of material	(4,873)	(5,784)	911
Gross profit	5,283	5,420	(137)
Administrative and marketing costs	(4,066)	(4,168)	102
EBITDA	1,217	1,252	(35)
Depreciation and amortisation	(791)	(658)	(133)
Operating profit	426	594	(168)
Fair value movement of investment properties	601	-	601
Gain on disposal of property, plant and equipment	24	-	24
Foreign exchange gains	-	-	-
Other income	105	103	2
Finance costs	(381)	(211)	(170)
Profit before tax	774	486	288
Taxation	(181)	(164)	(17)
Net profit after tax	**593**	**322**	**271**

Source: Dizz Group of Companies Ltd 2016 audited financial statements and Management projections

As set out in the table above, the Group's profit for the year was €271k higher than projected. Despite this, revenue generated during FY16, totalling €10.2m was €1m lower than forecast. This was primarily due to delays in the issuance of the Group's Bond which resulted in acquisitions being completed later than expected and new outlets also being opened later than expected, until funding from the bond issue was secured. The Group did, however register a gross profit margin of 52%, as opposed to the forecast of 48.4%, primarily due to better than expected margins generated from the Group's existing brands, primarily Terranova.

The Group's total administrative costs were largely in line with forecasts, despite incurring higher rent costs, partly due to the Group opening a number of new outlets which had not originally been planned for. The Group's higher than expected depreciation charge of €785k also reflected the additional capital expenditure incurred over the period to furnish outlets.

During FY16, the Group also made a fair value gain on the apartments purchased on plan in Qui Si Sana of €601k which it had previously expected to make in FY17 together with a gain of €24k on the disposal of fixed assets. Finance costs for the year were higher than anticipated, primarily due to bank charges totalling €199k incurred during the year.

As a result, the Group's profit for the year of €593k was €271k higher than forecast, mainly reflecting the gain made on the fair value of investment property during the year.

6 Comparables

The table below compares the Dizz Group and the Issuer's bond issue to other debt issuers which are listed on the Malta Stock Exchange. The list includes a number of the issuers (excluding financial institutions) which have listed bonds maturing in the medium term, i.e. between eight to ten years. This is in line with the term of the bond of the Issuer. Although one might argue that there are significant and material differences between the risks and operations of Dizz Group and that of the comparables, the comparative analysis provides an indication of the financial performance and strength of the Group.

Comparative analysis

	Maturity date	Nominal value (€000)	Coupon	Yield to maturity	Interest cover	Total assets (€000)	Net asset value (€000)	Gearing
Tumas Investments plc	2024	25,000	5.0%	4.0%	4.3x	181,416	81,387	36.4%
Mariner Finance plc	2024	35,000	5.3%	4.3%	3.8x	72,117	30,380	52.3%
AX Investments plc	2024	40,000	6.0%	4.1%	2.9x	206,038	111,482	36.6%
Hal Mann Vella plc	2024	30,000	5.0%	4.6%	-2.5x	82,096	32,298	54.5%
PTL Holdings plc	2024	36,000	5.1%	4.6%	1.6x	71,711	4,751	90.0%
Medserv plc	2026	21,982	4.5%	4.3%	2.2x	121,453	26,408	64.0%
Dizz Finance plc [2]	2026	8,000	5.0%	4.3%	6.7x	17,277	4,662	64.5%
SD Finance plc	2027	65,000	4.35%	4.2%	4.8x	156,433	56,697	53.6%
Eden Finance plc	2027	40,000	4.0%	3.7%	4.0x	165,496	92,620	34.6%

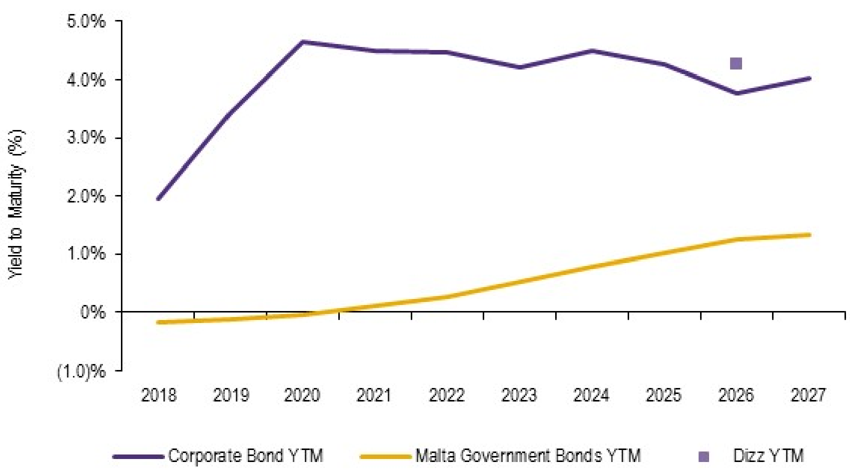
Source: Data was extracted from the FY16 audited financial statements for Spinola Development Company Limited, Mariner Finance plc, Hal Mann Vella plc, PTL Holdings plc, Medserv plc, SD Holdings Limited and Eden Leisure Group Limited
Data was extracted from the FY15 audited financial statements for AX Holding Limited
Note: Yield to maturity as at 19 May 2017

The interest cover ratio determines the ability of the company to meet its interest obligations on the outstanding borrowings. The Dizz Group could cover its interest costs 6.7 times over in 2016.

The gearing ratio indicates what level of funding is being generated by external borrowings as compared to shareholders' funding. The gearing level for the Group stands at 64.5%. The higher the gearing level the more vulnerable the company tends to be to an economic slowdown.

The chart below depicts the yield to maturity of the bond when compared to other corporate bonds listed on the Malta Stock Exchange together with Malta Government Bonds. The yield to maturity in 2026 for the Issuer's Bond is 4.3%; slightly higher than the weighted average yield to maturity for Malta's corporate bonds maturing in 2026.

Bond Yield to Maturity



Source: Malta Stock Exchange, Central Bank of Malta, Financial Planning Services Limited
Note: Data as at 19 May 2017

7 Explanatory definitions

Statement of comprehensive income	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including retail income and rental income.
Direct costs	Direct costs include costs which are incurred in the production of revenue.
Gross profit	Gross profit is the difference between revenue and direct costs. It refers to the profit made by the Group before deducting operating costs, depreciation and amortisation, finance costs, impairment provisions, share of profits from associate and affiliate companies and other operating costs.
Operating costs	Operating costs include all operating expenses other than direct costs and include general and administration expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Fair value of investment property	Fair value of investment property is an accounting adjustment to change the book value of the Group's investment property to its estimated market value.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Profitability ratios	
Gross profit margin	Gross profit margin is the difference between revenue and direct costs expressed as a percentage of total revenue.
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Group.