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18 June 2018

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 2017 were extracted from the audited financial statements of the Issuer;
2. Historical financial data for the three years ended 31 December 2015, 31 December 2016 and 31 December 2017 were extracted from audited financial statements of the Guarantor;
3. The forecast for the financial year ending 31 December 2018 and the projection for the year ending 31 December 2019 were prepared by management;
4. Our commentary on the results 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 should not be interpreted as a recommendation to invest in the Bonds. Prospective investors should seek professional advice before investing in the Bonds.

Yours faithfully,

Matthew Bonello
Director

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Directors: Matthew Bonello | Elaine Bonello | Antoinette Bonello

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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" or the "Group") 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 2016, the Group also acquired representation rights for a number of other high-end brands, including Guess, Brooks Brothers, Trussardi, Paul & Shark, 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 in Tigne Mall, Sliema.

During the financial year ended 31 December 2017, the Group employed an average of 163 full-time employees across the 33 outlets it operated across Malta. The Group's outlets are mainly 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

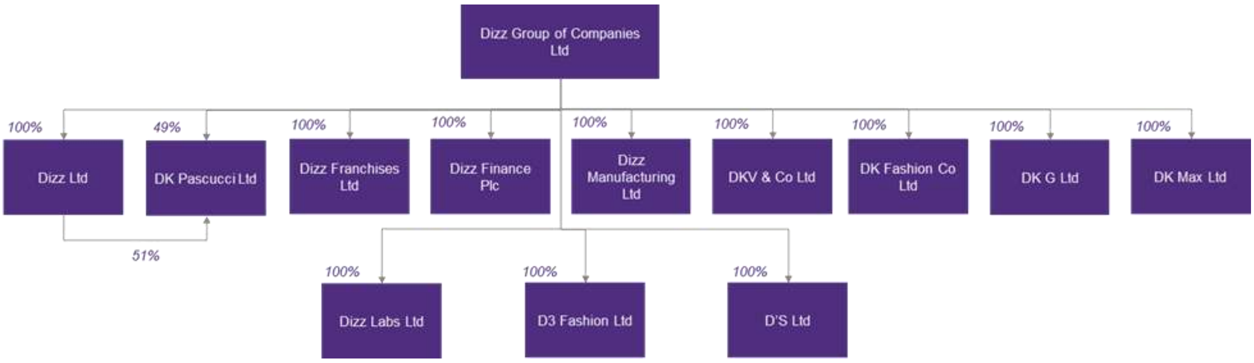
Dizz Group of Companies Limited is managed by a Board of Directors who are entrusted with its overall direction and management. The members of the board as at the date of this Analysis are included hereunder:

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 2017.



Source: Dizz Group of Companies Ltd 2017 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 DK Pascucci Ltd– 100% shareholding

DK Pascucci Ltd, formerly known as DKM Ltd, was set up on 5 December 2012 with the scope of operating the food and beverage franchise Café Pascucci. The Group owns 100% of the company through Dizz Ltd and Dizz Group of Companies Ltd, after the latter acquired the remaining 49% of the shareholding at a consideration of €7,300 in April 2017. This was not previously owned by the Group and the acquisition took place in April 2017. Currently, this company operates four Cafe' Pascucci cafeterias, including an outlet in Santa Venera, Balluta and Paceville and one cubicle, situated in Bay Street. The Cospicua outlet which used to be a third party owned cafeteria operated by DAL Café Limited, is no longer part of the group. During 2017, Management also decided to close the Tigne cubicle but intends to open another outlet in Gzira in the near future.

1.3.3 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. However, to-date franchises are still held in the respective companies.

1.3.4 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 most of the Group's properties.

1.3.5 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.

1.3.6 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.

1.3.7 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.

1.3.8 Dizz Labs Ltd – 100% shareholding

Dizz Labs Ltd was set up on 9 February 2016. This was previously owned by two parties, Dizz Group of Companies Ltd (60%) and Edwin Pisani (40%). As from 10 May 2017 the company has become a single member company through the acquisition of all the shares by Dizz Group of Companies Ltd at a consideration of €€0.5k. 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.

1.3.9 D3 Fashion Ltd – 100% 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 used to own 60% of the company, with the remaining 40% being split equally between Daniela Bonello and Denise Bonello. As from 3 May 2017 the Group acquired the remaining 40% from the other two parties at a consideration of €16k and became the sole shareholder of the company. The company currently operates one outlet in Sliema and a new outlet in Valletta.

1.3.10 D's Ltd – 100% 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 used to be equally owned by Dizz Group of Companies Ltd and Denise Bonello. In June 2017 the Group acquired the remaining 50% shareholding at a consideration of €35k and became the sole shareholder of the company. The company currently operates one outlet in Santa Venera.

1.3.11 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.

1.3.12 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. The company currently operates three Guess retail outlets.

1.3.13 Changes to the groups structure

Dii Fashion Ltd

Originally the Group also held a 100% shareholding in Dii Fashion Ltd (formerly DVA Ltd), 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.

Dal Café Limited

DAL Café Limited previously 60% owned by DK Pascucci Ltd used to operate a third party owned cafeteria in Cospicua under the Café Pascucci brand. This sub-franchise agreement was terminated in 2017.

2 Principal assets of the Issuer

2.1 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 €0.3m as at 31 December 2017 and are depreciated over 5 years.

2.2 Property portfolio

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 2017. In total, the properties had a fair value of €4.1m.

List of investment property for the Issuer

Name of property	Location	Fair value as at 31 December 2017 (€)	Description
Leased to related parties			
Dizz Group Head Office	Carob Street, Santa Venera	444,000	Two offices, one measuring 114sqm and the other 194sqm, currently used as the Dizz Group Head Office. 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.
Terranova retail outlet Santa Venera	Kappillan Mifsud Street, Santa Venera	567,000	Retail outlet, measuring 420sqm, currently used as a Terranova outlet.
Leased to third parties			
Mellieha apartment	Tas-Sellum, Mellieha	216,500	Investment property in Mellieha being rented out to third parties.
St Julian's apartment	Church Street, St Julian's	262,500	Investment property in St Julian's being rented out to third parties.
Gzira apartment	Savoy Gardens, Gzira	260,000	Investment property in Gzira being rented out to third parties.
Swieqi apartment	Corner View apartment, Swieqi	368,400	Investment property in Swieqi being rented out to third parties.
Sliema apartments	Qui Si Sana, Sliema	1,683,592	Investment property in Sliema to be rented out to third parties.
Swieqi maisonette and garage	Aquarius maisonette and garage, Swieqi	274,677	Investment property in Swieqi being rented out to third parties.
Total		**4,076,669**	

During 2017, the Maisonette in St Venera which had a fair value of €190k and was supposed to be rented out to third parties was actually leased out to the related parties and is included in the Dizz Group Head Office total highlighted above. In 2017, the Issuer did not recognise any increase in the fair value of these apartments, but further development has taken place with respect to the Qui Si Sana apartment. This has resulted in additions of €193k to investment property.

2.3 Properties under promise of sale agreements

The Issuer has entered into a number of promise of sale agreements during the years, with purchase contracts yet to be completed for the properties listed below.

Name of property	Cost (€)	Amounts already paid (€)	Description
Commercial property, Gzira	500,000	153,500	The premises, having an area of 80sqm, is earmarked for the opening of a fifth Café Pascucci outlet in Malta. The contract will be signed in June 2018 and the new outlet is expected to be operational by the end of 2019.
Portomaso Laguna, St Julian's	1,200,000	720,000	The remaining amount of €480k will be paid upon signing the contract in June 2018.
Apartment, Pieta	225,000	47,250	The contract is expected to be signed in 2019
Mirax Court, St Julian's	389,000	53,900	The promise of sale agreement for the apartment in St Julian's was terminated at no cost with the deposit being transferred on the apartment in Pieta.
Apartment, Sliema Other	193,291 -	193,291 150,000	During 2017 Management entered into a promise of sale agreement on an apartment in St Julian's and paid the amount in full as deposit. Before year end Management decided to transfer the right to buy this property to a third party in exchange for a cash consideration of €150k and another apartment in Sliema worth €193k. The cash consideration was received in April 2018 and thus as at 31 December this was still part of the deposits.
Total	**2,507,291**	**1,317,942**	

2.4 Amounts due by Group companies

As at 31 December 2017, amounts due to Dizz Finance p.l.c. from related parties totalled €6.2m. 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.

2.5 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 most of its revenue in FY17 was generated from Group companies. This included interest income from related parties totalling €0.5m and rental income totalling €0.1m. It is estimated that around 89% of the Issuer's revenue will be generated by Group companies in FY18.

3 Material assets 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, Balluta, 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. In 2016 the Group acquired the franchise for the following three brands, Guess and Brooks Brothers and the right to distribute and sell through exclusive stores three new high-end brands in Malta, being Paul & Shark, Trussardi and Harmont & Blaine.

In addition to the brands 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.

The agreements the Group had with Make Up Store AB for the distribution of make-up products under the Make Up Store trademark and the with Manifatture to distribute 7 Camicie products were terminated in 2017.

In line with the Group's objective to expand its operations, during 2017, 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:

- Pinko franchise agreement: Dizz Ltd entered into a franchise agreement with Cris Conf Spa, for the operation, maintenance or improvement of mono-brand "Pinko" shop, located in 115, Tower Road, Sliema. Chris Conf Spa also grants to the Franchisee the exclusive right for the sale of Pinko imported garments. The agreement shall be deemed to have no time limit; however, it shall be in force for a period of at least five years, starting from 25th October 2017.

- Goldenpoint franchise agreement: D'S Ltd entered into a franchise agreement with Goldenpoint S.p.A., allowing the Franchisee to open points of sale bearing the sign 'Goldenpoint' on the territory of Malta and Gozo. The present contract shall remain in effect indefinitely and is effective from the 3rd October 2016.

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. The fair value of the Hub as at 31 December 2017 was €0.8m. A Café Pascucci outlet is also expected to be developed in the reception area. Due to unforeseen health and safety issues the completion of the Hub was delayed. This is now expected to be completed by June 2021. 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 €0.5m in 2016 upon commencement of the grant, with €18k ground rent 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.

Index of total retail trade turnover

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 2012 and 2016, increasing from €182.6m in 2012 to €239.7m in 2016, representing a Compound Annual Growth Rate (CAGR) of 7%.

While the total number of outlets selling fashion apparel remained relatively stable between 2012 and 2014 at just over 700 outlets, a significant decrease in outlets related to those that employ up to 9 employees the number of outlets to fall to 570. However, in 2016 this figure rebounded, surpassing the 715 outlets recorded in 2014.

Performance of specialised clothing retail stores in Malta

	2012	2013	2014	2015	2016
0-9 employees					
Total turnover (€000)	59,492	56,686	59,231	63,888	69,874
Number of outlets (units)	681	662	675	530	672
Average turnover per outlet (€000)	87	86	88	121	104
Growth in average turnover	10.1%	-2.0%	2.5%	37.4%	-13.7%
10-49 employees					
Total turnover (€000)	45,339	47,639	42,273	36,571	46,115
Number of outlets (units)	29	28	26	25	33
Average turnover per outlet (€000)	1,563	1,701	1,626	1,463	1,397
Growth in average turnover	-11.2%	8.8%	-4.4%	-10.0%	-4.5%
50-249 employees					
Total turnover (€000)	77,761	80,866	91,591	103,299	123,684
Number of outlets (units)	14	14	14	15	15
Average turnover per outlet (€000)	5,554	5,776	6,542	6,887	8,246
Growth in average turnover	13.0%	4.0%	13.3%	5.3%	19.7%
Total turnover (€000)	**182,593**	**185,190**	**193,095**	**203,758**	**239,673**
Growth in total turnover	**8.4%**	**1.4%**	**4.3%**	**5.5%**	**17.6%**
Total number of outlets	**724**	**704**	**715**	**570**	**720**

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 rather irregular average turnover growth, but on the whole the positive growth by far outweighed the negative. The highest magnitude of growth was registered between years 2014 and 2015, during which period turnover grew by 37%, followed by a decrease in revenue of just under 14%. The substantial increase in growth was largely due to the decrease in the number of outlets, and thus the subsequent decrease in revenue is the result of the return to previous numbers of outlets of this size. Total turnover however increased year on year, with the exception of 2013.

With regard to the medium sized outlets, the average turnover was reported to be negative in most periods, despite maintaining a relatively stable number of outlets throughout the period under observation. The turnover of large outlets within the sector has increased from €77.8m or 43% of the clothing retail sector's turnover in 2012 to €123.7m or 52% of the sector's revenue in 2016. In addition, average turnover per outlet has increased from €5.6m in 2012 to €8.2m in 2016.

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 2016, 2017 and 2018. These were audited by SWK Certified Public Accountants & Auditors in 2015 and KSi Malta Certified Public Accountants in 2016 and 2017. The forecast financial information for the years ending 31 December 2018 and 2019 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	FY16 Actual	FY17 Actual	FY18 Forecast	FY19 Projection
Revenue	15	303	729	837	847
Finance costs	(0)	(94)	(403)	(403)	(403)
Gross profit	15	208	326	435	445
Administrative expenses	(1)	(66)	(102)	(104)	(106)
Depreciation and amortisation	(8)	(47)	(68)	(68)	(68)
Operating profit	5	96	156	263	271
Fair value movement on property	836	601	-	-	-
Net profit before tax	842	697	156	263	271
Taxation	(156)	(104)	(178)	(68)	(70)
Net profit after tax	**685**	**593**	**(22)**	**194**	**201**

Source: Dizz Finance p.l.c. 2015 and 2017 audited financial statements and Management projections

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

Revenues for the Issuer more than doubled in FY17. The previous year was the Company's first full year of operation and revenue totalled €0.3m. This year this has increased to €0.7m and the main reason was a substantial increase in interest income.

Breakdown of Issuer's revenue

Source: Dizz Finance p.l.c. 2015, 2016 and 2017 audited financial statements and Management projections
Note: FY15 covers the period 24 June 2015 to 31 December 2015

Revenue in FY16 consisted mainly of interest income from related parties (€0.5m), rental income due from related companies (€0.1m) and rental income from third parties (€78k). Going forward, Management expects to achieve revenues of €0.8m 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. Going forward this is expected to remain stable at FY17 amounts;

- Rental income: The Issuer is expected to generate a stabilised annual rental income of €0.3m in FY18, including €0.2m in rent from Group companies and €0.1m from third party lessees. The projections are based on the assumption that existing contracts will be automatically renewed on termination.

- Finance costs in FY17 amounted to €0.4m, representing primarily accrued interest on the Bond. The Company's administrative expenses, which totalled €0.1m in FY17, 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. General administrative costs are expected to increase by 2% p.a. in line with general inflation whilst salaries are expected to increase at the rate of 3% per annum.

Issuer's statement of financial position

€000	FY15(1) Actual	FY16 Actual	FY17 Actual	FY18 Forecast	FY19 Projection
ASSETS					
Non-current assets					
Property, plant and equipment	410	369	347	303	259
Investment property	2,118	3,884	4,077	5,777	6,002
Other financial assets	-	100	-	-	-
Loans owed by related companies	-	6,263	6,163	6,163	6,163
Loans owed by third parties	-	-	97	85	73
Bond issue costs	-	237	213	189	164
Deposits on property	132	793	1,318	101	0
Total non-current assets	2,660	11,646	12,215	12,617	12,661
Current assets					
Trade and other receivables	32	199	837	637	537
Cash and cash equivalents	-	220	0	38	247
Total current assets	32	419	837	675	784
Total assets	**2,692**	**12,065**	**13,052**	**13,292**	**13,445**
EQUITY AND LIABILITIES					
Equity					
Share capital	900	1,910	1,910	1,910	1,910
Retained earnings	686	1,278	1,256	1,451	1,652
Total equity	**1,586**	**3,188**	**3,166**	**3,361**	**3,562**
Non-current liabilities					
Borrowings	930	8,000	8,000	8,000	8,000
Shareholder loans	-	-	-	-	-
Deferred tax liability	151	194	253	253	253
Total non-current liabilities	1,081	8,194	8,253	8,253	8,253
Current liabilities					
Trade and other payables	1	202	835	785	735
Borrowings	19	420	626	824	824
Current taxation	5	60	170	68	70
Total current liabilities	25	682	1,631	1,678	1,630
Total liabilities	**1,107**	**8,877**	**9,885**	**9,931**	**9,883**
Total equity and liabilities	**2,692**	**12,065**	**13,051**	**13,292**	**13,445**

Source: Dizz Finance p.l.c. 2015 and 2017 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 €13.1m by end of 2017. 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 €5.4m as at 31 December 2017. The property, plant and equipment balance as at 31 December 2017 is mainly composed of improvements to buildings which amount to €0.3m. In addition, the Issuer advanced loans to Group companies, totalling €6.2m, 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.

There were no further investments in investment property however, the carrying value of the Qui Si Sana property increased by €0.2m which was a result of further works which took place at the property which were not accounted for in FY16. At 31 December 2017, 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 €1.3m), as detailed in section 2.3. The increases in investment property in FY18 and FY19 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 €8.4m at 31 December 2016 to €8.6m as at 31 December 2017. This included an amount totalling €0.4m in FY16 and €0.6m due to related parties. In FY17 the Company obtained a bank overdraft facility and as at 31 December 2017 this stood at €51.6k.

As at 31 December 2017, total equity stood at €3.2m, and this was in line with the previous year. There were no changes in share capital during FY17, whilst there were marginal changes in retained earnings since the Company registered €22k in losses during FY17. The Issuer's equity base is expected to increase further in 2018 and 2019, because of retention of profits earned during these years.

Cash flow statement for the Issuer

€000	FY15(1) Actual	FY16 Actual	FY17 Actual	FY18 Forecast	FY19 Projection
Cash flows from operating activities	15	192	713	713	723
Cash flows from investing activities	(1,832)	(1,926)	(634)	(483)	(124)
Cash flows from financing activities	1,798	1,973	(350)	(391)	(391)
Movement in cash and cash equivalents	(19)	240	(272)	(161)	209
Cash and cash equivalents at beginning of period/year	-	(19)	220	(51)	(212)
Cash and cash equivalents at end of period/year	**(19)**	**220**	**(51)**	**(212)**	**(3)**

Source: Dizz Finance p.l.c. 2015 and 2017 audited financial statements and Management projections

Note (1): Period covers from 24 June 2015 to 31 Dec 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 FY17, the Issuer generated €0.7m from operations, mainly resulting from the rental of the Company's properties. In addition, the Issuer paid €0.6m in cash for investing activities, which originated from the payment of investment property and deposits on such properties.

Financing activities also represent an outflow which amounts to €0.4m in FY17. This is mainly the bond interest paid of €0.4m netted off against loans advanced by related parties.

Going forward, cash flows from investing activities represent payments for the acquisition of properties held under promise of sale and deposits on properties.

At 31 December 2017, the Issuer held a negative cash balance of €51k, as opposed to a positive balance of €0.2m a year earlier.

Issuer's evaluation of performance and financial position

	FY15 [1] Actual	FY16 Actual	FY17 Actual	FY18 Forecast	FY19 Projection
Gross profit margin (Gross Profit / Revenue)	99.7%	68.8%	44.7%	51.9%	52.5%
Operating profit margin (Operating Profit / Revenue)	34.4%	31.7%	21.3%	31.4%	32.0%
Net profit margin (Profit for the year / Revenue)	4569.9%	195.9%	-3.0%	23.2%	23.7%
Interest coverage ratio (Operating profit adding back depreciaition, amortisation and interest payable / interest payable)	289.36x	2.51x	1.56x	1.82x	1.84x
Return on assets (Net profit before tax / Total Assets)	31.3%	5.8%	1.2%	2.0%	2.0%
Return on capital employed (Net profit before tax / Capital Employed)	31.6%	6.1%	1.4%	2.3%	2.3%
Return on equity (Profit attributable to owners / Average Equity attributable to owners)	43.2%	18.6%	-0.7%	5.8%	5.6%
Current ratio (Current Assets / Current Liabilities)	1.27x	0.61x	0.51x	0.4x	0.48x
Gearing Ratio (Net Borrowings / (Total Equity + Net Borrowings))	37.5%	72.0%	73.0%	71.8%	70.0%

Source: Financial Services Planning Ltd based on Dizz Finance p.l.c. 2015 and 2017 audited financial statements and Management projections

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

The Issuer’s profitability ratios reflected the increasing level of activity undertaken by the Company after the issuance of the bond. FY17 was the first year where the Issuer started receiving in full both interest and rental income during, 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 FY17 were in line with those expected to be registered in FY17. These ratios are expected to ameliorate since performance going forward is expected to be supported by the leasing out of properties which are currently under promise of sale agreements.

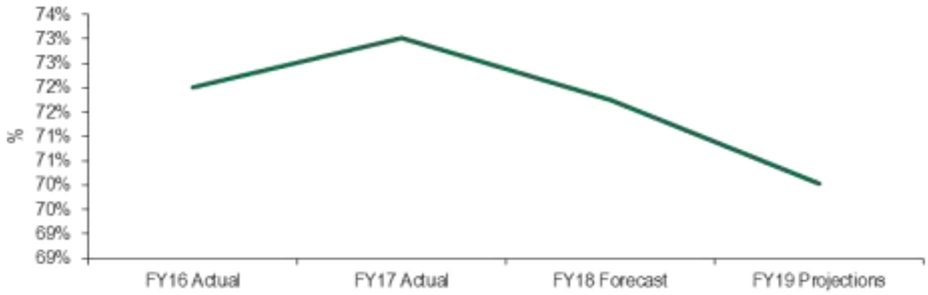
The Issuer’s interest cover, calculated as income (after deducting administrative expenses, and excluding fair value movement on property, depreciation and amortisation) to interest payable, amounted to 1.56 times in FY17 and is expected to remain above 1.6 times in FY18 and FY19.

Interest cover ratio analysis

Source: Financial Planning Services Ltd based on Dizz Finance p.l.c. 2016 and 2017 audited financial statements and Management projections

Amounts lent to Group companies are expected to be repaid in 2026 while short term borrowings are expected to decrease for the foreseeable future. As a result, the Issuer's current ratio totalled 0.51:1 in FY17. This is expected to go down 0.42 times in FY18 and remain relatively unchanged in FY19, primarily due to outstanding balances with related parties. The gearing ratio, which measures the extent to which the Issuer is financed through debt and shareholders' equity, amounted to 73% in FY17. 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 start improving and go down to around 70% in FY19.

Gearing ratio analysis



Source: Financial Planning Services Ltd based on Dizz Finance p.l.c. 2016 and 2017 audited financial statements and Management projections

5.2 Differences from 2017 FAS - Issuer

With respect to the Issuer, the table below compares the following:

- FY17 actual cash flow statement to the forecast included in the 2017 FAS; and
- FY18 forecast cash flow statement included in the 2018 FAS to the FY18 projection issued in the 2017 FAS.

Comparing projected cash flows over the years - Issuer

€000	FY17 Actual	FY17 Forecast FAS 2017	Variance	FY18 Projection FAS 2018	FY18 Projection FAS 2017	Variance
Cash flows from operating activities	713	76	637	713	224	489
Cash flows from investing activities	(634)	(791)	157	(483)	(480)	(3)
Cash flows from financing activities	(350)	2,521	(2,871)	(391)	(1,108)	718
Movement in cash and cash equivalents	(272)	1,806	(2,078)	(161)	(1,364)	1,203
Cash and cash equivalents at beginning of period/year	220	221	(1)	(51)	2,027	(2,078)
Cash and cash equivalents at end of period/year	**(51)**	**2,027**	**(2,078)**	**(212)**	**663**	**(875)**

The following is a detailed explanation of the variances for both FY17 and FY18:

- In contrast to the 2017 FAS the bond interest expense of €0.4m is added back to operating cash flow and then deducted in the financing activities section. In the previous FAS, the bond interest expense was considered in full in the operating activity section. This has no bearing on the final cash balance.

- The 2017 cash flow forecast of the Issuer was based on the expectation that the Issuer will be able to extract €2.5m (FY18: €1.2m) of extra cash flow from other companies within the Group. This cash sweep has in fact not occurred since the Group experienced cash flow constraints. The situation arose since there were multiple investments in investment property and franchises happening simultaneously. Management have decided that no further new investments will take place in FY18 and FY19 with the aim of strengthening the cash flow position of the Group. They will also consider the possibility of a disposal of some investment property to ensure liquidity.

5.3 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 Bond Issue is guaranteed by the Dizz Group, an overview of the performance and financial position of the Group is set out below.

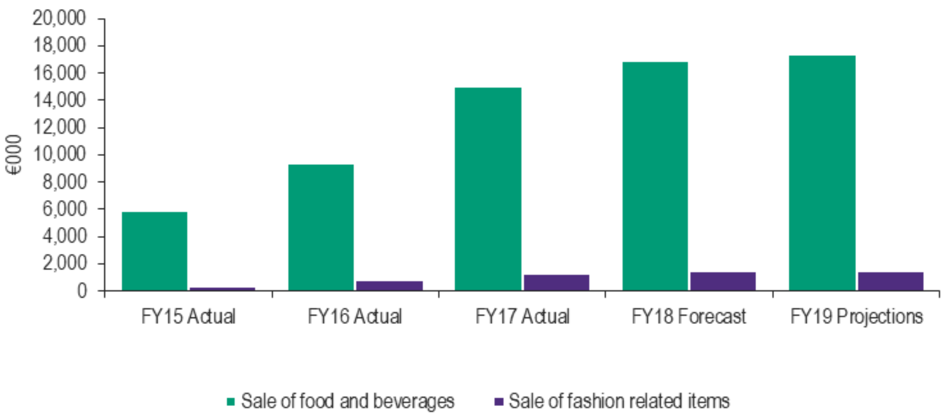
This section makes reference to the audited financial statements of the Guarantor for the financial years 31 December 2015, 2016 and 2017. The financial statements were audited by SWK Certified Public Accountants & Auditors in 2015 and KSi Malta Certified Public Accountants in 2016 and 2017. The forecasted financial information for the years ending 31 December 2018 and 2019 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	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Forecast	FY19 Projection
Revenue	6,299	10,156	16,261	18,323	18,873
Cost of material	(2,831)	(4,873)	(8,520)	(9,687)	(9,978)
Gross profit	3,468	5,283	7,741	8,636	8,895
Administrative	(2,770)	(4,016)	(5,846)	(7,205)	(7,349)
EBITDA	698	1,267	1,896	1,431	1,546
Depreciation	(316)	(695)	(829)	(829)	(854)
Amortisation	(44)	(96)	(119)	(119)	(119)
Operating profit	339	476	948	483	573
Fair value movement of investment properties	282	601	-	-	-
Gain on disposal of property, plant and equipment	-	24	(28)	-	-
Loss arising on disposal of investment in subsidiary	-	-	(18)	-	-
Government grant	-	-	4	-	-
Other income	-	105	131	135	139
Marketing costs	-	(50)	(101)	(103)	(105)
Finance costs	(128)	(381)	(543)	(484)	(484)
Profit before tax	493	774	392	31	123
Taxation	(162)	(151)	(297)	(10)	(42)
Net profit	331	623	95	21	81
Other comprehensive income					
Property revaluation	76	-	(65)	-	-
Deferred tax	(41)	-	(42)	-	-
Other comprehensive income for the year, net of income tax	35	-	(107)	-	-
Total comprehensive income for the year	**366**	**623**	**(12)**	**21**	**81**
Profit/(loss) for the year attributable to:					
Owners of the Company	305	635	96	21	81
Non-controlling interest	26	(12)	(1)	-	-
	331	**623**	**95**	**21**	**81**
Total comprehensive income for the year attributable to:					
Owners of the Company	340	635	(11)	21	81
Non-controlling interest	26	(12)	(1)	-	-
	366	**623**	**(12)**	**21**	**81**

Source: Dizz Group of Companies Ltd 2015 to 2017 audited financial statements and Management projections

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 FY16 and 92.1% in FY17. In FY17, the Group's turnover rose from €10.2m in FY16 to €16.3m, representing an increase of 60.1%.



Source: Dizz Group of Companies Ltd 2015 to 2017 audited financial statements and Management projections

The growth in the Group's revenue during FY17 was principally because of:

a) During 2017 three new outlets where fully in operation. These include the Goldenpoint outlet in Bay Street, a Brooks Brothers outlet in Valletta and a Café Pascucci outlet in Paceville.

b) The first full year of operation of the two Terranova megastores in Iklin and Fgura which were opened in the second half of 2016 and also other brands such as Elisabetta Franchi, Max & Co, Guess, Trussardi, Harmont & Blaine, Paul & Shark and Brooks Brothers which also opened in 2016.

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 FY18 and FY19.

The Group's catering operations also registered strong growth during FY17, totalling €1.3m. This is 70% more than what was registered in FY16. All the revenue generated from the Group's F&B operations is generated from the representation of the Italian franchise Café Pascucci, which commenced in 2014. The Group operated four Café Pascucci outlets during FY16, one of which was in Cospicua. In FY17 the Cospicua contract was terminated, and a new outlet was opened in Paceville.

Forecasts and projections for FY17 and FY18 only include revenue from existing outlets. However, the projections include two companies which are external to the Group which operate the Make-up Factory, PINKO and Lusso brands. These two companies will be merged into the Group in 2018.

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 FY17, in order to support the Group's operations. These costs rose from €4.0m in FY16 to €5.8m in FY17, representing an increase of 45.6%, with the increases primarily relating to rent and staff costs (including staff employed in the Group's outlets). Administrative costs are expected to increase further during FY18, as the Group continues to expand its operations, requiring an increased level of resources.

The Group's finance costs rose from €0.4m in FY16 to €0.5m during FY17. This included bank charges of €0.1m (FY16: €0.2m), interest on bank overdrafts of €30k (FY16: €89k) together with interest on the Bond totalling €0.4m (FY16: €0.1m). 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 €84k in FY18 and FY19.

There were no further gains on investment property in FY17. As a result, the Group registered profit before tax of €0.4m during FY17, with net profit after tax amounting to €0.1m.

Guarantor's statement of financial position

€000	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Forecast	FY19 Projection
ASSETS					
Non-current assets					
Property, plant and equipment	3,075	7,698	8,708	8,232	8,186
Investment property	1,297	3,062	3,066	4,766	4,991
Intangible asset	280	1,079	985	890	795
Deferred tax asset	14	37	77	77	77
Bond issue costs	-	237	213	189	164
Other financial assets	-	100	97	85	73
Other assets	132	793	1,318	101	0
Total non-current assets	4,798	13,006	14,464	14,339	14,286
Current assets					
Inventories	565	2,019	2,792	2,850	3,000
Trade and other receivables	151	1,651	1,986	1,986	1,986
Cash and cash equivalents	8	600	233	588	(94)
Total current assets	724	4,270	5,011	5,423	4,891
Total Assets	**5,522**	**17,276**	**19,474**	**19,762**	**19,177**
EQUITY AND LIABILITIES					
Equity					
Share capital	2,280	3,290	3,290	3,290	3,290
Retained earnings	197	832	1,058	1,079	1,160
Other reserves	513	513	406	406	406
	2,989	4,635	4,754	4,775	4,856
Non-controlling interest	54	58	-	-	-
Total equity	3,043	4,693	4,754	4,775	4,856
Non-current liabilities					
Borrowings	723	8,000	8,000	8,000	8,000
Trade and other payables	-	704	756	1,484	785
Deferred tax liability	151	194	253	253	253
Total non-current liabilities	874	8,898	9,009	9,737	9,038
Current liabilities					
Borrowings	912	1,074	1,714	1,714	1,714
Trade and other payables	659	2,483	3,526	3,526	3,526
Current taxation	34	129	471	10	42
Total current liabilities	1,605	3,686	5,711	5,250	5,282
Total liabilities	2,480	12,584	14,720	14,987	14,320
Total equity and liabilities	**5,523**	**17,277**	**19,474**	**19,762**	**19,177**

Source: Dizz Group of Companies Ltd 2015 to 2017 audited financial statements and Management projections

The Group's total assets rose from €17.3m at 31 December 2016 to €19.5m at 31 December 2017. The growth is mainly originating from the increase in property, plant and equipment. The Group invested €1.5m in furniture and fittings and improvements to premises together with €0.1m in premises and €0.2m in computer hardware.

There was only a marginal increase in the Group's investment property during the year since the increase in value of one property was set off by the reclassification of another property, from investment property to property, plant and equipment. Deposits on properties paid by the Group amounted to €1.3m at 31 December 2017, as the Group increased deposits on the same property during the year.

In FY17 and FY18 property, plant and equipment will decrease by the depreciation charge for the year. However, further capital expenditure is expected to take place in relation to further development of the Hub and investment in furniture, fittings and equipment relating to the Gzira Café Pascucci outlet. Similarly, Investment property will increase substantially given the acquisition of property currently held under a promise of sale agreement.

From FY17 onwards the value of the intangibles will decrease gradually in line with amortisation and no further investments are expected to take place. Furthermore, the addition of brands and the opening of new outlets has resulted in the Group's investment in inventories rising from €2m in FY16 to €2.8m in FY17. 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 held on a consignment basis. The Group only expects to increase inventory levels marginally going forward. The Group's trade and other receivables rose from €1.7m in FY16 to €2.0m in FY17. This reflected an increase in amounts due from related party and other receivables. Trade and other payables rose from €3.2m as at 31 December 2016 to €4.3m as at 31 December 2017. The main components of these trade and other payables are privileged creditors, which consist of VAT liability, FSS and NI and Company income tax which amount to €2.5m in FY17 (FY16: €1m). The Group have agreed to a repayment programme with the respective privileged creditors and these amounts will be paid over a number of years. FY16 balance 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 FY18 and FY19, reflecting amounts due in relation to the development of the Hub.

As at 31 December 2017, the Group had overdraft facilities in place, with overdrawn balances totalling €1.7m at year end. The Group also had €2.3m worth of bank guarantees and letters of credit in favour of suppliers. These overdraft facilities and guarantees are secured, *inter alia*, by the Group's properties, including the investment property portfolio held by the Issuer.

The Group's total equity rose from €4.7m in FY16 to €4.8m in FY17. This increase was generated from retained earnings as a result of retention of the profits for the year. FY16 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 cash flow statement

€000	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Forecast	FY19 Projection
Cash flows from operating activities	229	474	1,573	450	936
Cash flows from investing activities	(2,884)	(8,109)	(2,633)	(823)	(920)
Cash flows from financing activities	2,030	7,813	52	728	(699)
Movement in cash and cash equivalents	(625)	178	(1,008)	355	(682)
Cash and cash equivalents at beginning of period/year	(27)	(651)	(473)	(1,481)	(1,126)
Cash and cash equivalents at end of period/year	**(651)**	**(473)**	**(1,481)**	**(1,126)**	**(1,808)**

Source: Dizz Group of Companies Ltd 2015 to 2017 audited financial statements and Management projections

In FY17, the Group generated €1.6m 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 €2.6m being registered. This included capital expenditure totalling €1.8m mainly relating to the acquisition of new premises, improvements to premises, furniture and fittings and computer hardware for the Group's outlets. The Group also invested a total of €0.7m in investment property and deposits on investment property.

The Group is not generating enough cash to cope with its investment commitments and it therefore had to resort to increasing its short-term borrowings.

Going forward, Management do not plan to invest into new property neither open new outlets. They will only invest further in those properties which are either held under a promise of sale agreement or those still under construction that is the Hub. The aim is to stabilise their cash flow position and meet their short-term obligations.

Guarantor's evaluation of performance and financial position

	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Forecast	FY19 Projection
Gross profit margin (Gross Profit / Revenue)	55.1%	52.0%	47.6%	47.1%	47.1%
Operating profit margin (Operating Profit / Revenue)	5.4%	4.7%	5.8%	2.6%	3.0%
Net profit margin (Profit for the year / Revenue)	5.3%	6.1%	0.6%	0.1%	0.4%
Interest coverage ratio (EBITDA / interest payable)	15.88x	6.96x	3.49x	2.96x	3.19x
Return on assets (Net profit / Total Assets)	6.0%	3.6%	0.5%	0.1%	0.4%
Return on capital employed (ROCE) (Net profit / Capital Employed)	8.4%	4.6%	0.7%	0.1%	0.6%
Return on equity (Profit attributable to owners / Equity attributable to owners)	10.2%	13.7%	2.0%	0.4%	1.7%
Current ratio (Current Assets / Current Liabilities)	0.45x	1.16x	0.88x	1.03x	0.93x
Gearing Ratio (Borrowings / (Total Equity + Borrowings))	34.8%	64.4%	66.6%	65.6%	66.9%

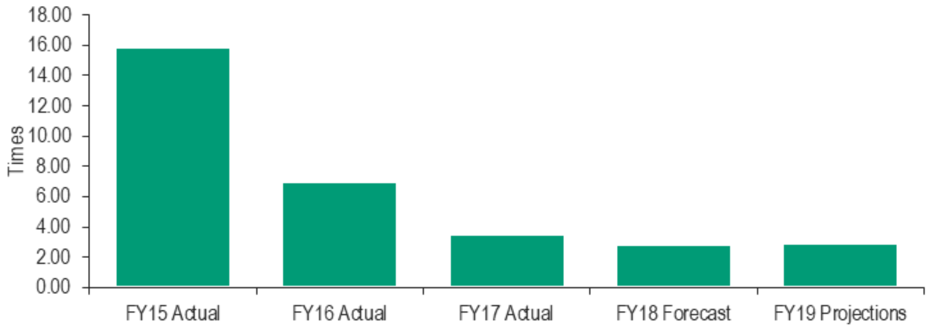
Source: Financial Services Planning Ltd based on Dizz Group of Companies Ltd 2015 to 2017 audited financial statements and Management projections

The table above sets out a number of KPIs illustrating the Group's historic and projected performance over the period between FY15 and FY19. Given the significant growth in FY16 and FY17, Management expect FY18 to represent similar gross profit margins for the Group. Over the past three years, the Group has managed to obtain an average gross profit margin of 52% while growing its operations significantly. Going forward, the Group expect gross margins to register a slight decline, from 47.6% to 47.1%, notwithstanding that operation are expected to continue growing.

The Group's operating profit margin stood at 5.8% in FY17. 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 go down to c. 3% FY18 and FY19 as forecasted administrative costs for the Group are projected to increase at a higher rate than the expected revenues. These changes in operating profit margins is expected to be reflected in the Group's net profit margin, which is projected to stand at 0.1% in FY18 and 0.3% in FY19.

Interest cover ratio stood at 3.49x in FY17, as opposed to 6.96x in FY16. This reflected the higher interest cost faced by the Group during the year as a result of the Bond. This will push the interest cover further down to 2.96x in FY17 and 3.19x FY18.

Interest cover ratio analysis



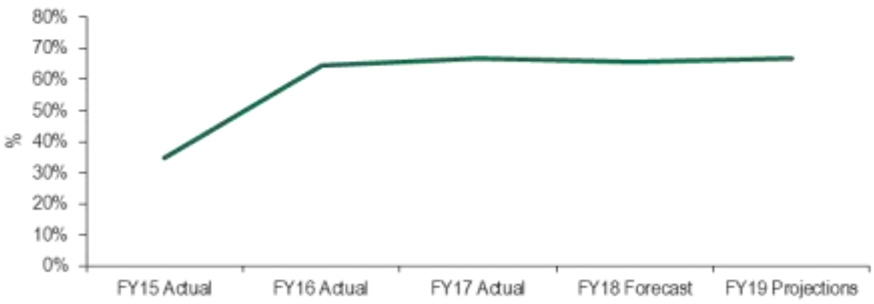
Source: Financial Planning Services Ltd based on Dizz Group of Companies Ltd 2015 to 2017 audited financial statements and Management projections

The Return on Assets (ROA) amounted to 0.5% in FY17 as the Group registered significantly less profits when compared to FY16. The ROA is expected to remain rather constant at FY17 levels as projected profits are within the levels of FY17. The Group's Return on Capital Employed (ROCE) amounted to 0.7% in FY17. This is also expected to go down to 0.1% in FY18 and then a slight recovery in FY19. as a result of the Group's profitability levels. Return on Equity (ROE) amounted to 2% in FY17. This is expected to decrease to 0.1% in FY18 as the Group's profitability is less that of prior years.

The current ratio stood at 0.88:1 at 31 December 2017, this was lower than that of 2016 as a result of the substantial increase in trade and other payables. The current ratio is expected to improve and get closer to 1:1 in FY18 and FY19 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 66.9% on 31 December 2017. This was in line with what was presented in FY16. Gearing is expected to remain stable in the projections period 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 2015 to 2017 audited financial statements and Management projections

5.4 Differences from 2017 FAS - Guarantor

5.4.1 Statement of comprehensive income

Guarantor's statement of comprehensive income

€000	FY17 Actual	FY17 Forecast	Variance
Revenue	16,261	16,882	(621)
Cost of material	(8,520)	(8,670)	150
Gross profit	7,741	8,212	(470)
Administrative	(5,846)	(5,928)	82
EBITDA	1,896	2,284	(388)
Depreciation	(829)	(691)	(138)
Amortisation	(119)	(112)	(7)
Operating profit	948	1,481	(533)
Fair value movement of investment properties	-	-	-
Gain on disposal of property, plant and equipment	(28)	-	(28)
Loss arising on disposal of investment in subsidiary	(18)	-	(18)
Government grant	4	-	4
Other income	131	119	12
Marketing costs	(101)	-	(101)
Finance costs	(543)	(441)	(102)
Profit before tax	392	1,159	(766)
Taxation	(297)	(359)	62
Net profit	95	800	(705)

As set out in the table above, the Group's profit for the year was €0.7m lower than projected. The main reason behind this difference was that revenue generated during FY17, totalling €16.3m was €0.6m lower than forecast. This was primarily due to an unexpected decrease in sales between June and September 2017. The Group did, however register a gross profit margin of 48%, which is in line with the forecast of 49%.

The Group's total administrative costs were largely in line with forecasts whilst actual depreciation charge was €0.1m higher than expected. This was due to additional capital expenditure incurred over the period on furniture and fittings and improvements property and computer hardware.

During FY17, the Group also made a loss on disposal of a subsidiary of €18k. This was registered on the disposal of the Dal Café Limited which operated a Pascucci café in Cospicua. Finance costs for the year were higher than anticipated, primarily due to bank interest and charges totalling €0.1m incurred during the year.

5.4.2 Cash flow statement

With respect to the Guarantor, the table below compares the following:

- FY17 actual cash flow statement to the forecast included in the 2017 FAS; and
- FY18 forecast cash flow statement included in the 2018 FAS to the FY18 projection issued in the 2017 FAS.

Comparing projected cash flows over the years - Guarantor

€000	FY17 Actual	FY17 Forecast FAS 2017	Variance	FY18 Projection FAS 2018	FY18 Projection FAS 2017	Variance
Cash flows from operating activities	1,573	2,062	(489)	450	1,464	(1,014)
Cash flows from investing activities	(2,633)	(2,722)	89	(823)	(2,148)	1,325
Cash flows from financing activities	52	652	(600)	728	402	326
Movement in cash and cash equivalents	(1,008)	(7)	(1,000)	355	(282)	637
Cash and cash equivalents at beginning of period/year	(473)	(473)	(0)	(1,481)	(480)	(1,001)
Cash and cash equivalents at end of period/year	**(1,481)**	**(480)**	**(1,001)**	**(1,126)**	**(762)**	**(364)**

FY17 has resulted in €1m reduction in Guarantor's cash flow when compared the projection in the 2017 FAS. This mainly originates from the following:

- Cash flow from operating activities were €0.5m lower than initially projected for FY17 this was mainly due the fact that profits for the Group turned out to be lower than what was projected in the 2017 FAS. From June to September the Group experienced an unexpected drop in sales and this has negatively affected the cash generating capabilities of the Group. Due to this slow down Management had to invest in marketing which amounted to €0.1m. Apart from this, the Group invested €1.7m in capital expenditure and this resulted in an increase in depreciation for the year.
- Cash flow from financing activities were projected to include the repayment of a €0.6m shareholders' loan but this did not take place during 2017.

The reductions in year-end cash balances in 2018 are due to the shortfall in FY17. However, one should also highlight the following:

- Profits expected to be registered in FY18 are substantially lower than what was projected in 2017 FAS. This is the main reason behind the shortfall of €1m in cash flow from operating activities.
- The savings being generated in cash flows from investing activities originate from the fact that in contrast to last year's forecast, Management do not plan to open new outlets or make further capital investments in plant and equipment in FY18 with the aim of strengthening the cash flow position.
- The variance in financing activities originates from movements in capital creditors in relation to long-term contracts they have mainly with third parties who are involved in the construction of the Hub.

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 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

Name	Maturity date	Nominal value (€000)	Coupon (%)	Yield to maturity (%)	Interest cover (times)	Total assets (€000)	Net asset value (€000)	Gearing ratio (%)
AX Investments Plc Unsecured	2024	40,000	6.00	3.57	4.9	286,318	173,323	22.6%
Mariner Finance plc Unsecured	2024	35,000	5.30	3.46	3.5	77,088	38,701	45.6%
Hal Mann Vella Group plc Secured Bonds	2024	30,000	5.00	3.93	4.6	107,801	39,813	52.0%
1923 Investments plc Unsecured	2024	36,000	5.10	4.40	1.0	118,490	33,711	61.0%
Tumas Investments plc	2024	25,000	5.0	3.6	1.0	198,819	89,238	32.8%
Hudson Malta plc Unsecured	2026	12,000	4.35	3.90	24.0	17,088	5,835	30.6%
Medserv plc	2026	21,982	4.50	4.03	1.8	153,273	28,099	63.7%
Dizz Finance plc	2026	8,000	5.00	4.27	3.5	19,474	4,754	66.6%
SD Finance plc € Unsecured Bonds	2027	65,000	4.35	3.68	3.9	217,599	65,698	47.6%
Eden Finance plc Unsecured	2027	40,000	4.00	3.54	2.3	169,936	90,161	35.0%

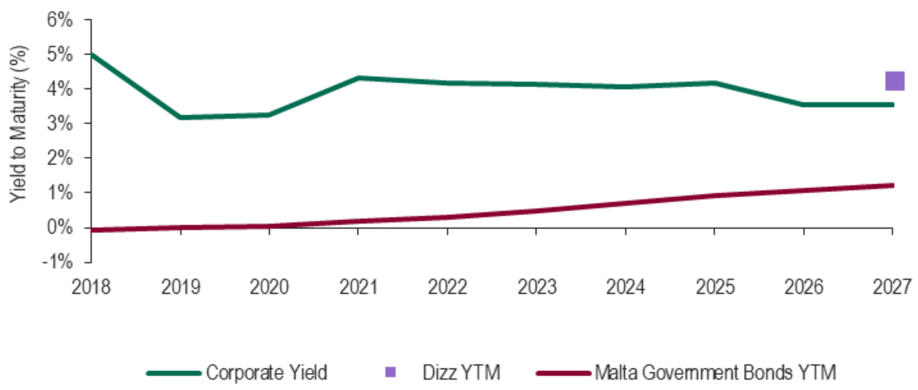
Source: The respective companies' latest financial statements as at 21st May 2018

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 3.5 times over in 2017.

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 66.6%. 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 21 May 2018

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.