26 August 2016

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 2015 were extracted from the audited financial statements of the Issuer;
2. Historical financial data for the three years ended 31 December 2013, 31 December 2014 and 31 December 2015 were extracted from audited financial statements of the Guarantor;
3. The forecast for the financial year ending 31 December 2016 and the projection for the year ending 31 December 2017 was 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;
5. The ratios quoted in the following pages are computed through the application of the definitions set out in Part 8 of the Analysis.

The Analysis is meant to assist potential investors by summarising the more important financial data set out in the Prospectus. 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

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Glossary

Analysis	Financial Analysis Summary
Bond Issue	The €8.0 million 5% unsecured bonds 2026
Company or Dizz Finance or Issuer	Dizz Finance plc
Dizz Group or Group or Guarantor	Dizz Group of Companies Limited
EBIT	Earnings Before Interest and Taxes
FY	Financial Year
Hub	Development of a site in Mriehel
ROA	Return on Assets
ROE	Return on Equity
ROCE	Return on Capital Employed

1 Information about the Issuer and Guarantor

1.1 Issuer's key activities

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

The principal activity of Dizz Finance is to act as the financing arm of the Dizz Group, by raising funds and lending them on to Group companies. The Company owns a portfolio of properties in Malta either for its own use or for rental to third parties.

1.2 Shareholding of the Issuer

The following are the shareholders of the Issuer as at the date of the Prospectus:

Names and addresses of shareholders	Number of shares and percentage paid up	Shareholding percentage
Dizz Group of Companies Limited C64435 Dizz Buildings Triq il-Harruba Santa Venera Malta	One million, nine hundred, nine thousand, nine hundred and ninety-nine Ordinary Shares (1,909,999) of one euro (€1) each fully paid up	99.99%
Diane Izzo 407077M Flat 13 Waterside apartments Qui-Si-Sana Place Sliema Malta	One (1) Ordinary Share of one euro (€1) each fully paid up	0.01%

1.3 Principal assets and operations of the Issuer

1.3.1 Investment property

As part of the Group's restructuring process, properties previously held by Dizz Limited (a Group company) and by its shareholders were in November 2015 transferred to Dizz Finance. All the respective rental agreements were assigned to the Company on 1 January 2016. These properties were revalued by an independent architect and as a result, an uplift in value (net of deferred tax) of €685k was recognised in the 2015 financial statements.

Furthermore, Dizz Finance has in 2015 directly acquired two properties in Swieqi and Gzira and entered into five 'promise of sale' agreements which result in a total cost of €1.16 million. This is expected to be paid in different instalments over three years; €0.13 million was paid as deposit in 2015 and the remaining amount of €1.03 million is expected to be paid over the next two years. In addition, in August 2016, Dizz Finance acquired two apartments on plan in Qui Si Sana, Sliema. These apartments are expected to be developed and transferred to the Issuer in shell form by 30 June 2017, upon completion of construction works. The total consideration for this transaction is €1.0 million, of which €0.72 million has been paid to date whilst the remaining €0.24 million will become due once the construction works are complete. In connection with the transaction, the Issuer has incurred stamp duty and notarial fees of €50k in FY16.

1.3.1.1 St. Venera retail outlet and Head Office

The Issuer owns freehold title to the premises known as the Terranova retail outlet in St. Venera. The outlet measures 420sqm and was the first Terranova outlet in Malta. The outlet was valued at €567k on 31 December 2015. The Issuer also owns the Group's Head Office, which is also situated in St. Venera. The offices measure 114sqm and were valued at €255k on 31 December 2015.

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.

1.3.1.2 Other properties

The Issuer owns a portfolio of five properties which are held for leasing out to third parties. On the basis of contracts currently in place, rental income is expected to increase at 3% per annum over the term of the proposed bond.

In August 2016, the Issuer acquired two apartments on plan in Qui Si Sana, Sliema which are expected to be developed by 30 June 2017. The projections assume that €0.24 million will be paid in 2017, upon completion of construction works. The projections also assume that no rental income will be generated from these apartments.

The Issuer entered into five promise of sale agreements. 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). These properties (each measuring between 80sqm and 195sqm) were acquired for €1.2 million. A deposit of €132k was paid on these properties.

1.3.2 Improvements to properties

Improvements to properties primarily include the value of movables (equipment, furniture and fittings) within the investment properties owned by Dizz Finance, which were transferred as part of the initial transfer. The carrying amount of these movables is €409k as at 31 December 2015, and are depreciated over 5 years.

1.3.3 Amounts due by Group companies

As at 31 December 2015, Dizz Group of Companies Ltd owed Dizz Finance €32k, which are unsecured, interest free and repayable on demand.

1.4 Key activities and 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 it is estimated that over 85% of its revenue in FY16 and FY17 will be generated by Group companies.

The following is an overview of the principal activities of the Issuer:

1.4.1 Loans to Group companies

Management plans to lend the funds raised through the issue of €8.0 million 5% unsecured bond (the Bond Issue) to Group companies in line with the planned use of bond proceeds and earn a margin on the interest cost.

1.4.2 Rent

The Issuer rents out the Terranova outlet and Head Office, both situated in St. Venera to Dizz Ltd.

1.5 Material contracts and key clients

On the basis of its core operations, other companies of the Group are expected to be the major counterparties or key clients the Issuer shall engage with in the ordinary course of its business. All material contracts defining key relations entered are listed below.

1.5.1 Investment property

1.5.1.1 St. Venera retail outlet and Head Office

Dizz Limited is the lessee of the St Venera outlet and head office, collectively measuring over 530sqm. The rental agreement came into effect on 1 January 2016 and expires on 31 December 2025. The initial three year term is on a *di fermo* basis whereas the subsequent 7 years are on a *di rispetto* basis.

Revenue is fixed at €5,000 (excl. VAT), payable quarterly in advance in equal instalments. Rent shall increase annually at 4% per annum. Lessee is responsible to pay for all running expenses over and above the rental cost.

1.5.1.2 Other properties

The Issuer is party to lease agreements in respect to its five other properties that expire in 2016. Whilst rents are payable one month in advance, the company expects to generate rental income amounting to €56k from these properties.

1.5.2 Amounts owed to Group companies

As at 31 December 2015, Dizz Finance owed Dizz Ltd €930k arising in connection with the initial transfer of properties during FY15. This loan bears no interest and has no fixed date of repayment.

1.6 Material contracts of the Group

The Group, through its subsidiaries, has entered into/is currently in the process of entering into the following material contracts:

1.6.1 Franchise agreements for existing brands

The Group’s key brands are Terranova, Calliope, Liu Jo and Café Pascucci. The main commercial terms of these agreements is 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, St. Venera, Paola and Tigne Mall. The contracts are renewed annually and are subject to minimum turnover levels per outlet. Dizz Ltd is in the process of signing a sales network contract agreement with reference to the Terranova Fgura and Iklin outlets. These contracts are expected to be signed in 2016 and will be 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 three franchise agreements with Café Pascucci Torrefazione S.p.A. for the operation of three Café Pascucci cafeterias in Bay Street, Tigne Mall and St. Venera. 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 thereafter.

1.6.2 Franchise agreements for new brands

The Group objective is to obtain 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 €1.0 million; €0.1 million will be paid in 2016 whilst the outstanding €0.9 million will be paid in five equal instalments thereafter.

- Management expect that by 31 July 2016 the Group will acquire the right to distribute and sell through exclusive stores three new high end brands in Malta. The transfer will be made for a total consideration of €1.4 million and is expected to be paid on transfer date. In addition, any stock held by the transferor as at transfer date will be valued and transferred to the Group along with any fixtures and fittings. The value of the stock shall be paid by Dizz Group within 30 days from the date of notification of the actual value.

1.6.3 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 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 complete by June 2018.

The Hub will be constructed on a proposed site of c. 1,245 sqm located in Mriehel. Currently the site is owned by the Government Property Department and thus will be granted to Dizz Manufacturing on a temporary emphyteusis of 65 years. This emphyteutical grant will be granted against a lump sum of €500k which is to be paid upon commencement of the grant and another €18k will be 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.

1.6.4 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 the Terranova brand from the designated area. 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 required to be paid on a monthly basis and in advance.

- 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.

1.7 Directors of the Issuer

The Issuer 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 report 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

1.8 Guarantor's key activities

The Dizz Group is an established business operator in Malta, which was set up in 2000 and currently employs 93 full-time employees. The Group's core activities involve the retail of branded garments and apparel. The Group is the local franchisor of Terranova, Terranova Kids, Calliope, Liu Jo and Liu Jo Uomo. The Group operates 19 outlets across Malta, which are concentrated in the St. Julian's and

Sliema area. One Terranova megastore was opened in Iklin in June 2016 and another one is planned to open in Fgura later on in the year whilst the Paola outlet will be closed in future.

The Group has recently acquired further high-end franchises, namely, Elisabetta Franchi and Max & Co. Whilst the Elisabetta Franchi store has recently commenced operations through an outlet situated in Bisazza Street, Sliema, the Group is still in the process of setting up the Max & Co store in Valletta. The Group is currently in the process of acquiring representation rights for a number of high-end brands.

The Group also operates a beauty product outlet at Tigne Point (The Make Up Store) and three cafeterias through the representation of the Italian franchise Café Pascucci. The Group is currently in the process of acquiring a commercial property in Gzira (currently under POS agreement) and converting this property into the fourth Café Pascucci outlet. The Group intends to add another outlet in future.

In addition, the Group, through Dizz Finance, manages a portfolio of investment properties held primarily for rental income and capital appreciation. The Group also sub-leases commercial properties held at The Point (Sliema) and The Embassy (Valletta) to a third party.

1.9 Directors of the Guarantor

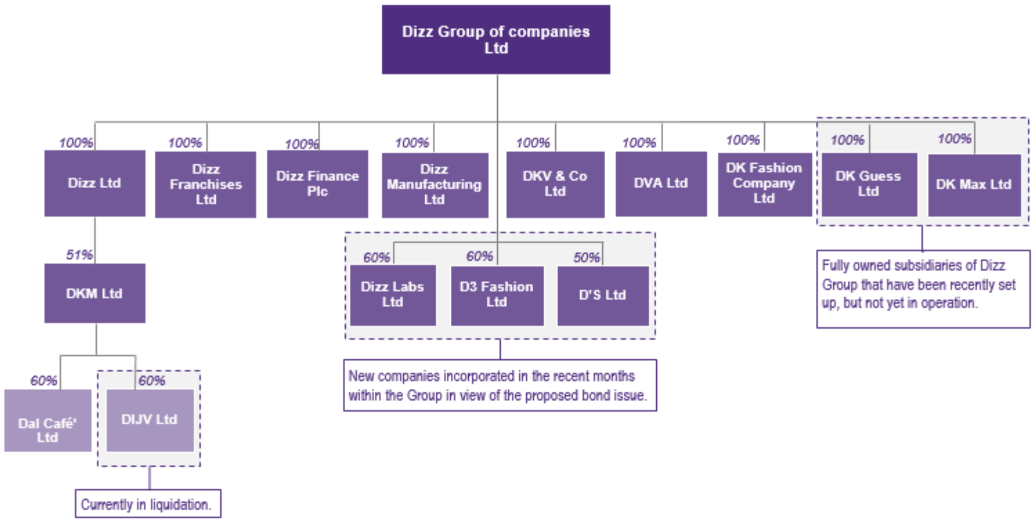
The Guarantor is managed by a Board of Directors who is entrusted with its overall direction and management. The members of the board as at the date of this report are included hereunder:

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

2 Dizz Group's 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.



2.1.1 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.

2.1.2 DKM Ltd – 51% shareholding

DKM Ltd was set up on 5 December 2012 with the scope of holding and operating the food and beverage franchise Café Pascucci. Currently, this company operates three Cafe' Pascucci cafeterias, including an outlet in St. Venera and two cubicles, situated in Bay Street and Tigne', but intends on opening a fourth outlet in Gzira shortly.

2.1.3 DAL Café Limited – 30.6% shareholding

DAL Café Limited was set up on 19 October 2015. This company is 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 Denis Bonello, Matthew Zammit and Dr. Alicia Agius Gatt. This sub-franchise agreement was entered into in 2015 and is expected to last for a 10 year period.

2.1.4 DIJV Ltd – 30.6% shareholding

This company is currently in liquidation.

2.1.5 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.

2.1.6 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.

2.1.7 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 three new franchises which are in the process of being acquired. The plan is for this company to operate four retail outlets, but at the date of this report the company is not operational yet.

2.1.8 DVA Ltd – 100% shareholding

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. DVA 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.

2.1.9 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 fanchises in Malta. There are currently four 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. The company plans to open a fifth outlet in Sliema which is currently still under construction.

2.1.10 Dizz Labs Ltd – 60% shareholding

Dizz Labs Ltd was set up on 9 February 2016 but still not operational yet. The remaining 40% shareholding is owned by Edwin Pisani. Management plans to transfer the Group's administrative functions to Dizz Labs in 2016. Dizz Labs will, in turn, charge a management fee to the other Group companies for the administration services provided.

2.1.11 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.

2.1.12 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 currently operates one outlet in St. Venera.

2.1.13 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. Although the company is not operational yet, management plans on converting the existing Brooks Brothers outlet in Valletta into a Max & Co outlet.

2.1.14 DK Guess Ltd – 100% shareholding
DK Guess Ltd was set up on 8 April 2016 with the aim of holding and operating the Guess and 7 Camicie franchises, which are in the process of being acquired. Although the company is expected to operate six retail outlets, with plans of adding an additional outlet further down the line, the company is not operational yet.

3 Proposed Bond Issue

The Company is proposing to issue an €8 million bond, with a nominal value of €100 each and which will be issued at par. The bond will have a term of ten years and will be redeemed in June 2026.

The forecasts and projections included in the Analysis are based on a coupon of 5%. Interest is expected to be paid annually in June with the initial interest payment made in June 2017.

The proposed Bond Issue is unsecured and not underwritten, but is guaranteed by the Guarantor.

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to €7.7 million will be advanced to the other Group companies. These funds will be used for the following purposes:

- Partly finance the construction and development of a site in Mriehel (the Hub) which will be used as a logistics centre and will house the Group's storage and distribution operations along with its Head Office (€1.2 million);

- Refinance the Group's outstanding loans and bank overdraft (€2.3 million);

- Finance the acquisition of the representation rights and stocks in relation to new high-end brands, settlement of outstanding payments pertaining to the acquisition of the Guess, 7 Camicie and Brooks Brothers brands, and the refurbishment and roll-out of the Max & Co, Elisabetta Franchi outlets and the Terranova megastore in Iklin (€2.9 million); and

- General corporate funding purposes (€1.3 million).

4 Performance and financial position of the Issuer

This section makes reference to the financial statements of the Issuer for the financial year 24 June 2015 (being date of incorporation of the Company) up to 31 December 2015. These have been audited by SWK Certified Public Accountants & Auditors. The forecast financial information for the years ending 31 December 2016 to 2018 is provided by the Company'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.

4.1 Statement of comprehensive income

Issuer's statement of comprehensive income

€000	FY15 [1] Actual	FY16 Forecast	FY17 Projection	FY18 Projection
Revenue	15	412	702	745
Interest payable	-	(200)	(400)	(400)
Gross profit	15	212	302	345
Administrative expenses	(1)	(77)	(78)	(79)
Depreciation and amortisation	(8)	(92)	(103)	(103)
Fair value movement on property	-	-	532	-
Operating profit	5	43	653	163
Taxation	(5)	(23)	(174)	(51)
Net profit after tax	**0**	**20**	**479**	**112**
Other comprehensive income				
Property revaluation, net of deferred tax	685	-	-	-
Total comprehensive income for the period	**686**	**20**	**479**	**112**

Source: Dizz Finance p.l.c. 2015 audited financial statements, Management projections and Due Diligence Report

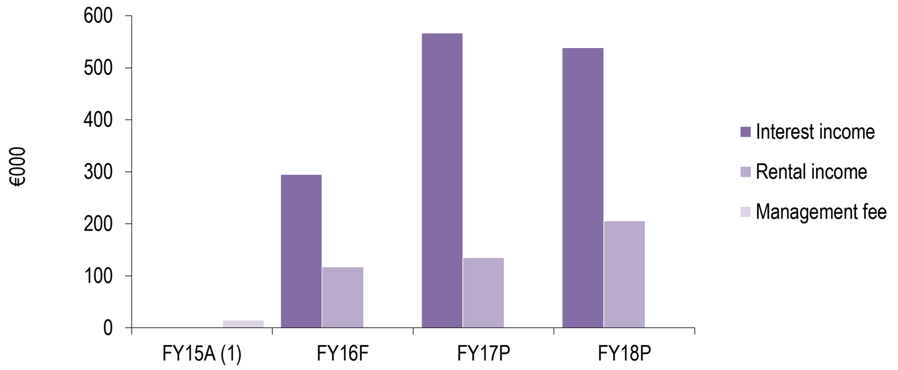
Note (1): Period covers from 24 June 2015 to 31 December 2015

As set out in the above table, during FY15, the Company generated revenue of €15k, consisting of management fees charged to Dizz Limited as compensation for costs incurred by Dizz Finance in connection with the preparation for the proposed bond issue. Going forward, Management expects to achieve revenues of €745k in FY18 representing a stabilised year of performance. This growth in revenue is projected to accrue from:

- Interest receivable from loans to Group undertakings: The Company will enter into loan agreements with Group companies earning interest at the rate of 7.5% per annum;

- Rental income: The Company is expected to generate a stabilised annual rental income of €200k equally split between Group companies and 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.

Issuer's revenue breakdown by product



Source: Dizz Finance p.l.c. 2015 audited financial statements, Management projections and Due Diligence Report

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

Administrative expenses include Directors' emoluments, management fees charged by Group companies (including general administration costs and salaries, accountancy and professional fees), audit fees, MSE listing and registration fees. Directors' remuneration is expected to increase by 10% every three years whilst management fees, which mainly include general administrative costs and salaries, are expected to increase at the rate of 2% per annum, in line with general inflation.

Architect Kurt Vella's valuation report dated 18 August 2016 stated that based on a comparative method of assessment, the two apartments in Qui Si Sana shall have a market value in the region of €1.5 million upon completion of works, in FY17. Based on an acquisition price of €1.0 million (€0.72 million payments to date + €50k stamp duty and notary fees + €240k future payments), the Issuer is expected to recognise a fair value movement of €0.53 million in FY17 on these apartments.

The projected taxation has been assumed at 15% of rental income (Final Withholding Tax), with the remaining interest income from group advances and bank balances and fair value gains taxed at the corporate tax rate of 35%, after allowing for apportionment of costs between rental and group financing activities.

4.2 Statement of cash flows

Issuer's statement of cash flows

€000	FY15 (1) Actual	FY16 Forecast	FY17 Projection	FY18 Projection
Cash flows from operating activities	15	333	601	616
Cash flows from investing activities	(1,832)	(6,493)	(1,221)	(449)
Cash flows from financing activities	1,798	9,397	(400)	(400)
Movement in cash and cash equivalents	(19)	3,237	(1,020)	(233)
Opening balance	-	(19)	3,218	2,198
Closing balance	**(19)**	**3,218**	**2,198**	**1,965**

Source: Dizz Finance p.l.c. 2015 audited financial statements, Management projections and Due Diligence Report

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 FY15, Dizz Finance acquired the Group's head office, the Terranova outlet in St. Venera together with other properties from Dizz Ltd at a cost of €1.8 million. The acquisition of these properties was funded through a shareholder's loan of €0.9 million which was subsequently capitalised into equity. The negative cash balance of €19k as at 31 December 2015 represents unpresented cheques at year end.

The cash flow position of the Issuer is set to improve in FY16. Cash flow from operating activities represents the rental income generated on its property portfolio and interest income earned on intra-group loans.

An outflow from investing activities of €6.5 million is expected in FY16. This represents the net effect of:

a) Advancement of the net bond proceeds: Net bond proceeds of €7.7 million will be advanced to Group companies in FY16 in line with the planned use of bond proceeds;

b) Deposits received from Group companies: Any balances held by Group companies at year end are expected to be transferred to Dizz Finance (cash sweep mechanism) given that Dizz Finance is the financing arm of the Group. Consequently, through this mechanism, at any point in time, the Group's entire cash balances are expected to be held by Dizz Finance. The projections assume that such transfers will not bear interest;

c) The acquisition of two apartments on plan in Qui Si Sana: The acquisition of these apartments in 2016 was funded through a shareholder's loan of €1.0 million which was subsequently capitalised into equity.

Going forward, cash flow from investing activities represents the monthly capital repayments on group loans and net amounts received through the cash sweep mechanism.

Net cash flows from financing activities of €9.4 million are expected to be generated in FY16, being the net bond proceeds of €7.7 million and shareholder loans of €1.6 million. Thereafter, net cash flows from financing activities represent the payment of interest.

4.3 Statement of financial position

Issuer's statement of financial position

€000	FY15 Actual	FY16 Forecast	FY17 Projection	FY18 Projection
Non-current assets	-	-	-	-
Investment property	2,118	3,208	4,825	4,825
Improvements to property	410	328	246	164
Payments on account	132	245	-	-
	2,660	3,781	5,071	4,989
Bond issue costs	-	202	181	160
Intra group loans	-	7,703	7,083	6,424
Deposits from group companies	-	(3,224)	(2,341)	(1,233)
Deferred tax liability	(151)	(151)	(274)	(274)
Accruals	(1)	(3)	(4)	(4)
Amounts owed by Group undertakings	32	32	32	32
Taxation	(5)	(23)	(51)	(51)
Capital employed	**2,535**	**8,198**	**9,697**	**10,042**
Net debt				
Amounts due to group undertakings	930	-	-	-
Bond issue	-	8,000	8,000	8,000
Accrued interest	-	200	200	200
Cash and cash equivalents	19	(3,218)	(2,198)	(1,965)
	949	4,982	6,002	6,235
Equity				
Share capital	900	1,910	1,910	1,910
Retained earnings	0	20	499	611
Revaluation reserve	685	685	685	685
Shareholders loans	-	600	600	600
Total equity	1,586	3,216	3,695	3,807
Total funding	**2,535**	**8,198**	**9,697**	**10,042**

Source: Dizz Finance p.l.c. 2015 audited financial statements, Management projections, Due Diligence Report

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

Total capital employed is expected to increase from €2.5 million as at 31 December 2015 to €10.0 million by 31 December 2018. This increase is principally driven by bond proceeds which are advanced to Group companies net of cash surplus balance as at the end of the year. It is envisaged that the Company will gradually build up its cash reserves for the redemption of the Bond in June 2026.

Investment property is also expected to increase from €2.1 million as at 31 December 2015 to €4.8 million as at 31 December 2018, following the acquisition of two apartments on plan in Qui Si Sana in FY16 and expected fair value movement on the same apartments upon completion of construction in FY17, as well as the acquisition of properties currently held under promise of sale agreement.

As at 31 December 2015 total equity amounted to €1.6 million. During FY15, the Issuer recognised a revaluation of €685k (net of deferred tax), which represents the uplift in value of investment properties upon transfer to Dizz Finance. Shareholder's equity is projected to increase to €3.2 million as at 31 December 2018, reflecting the €1.0 million increase in share capital in FY16 following the capitalisation of the shareholders' loan and movement in projected profits.

4.4 Evaluation of performance and financial position

Issuer's evaluation of performance and financial position

	FY15 (1) Actual	FY16 Forecast	FY17 Projection	FY18 Projection
Gross profit margin (Gross Profit / Revenue)	100.0%	51.5%	43.0%	46.3%
Operating profit margin (Operating Profit / Revenue)	34.7%	10.4%	93.0%	21.9%
Net profit margin (Profit for the year / Revenue)	3.3%	4.8%	68.2%	15.0%
Interest coverage ratio (Operating profit adding back depreciaition, amortisation and interest payable / interest payable)	n/a	1.68x	2.89x	1.67x
Return on assets (Operating Profit / Total Assets)	0.2%	0.3%	4.5%	1.2%
Return on capital employed (Operating Profit / Capital Employed)	0.19%	0.38%	5.54%	1.37%
Return on equity (Profit attributable to owners / Average Equity attributable to owners)	0.03%	0.76%	15.48%	3.49%
Current ratio (Current Assets / Current Liabilities)	-3.20x	1.11x	1.10x	1.76x
Gearing Ratio 1 (Borrowings / (Total Equity + Borrowings))	1.2%	65.6%	66.0%	66.0%
Gearing Ratio 2 (Borrowings / Total Equity)	0.01x	1.90x	1.94x	1.94x

Source: Financial Services Planning Ltd

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

The ratios for FY15 cover the period 24 June 2015 (date of incorporation) to 31 December 2015. Given that the Company's only source of income was management fees of €15k the ratios for FY15 are not reflective of the Company's operation.

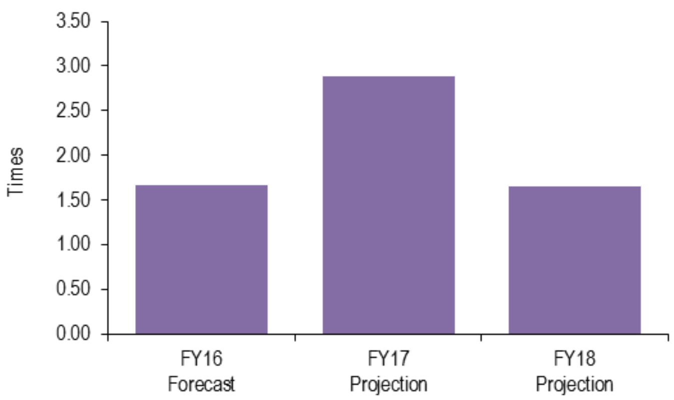
The profitability ratios for the period FY16 to FY18 display a considerable level of stability, reflecting its role as a holder of investment properties and finance arm of the Group. Rental and fixed interest income, in addition to fixed interest payable on the borrowings, drive operations and profits from FY16 onwards. Profitability ratios of FY17 are considerably higher than those expected for FY16 and FY18, given that the Issuer is expected to generate a fair value movement of €0.5 million, following an uplift on its two apartments in Qui Si Sana upon completion of construction.

A gross profit margin of over 40% is projected for the period FY16 to FY18. However, as the properties currently under promise of sale agreement will be acquired and leased out during the next two years, the gross profit margin is expected to stabilise in FY18 at 46%.

Return on Capital Employed (ROCE) and Return on Assets (ROA) were estimated on the basis of operating profit and are expected to improve throughout the years. Consequently, ROE is expected to increase to 3.49% by FY18, reflecting the increase in profits emanating principally from an increase in revenue in FY16. ROA is also expected to improve from 0.2% in FY15 to 1.2% in FY18.

Interest coverage would typically be calculated as the ratio of Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) to net finance costs. In the case of the Issuer, the core revenue of the Company consists of rental income and interest earned on loans advanced to Group companies. Therefore, in order to calculate the ability to service the bond borrowings, interest coverage is estimated as the ratio of this financial income (after adjusting for administrative expenses, and fair value movement on property but excluding depreciation and amortisation) to interest payable. Bond interest will accrue from the month following issue and interest cover is expected to be in excess of 1.6 times as from FY16 onwards.

Interest cover ratio analysis

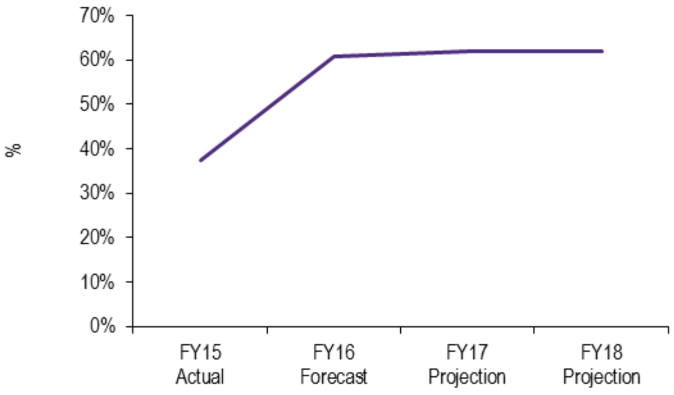


Source: Financial Services Planning Ltd

The Group loans have been classified between current and non-current assets, given that it is expected that these loans will be repaid over a 10 year period with fixed monthly repayments. Conversely, the deposits from Group companies, are classified as current liabilities, on the basis that any surplus cash at year end is transferred to Dizz Finance. Current ratio for FY16 and FY17 is expected to be c. 1:1, increasing to 1:1.8 by FY18.

For the purposes of the gearing calculation, borrowings are based on the bond amount and accrued bond interest net of cash balances held by the Company. Total equity includes the Company's issued equity share capital, its accumulated reserves, revaluation reserve and shareholders' loans that carry no interest and have no fixed repayment date. Gearing is expected to increase over the three years, from 37.4% in FY15 to a peak of 62.1% in FY18. As from FY19 onwards, gearing is expected to decline in the projected period due to a gradual build up in cash reserves of Dizz Finance, as more cash is generated from Group companies and repaid to the Company, either in the form of interest and loan repayments, or interest-free deposits with the Issuer.

Gearing ratio analysis



Source: Financial Services Planning Ltd

5 Financial Performance 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 and not underwritten, 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 financial statements of the Guarantor for the financial years 31 December 2013, 31 December 2014 and 31 December 2015. As the Guarantor was set up on 28 March 2014, the period 1 January 2013 to 31 December 2013 is based on audited pro-forma results for the Group. All financial statements have been audited by SWK Certified Public Accountants & Auditors. The forecasted financial information for the years ending 31 December 2016 to 2018 was provided by management of the Company. 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.

5.1 Statement of comprehensive income

Guarantor's Statement of comprehensive income

€000	FY13[1] Actual	FY14 Actual	FY15 Actual	FY16 Forecast	FY17 Projection	FY18 Projection
Revenue	4,741	5,118	6,270	11,204	16,571	17,357
Cost of material	(2,377)	(2,342)	(2,831)	(5,784)	(8,517)	(8,860)
Gross profit	2,364	2,776	3,439	5,420	8,054	8,497
Administrative costs	(2,034)	(2,313)	(2,855)	(4,168)	(5,928)	(6,352)
EBITDA	330	464	584	1,252	2,126	2,146
Depreciation and amortisation	(286)	(344)	(360)	(658)	(699)	(711)
Operating profit	44	120	224	594	1,427	1,435
Share of results from associate	(5)	-	-	-	-	-
Fair value movement on properties	-	-	-	-	532	-
Foreign exchange gains	-	2	-	-	-	-
Other income	45	39	30	103	119	140
Finance costs	(37)	(40)	(44)	(211)	(390)	(370)
Profit before tax	47	121	210	486	1,688	1,205
Taxation	(21)	(28)	(51)	(164)	(523)	(409)
Net profit	26	92	159	322	1,165	795
Other comprehensive income						
Property revaluation, net of deferred tax	-	-	207	-	-	-
Total comprehensive income	**26**	**92**	**366**	**322**	**1,165**	**795**

Source: Dizz Group of Companies Ltd 2013 to 2015 audited financial statements, Management projections and Due Diligence Report

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

The Group's revenue is principally generated through the sale of branded garments. Between FY13 and FY15 the Group generated over 90% of its revenue from the Terranova, Terranova Kids, Calliope, Liu Jo and Liu Jo Uomo brands. During this period, revenue from these brands increased by 23.1%, principally due to:

a) The Terranova and Calliope brands, which further established themselves in the local market, generating a higher average revenue per outlet; and

b) Opening of three additional outlets for Liu Jo and Liu Jo Uomo brands, a higher-end designer brand, which enables the Group to achieve a higher overall margin.

Going forward, as set out in the chart below, retail clothing revenue is expected to increase from €5.7 million in FY15 to €16.0 million in FY18, representing a compound annual growth rate of 41.1%. This projected increase in revenue is driven by:

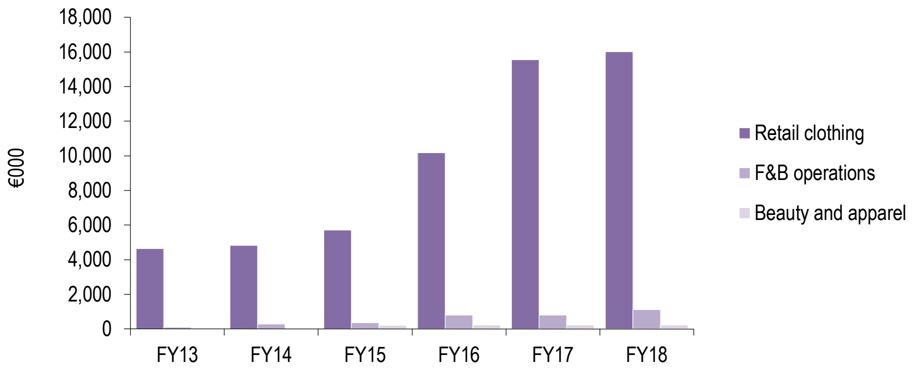
a) The acquisition of two high-end franchises, Elisabetta Franchi and Max & Co;

b) The transfer agreements entered into by the Group during the first quarter of 2016, whereby the Group is currently in the process of acquiring representation rights for Guess, 7 Camicie, Brooks Brothers, and three other high-end brands. Although the latter transaction is still subject to franchisor approval, the projections assume that the Group will commence operations of these brands during the second half of 2016;

c) Opening of two Terranova megastores in Iklin and Fgura in FY16. The Iklin megastore has already welcomed its first customers in June 2016. As the Group already operates a Terranova outlet in Paola, upon commencement of the Fgura megastore, the Terranova outlet in Paola will be closed down.

Notwithstanding the projected growth in revenues through the acquisition of these new brands, Management expects that the Terranova brand will still account for c. 50% of revenues in FY17 and FY18.

Group's revenue breakdown



Source: Dizz Group of Companies Ltd 2013 to 2015 audited financial statements, Management projections and Due Diligence Report

During FY14 the Group expanded its operations into catering, through the representation of the Italian franchise Café Pascucci. At present, the Group operates three Café Pascucci outlets, with plans to operate another two outlets in place. Although sales for F&B operations were minimal in FY14 and FY15, Management expects to increase sales by €754k between FY15 and FY18, representing a compound annual growth rate of 45.3%. This increase is primarily driven through the operation of a further two outlets.

The beauty operation started through the operation of an outlet in Tigne Mall, which sells products of the franchise Make Up store. Going forward, Management expects to generate revenue of €225k per annum, which is in line with the revenue generated during FY15.

Administration costs are managed by the Head Office and are then allocated on a company by company basis. Administrative costs increased from €2.0 million in FY13 to €2.9 million in FY15 and are expected to increase further to €6.4 million in FY18, principally due to an increase in rent and staff costs following the acquisition of the new brands.

The Group incurred c. €40k of interest costs per annum, between FY13 and FY15. This is expected to increase to €400k per annum as from June 2016 onwards, based on the coupon rate of 5%.

Net profits generated by the Group increased from €26k in FY13 to €159k in FY15, representing a compound annual growth rate of 147.29%. Based on the envisaged growth in revenue, net profit is expected to reach €795k by 2018. During FY15, the Group also recognised a revaluation gain of €207k (net of deferred tax) on its property portfolio held within Dizz Finance and is expected to recognise an fair value movement of €532k (prior to deferred tax) in FY17 following completion of construction of the two apartments in Qui Si Sana.

5.2 Statement of cash flow position

Guarantor's cash flow statement

€000	FY13[1] Actual	FY14 Actual	FY15 Actual	FY16 Forecast	FY17 Projection	FY18 Projection
Cash flow operating activities	333	293	273	374	2,037	1,864
Cash flow used in investing activities	(467)	(580)	(2,006)	(4,915)	(2,656)	(1,697)
Cash flows from financing activities	142	351	1,109	8,410	(400)	(400)
Movements in cash and cash equivalents	8	65	(624)	3,869	(1,020)	(233)
Opening balance	(85)	(77)	(12)	(652)	3,218	2,198
Upon acquisition	-	-	(15)	-	-	-
Closing balance	**(77)**	**(12)**	**(652)**	**3,218**	**2,198**	**1,965**

Source: Dizz Group of Companies Ltd 2013 to 2015 audited financial statements, Management projections and Due Diligence Report

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

Between FY13 and FY15 the Group invested significantly in its operations, with a total investment cash outflow of €3.1 million. This involved the acquisition of investment property, furniture and fittings for its outlets and the purchase of goodwill/key money as the Group invested in the expansion of its outlets. Going forward, Management envisages that there will be a total investment outflow of €9.3 million between FY16 and FY18, which is principally driven by the acquisition of new brands, opening of the Terranova megastores and Café Pascucci outlets, development of the Hub, and acquisition of investment properties (the acquisition in FY16 of two apartments on plan in Qui Si Sana and other properties which are currently under promise of sale agreement).

The investment activities of the Group between FY13 and FY15 were mainly funded through cash flows generated from operations, bank finance and equity. It is expected that going forward, profits generated by the Group are re-invested in working capital as the Group's priority is to continually expand its operations.

The Group's investments between FY16 and FY18 are expected to be primarily financed through the proposed bond issue. Following the bond issue, the Group plans on refinancing its existing bank facilities. Despite this, Management plans on retaining its existing overdraft facilities and use such facilities to finance any short-term working capital requirements.

5.3 Statement of financial position

Guarantor's statement of financial position

€000	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Forecast	FY17 Projection	FY18 Projection
Non-current assets						
Property, plant and equipment	2,194	2,360	3,075	7,388	9,243	10,114
Investment property	-	-	1,297	2,187	2,839	2,839
Deposits on property	-	-	132	245	-	-
Goodwill	79	149	280	232	184	144
	2,273	2,509	4,784	10,051	12,266	13,097
Bond issue costs	-	-	-	202	181	160
Investment in associates	-	1	-	-	-	-
	2,273	2,510	4,784	10,253	12,447	13,257
Net working capital						
Inventories	141	471	565	1,793	1,883	1,977
Trade receivables	-	4	16	77	84	89
Trade payables	(269)	(557)	(457)	(560)	(588)	(617)
Trade working capital	(128)	(82)	123	1,311	1,380	1,449
Prepayments and other receivables	40	51	136	86	90	94
Accruals and other payables	(377)	(179)	(201)	(391)	(411)	(431)
Net working capital	(466)	(210)	58	1,005	1,059	1,112
Capital creditors	-	-	-	(1,000)	(704)	(528)
Taxation	(41)	(84)	(34)	(164)	(399)	(409)
Deferred tax	(15)	3	(137)	(137)	(261)	(261)
Capital employed	**1,752**	**2,219**	**4,671**	**9,957**	**12,142**	**13,171**
Net debt						
Bond issue	-	-	-	8,000	8,000	8,000
Accrued interest	-	-	-	200	200	200
Bank loans	513	605	976	-	-	-
Shareholder loans	400	739	-	-	-	-
Bank overdraft	83	146	659	-	-	-
Cash and cash equivalents	(6)	(134)	(8)	(3,218)	(2,198)	(1,965)
	990	1,356	1,628	4,982	6,002	6,235
Equity						
Share capital	468	468	2,280	3,290	3,290	3,290
Retained earnings	(210)	(93)	24	301	1,420	2,162
Revaluation reserve	478	478	685	685	685	685
Shareholders loan	-	-	-	600	600	600
	736	853	2,989	4,876	5,995	6,737
Non-controlling interest	26	10	54	98	146	199
Total equity	762	863	3,043	4,975	6,140	6,936
Total funding	1,752	2,219	4,671	9,957	12,142	13,171

Source: Dizz Group of Companies Ltd 2013 to 2015 audited financial statements, Management projections and Due Diligence Report

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

During the historical period the Group's total capital employed increased from €1.8 million as at 31 December 2013 to €4.7 million as at 31 December 2015. This increase was principally driven by an increase in share capital of €1.8 million and bank borrowings of €1.0 million. This capital was allocated towards the increased funding requirement of property, plant and equipment, investment properties and inventories.

The Terranova and Calliope stocks are acquired on a consignment basis and therefore, although the cost of material from the franchisor includes a premium for this arrangement, inventory as at the end of the year does not include any stock on these brands. Consequently, between FY13 and FY15 the Group's inventories consisted of stocks of Liu Jo, Liu Jo Uomo, The Make Up Store and You Vee Sunglasses.

Going forward, total capital employed is expected to reach €13.2 million by 31 December 2018. The principal increase in total capital employed is due to the proceeds of the bond issue.

As at 31 December 2015 the Group was principally funded through equity of €3.0 million, bank facilities of €1.6 million and trade payables of €0.7 million. As at 31 December 2015, the Group also had off balance sheet financing of €1.8 million, relating to bank guarantees to stock suppliers. These guarantees are secured, *inter alia*, by the Group's properties, including the investment property portfolio held by Dizz Finance.

Trade and other payables are expected to increase to €1.8 million as at 31 December 2018, principally due to an increase in capital creditors, representing the acquisition of the new brands which will be paid over a period of time as stipulated in the agreements currently being entered into by Management.

During 2016, the shareholder's injected €1.6 million by way of a shareholder's loan, of which €1.0 million has been capitalised to date. The shareholder's loan does not carry interest and does not have a fixed repayment date.. Shareholder's equity is projected to increase from €3.0 million as at 31 December 2015 to €6.9 million as at 31 December 2018, reflecting the €1.0 million increase in share capital in FY16 and movement in projected profits.

5.4 Evaluation of performance and financial position

Guarantor's evaluation of performance and financial position

	FY13(1) Actual	FY14 Actual	FY15 Actual	FY16 Forecast	FY17 Projection	FY18 Projection
Gross profit margin (Gross Profit / Revenue)	49.9%	54.2%	54.8%	48.4%	48.6%	49.0%
Operating profit margin (Operating Profit / Revenue)	0.9%	2.3%	3.6%	5.3%	8.6%	8.3%
Net profit margin (Profit for the year / Revenue)	0.5%	1.8%	2.5%	2.9%	7.0%	4.6%
Interest coverage ratio (EBITDA / interest payable)	8.92x	11.59x	13.26x	5.93x	5.45x	5.80x
Return on assets (Operating Profit / Total Assets)	1.8%	3.8%	4.1%	3.9%	8.7%	8.4%
Return on capital employed (ROCE) (Operating Profit / Capital Employed)	2.5%	5.4%	4.8%	6.0%	11.8%	10.9%
Return on equity (Profit attributable to owners / Equity attributable to owners)	3.4%	10.7%	12.0%	7.4%	21.0%	12.5%
Current ratio (Current Assets / Current Liabilities)	0.27x	0.54x	0.45x	2.23x	1.85x	1.89x
Quick Ratio (Current Assets less Inventories / Current Liabilities)	0.07x	0.16x	0.10x	1.46x	1.03x	0.98x
Gearing ratio (Net Debt/ Total Funding)	56.5%	61.1%	34.8%	50.0%	49.4%	47.3%

Source: Financial Services Planning Ltd

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

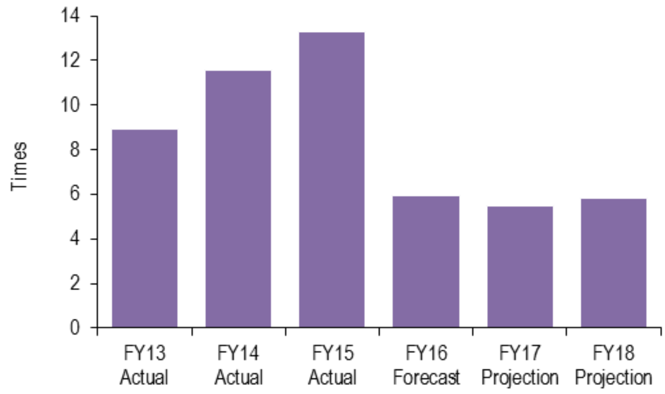
The table above sets out an evaluation of the performance of the Group between FY13 and FY18. As illustrated above, the Group's performance improved between FY13 and FY15, and is expected to improve further in the projected period, through the acquisition of new brands and opening of new outlets on its existing brands. However, Management expects that FY18 will represent a stabilised year, given that in FY17, Management expects to generate an uplift of €0.5 million on its apartments in Qui Si Sana.

Although the Group added two new lines of business between FY13 and FY15, a consistent gross profit margin of c. 50% was maintained during this period. From FY16 onwards, Management is expecting to continue to achieve a gross profit margin of over 48%.

The overall operating performance after administrative costs, depreciation and amortisation increased from 0.9% in FY13 to 3.6% in FY15. Such thin margins reflect the high rental costs paid by the Group given that the majority of the Group's outlets are all situated in prime locations around Malta and the wages and salaries paid by the Group in order to support its organisational structure. Management is expecting operating profit to reach 8.3% by FY18. Likewise, net profit margin has also increased in the historical period, and is expected to increase further to 4.6% by FY18.

Interest cover ratio increased from 8.92x in FY13 to 13.26x in FY15. A drop in the interest cover ratio is expected from FY16 onwards, due to the increased interest cost arising on the proposed bond. Despite this, the Group is still projecting that the interest cover ratio will be over 5.4x in the projected period.

Interest coverage ratio analysis



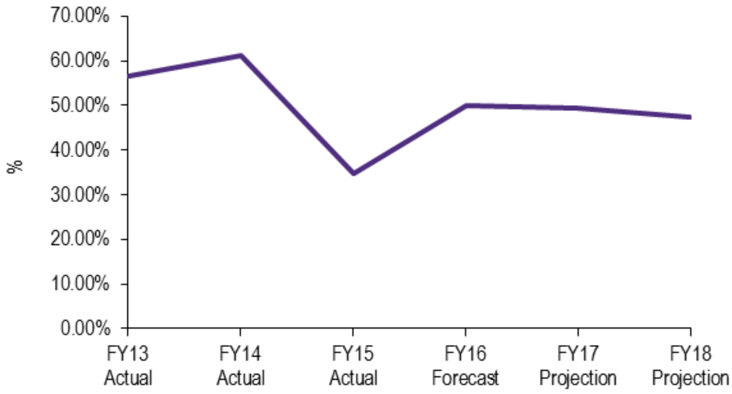
Source: Financial Services Planning Ltd

ROCE and ROA have recorded significant increases between FY13 and FY15. Likewise, given the projected increase in net profit, the projections result in ROCE and ROA increases, reaching 10.9% and 8.4% respectively by FY18.

The current ratio for the historical period FY13 to FY15 was less than 0.5x, indicating that current liabilities exceeded current assets. As the increase in inventory and cash is expected to increase at a higher rate than the increase in trade and other payables, the current ratio is expected to turn positive as from FY16.

The Group's gearing has been relatively stable at around 60% between FY13 and FY14, and decreased to 35% as at 31 December 2015 due to a net equity injection of €1.8 million. Going forward, the Group's gearing is expected to peak at 50.0% in FY16 following the bond issue and gradually decreasing thereafter.

Gearing ratio analysis



Source: Financial Services Planning Ltd

5.5 The retail apparel market in Malta

Marked growth in retail sales in Malta: retail apparel sales, excluding footwear and leather goods, increased at a CAGR of 3.6% between 2008 and 2013. The rate of growth is well above the European CAGR in the same period.

Significant volatility in sales levels: the recent sales trend evidences a marked volatility with sales increasing by 13% in 2010, contracting by 1% in 2011, increasing by 9% in 2012 and 1% in 2013.

Retail outlets in Malta are becoming larger: although the total number of outlets has remained relatively unchanged (FY08: 725 outlets; FY13: 712 outlets), there have been decreased in the number of smaller outlets (less than 10 employees) and increases in larger outlets (for example, outlets employing more than 50 employees have doubled between FY08 and FY13).

Spend is shifting towards larger outlets: sales by outlets employing more than 50 employees increased at CAGR of 12.4% in FY08 to FY13, as opposed to an annual decrease of 5.5% in the sales of outlets employing less than ten employees.

Dizz Group's market share is estimated at c. 2.5% in FY13: The Group's retail clothing sales in FY13 amounted to €4.6 million, which approximate to c.2.5% of the total market.

6 Risks underlying the proposed issue

The Issuer's cash flow generation is highly dependent on the performance of the Group. Thus the proposed bond issue is also subject to the risk pertaining to the Group's operations as identified below.

Achieving significant growth: the Group's projections indicate that there will be significant growth in profits and cash flows in the coming years. Group's EBITDA is expected to increase from €0.6 in FY15 to €2.1 million in FY18. The ability to repay the proposed bond is highly dependent on these targeted figures. In the meantime, this growth will initiate a transition from a family run business focusing on one main brand (Terranova) to a public company managing a portfolio of brands. This will bring along a change in the management, control and governance of the Group. The ability to adapt to these changes will also have a significant bearing on the achievement of the growth targets.

Highly leveraged capital structure and limited asset cover: As the gearing levels indicate both the Issuer's and the Group's capital structure are expected to remain highly leveraged through the initial five years of the projections. This will give rise to numerous risks mainly due to the fact that such a capital structure will absorb a large portion of the cash flows generated. The high gearing level indicates that the Group and the Company have limited asset cover. Moreover, one must note that these gearing figures exclude off-balance sheet financing and guarantees which are expected to increase in the near future in line with the projected growth in operations.

Development of the Hub: A portion of the proposed bond proceeds will be allocated to the acquisition and construction the Hub. This Hub will allow the Group to step up the effectiveness of the logistic functions which will be critical to support the projected growth in retail operations. The permit for the development of this project was issued on 15 July 2016. Moreover, the project still needs to be approved by the Government's Property Division.

Assembly operations: the projections assume that once the development of the Hub is completed in FY18, the Group will start generating revenue from operations of the assembly of garments of Terranova. The scope and scale of these operations are still fluid and hence the level of uncertainty with this business plan heightens the level of execution risk on the projected cash flows.

Exposure to the retail apparel market: the European retail apparel market is expected to grow at a CAGR of 2% between FY15 and FY19. Turnover from fashion retail operations for the Group is projected to increase at an average growth rate of 3% per annum as from FY17. This would be in line with the European market. Recent statistics for the local market also indicate a high level of volatility with substantial shifts in overall sales levels. Moreover, one also needs to consider the increasing competition that local fashion retailers are facing from e-commerce and online sales.

Newly acquired brands: The Group expects EBITDA to increase from €0.6 million in FY15 to €2.1 million in FY18. This increase is subject to the assumption that the Group will complete the acquisition of a number of new retail fashion brands in Malta. These agreements were verbally agreed but no formal consent from the franchisors was obtained. One must note that negotiations are in place but if the Group is not appointed as franchisor for one or more of these brands, its projected cash flows are likely to be adversely affected.

The new Terranova megastores: The two new megastores are expected to contribute substantially to the Group's operating results. However, the projections do not factor in the possibility of sales shifting from one store to another. The only loss which was factored in is the closure of the Paola outlet.

Over reliance on Terranova and Calliope: The Group's existing retail operations are highly concentrated on the Terranova and Calliope brand. Sales for these two brands represented c.86% of total retail fashion turnover in FY15. The franchise agreements for the majority of the Terranova and Calliope outlets are currently based on a tacit annual renewal but can be rescinded by both parties subject to three months' notice. Non-renewal of these franchise agreements would materially influence the projected cash flows of the Group.

Renewal of lease agreements: The projections assume that the lease for all retail outlets will be renewed at the existing terms upon expiry of the current lease term. If the Group fails to renew any of the agreements or renews at rates that are materially different than current rates, this could have a material effect on the Group's operating results and projected cash flows.

Renewal of rental agreements: Only a minimal portion of the projected rental income is covered by rental agreements, as most of these agreements expire within one year. The projections assume that these rental agreements will be renewed on similar terms upon expiry. Thus, the projected stream of rental income is based on the Company's ability to secure an agreement on similar terms to those currently being achieved.

7 Comparables

The table below compares the Dizz Group and the Issuer's proposed bond issue to other debt issuers which are listed on the Malta Stock Exchange. The list includes most 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 highlighted below provides an indication of the financial performance and strength of the Group.

Comparative analysis

	Maturity date	Nominal value (€000)	Coupon	Yield to maturity [1]	Interest cover	Total assets (€000)	Net asset value (€000)	Gearing
Tumas Investments plc	2024	25,000	5.0%	3.8%	4.5x	274,893	98,839	49.1%
Mariner Finance plc	2024	35,000	5.3%	3.7%	2.8x	67,669	25,823	58.2%
AXI plc	2024	40,000	6.0%	4.3%	2.8x	188,378	102,171	38.3%
Hal Mann Vella plc	2024	30,000	5.0%	3.7%	0.0x	81,841	31,150	55.5%
PTL Holdings plc	2024	36,000	5.1%	4.1%	2.2x	70,543	6,592	86.8%
6PM Holdings plc	2025	13,000	5.1%	3.7%	10.0x	12,546	5,660	36.6%
Medserv plc	2026	21,982	4.5%	3.9%	6.8x	81,141	11,122	69.3%
Dizz Finance plc [2]	2026	8,000	5.0%	5.0%	5.8x	17,112	6,336	47.3%

Source: Data was extracted from the FY15 audited financial statements for Mariner Finance plc, Hal Mann Vella plc, PTL Holdings plc, Medserv plc and Corinthia Finance plc

Data was extracted from the FY14 audited financial statements for Tumas Investment plc, AXI plc and 6PM Holdings plc

Note 1: Yield to maturity as at 22 June 2016

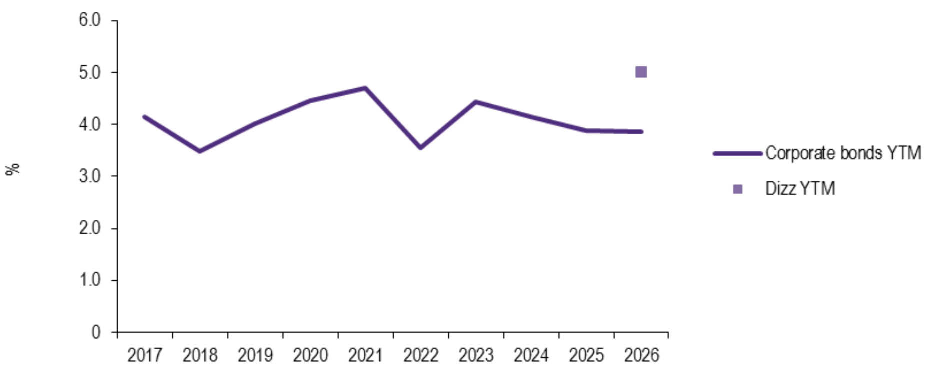
Note 2: Data for Dizz Finance is based on FY18 for the Guarantor

The interest cover ratio determines the ability of the company to meet its interest obligations on the outstanding borrowings. The table above is based on FY18 data (the stabilised year) for Dizz Group to reflect the impact of the bond issue on the company's interest cover ratio. The Group can cover the interest costs by 5.8 times.

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 47.3%. 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 proposed bond when compared to other corporate bonds listed on the Malta Stock Exchange. The yield to maturity in 2026 for the Issuer's Bond is 5%; higher than the weighted average yield to maturity for Malta's corporate bonds as at the same date.

Bond yield to maturity



Source: Malta Stock Exchange and Dizz Group information

8 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.

9 Appendices

9.1 Issuer's statement of financial position

Issuer's statement of financial position

€000	FY15 [1] Actual	FY16 Forecast	FY17 Projection	FY18 Projection
ASSETS				
Non-current assets				
Investment property	2,118	3,208	4,825	4,825
Property, plant and equipment	410	328	246	164
Trade and other receivables	164	7,360	6,456	5,797
Total non-current assets	**2,692**	**10,896**	**11,527**	**10,786**
Current assets				
Trade and other receivables	-	620	659	659
Cash and cash equivalents	(19)	3,218	2,198	1,965
Total current assets	**(19)**	**3,838**	**2,857**	**2,624**
Total assets	**2,673**	**14,734**	**14,384**	**13,410**
EQUITY AND LIABILITIES				
Equity				
Share capital	900	1,910	1,910	1,910
Retained earnings	0	20	499	611
Revaluation reserve	685	685	685	685
Total equity	**1,586**	**2,615**	**3,094**	**3,206**
Non-current liabilities				
Borrowings	-	7,798	7,819	7,840
Trade and other payables	930	720	600	600
Deferred tax liability	151	151	274	274
Total non-current liabilities	**1,081**	**8,669**	**8,693**	**8,714**
Current liabilities				
Trade and other payables	1	3,427	2,545	1,438
Current taxation	5	23	51	51
Total current liabilities	**6**	**3,450**	**2,596**	**1,489**
Total liabilities	**1,087**	**12,119**	**11,289**	**10,204**
Total equity and liabilities	**2,673**	**14,734**	**14,383**	**13,410**

Source: Dizz Finance p.l.c. 2015 audited financial statements, Management projections and Due Diligence Report

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

9.2 Guarantor's statement of financial position

Guarantor's statement of financial position

€000	FY13[1] Actual	FY14 Actual	FY15 Actual	FY16 Forecast	FY17 Projection	FY18 Projection
ASSETS						
Non-current assets						
Intangible asset	79	149	280	232	184	144
Property, plant and equipment	2,194	2,360	3,075	7,388	9,243	10,114
Investment property	-	-	1,297	2,187	2,839	2,839
Trade and other receivables	-	-	132	245	-	-
Investment in associates	-	1	-	-	-	-
Deferred tax asset	-	3	14	14	(110)	(110)
Total non-current assets	**2,273**	**2,513**	**4,798**	**10,065**	**12,156**	**12,987**
Current assets						
Inventories	141	471	565	1,793	1,883	1,977
Trade and other receivables	40	55	152	163	174	183
Cash and cash equivalents	6	134	8	3,218	2,198	1,965
Total current assets	**187**	**660**	**725**	**5,174**	**4,256**	**4,125**
Total Assets	**2,460**	**3,173**	**5,523**	**15,239**	**16,411**	**17,112**
EQUITY AND LIABILITIES						
Equity						
Share capital	468	468	2,280	3,290	3,290	3,290
Retained earnings	(210)	(93)	24	301	1,420	2,162
Revaluation reserve	478	478	685	685	685	685
	736	853	2,989	4,276	5,395	6,137
Non-controlling interest	26	10	54	98	146	199
Total equity	**762**	**863**	**3,043**	**4,375**	**5,541**	**6,336**
Non-current liabilities						
Borrowings [2]	996	1,093	723	8,398	8,419	8,440
Deferred tax liability	15	-	151	151	151	151
Total non-current liabilities	**1,011**	**1,093**	**874**	**8,549**	**8,570**	**8,591**
Current liabilities						
Borrowings [2]	-	397	912	-	-	-
Trade and other payables	646	736	659	2,151	1,902	1,776
Current taxation	41	84	34	164	399	409
Total current liabilities	**687**	**1,217**	**1,605**	**2,315**	**2,301**	**2,185**
Total liabilities	**1,698**	**2,310**	**2,479**	**10,864**	**10,871**	**10,776**
Total Equity and liabilities	**2,460**	**3,173**	**5,522**	**15,239**	**16,412**	**17,112**

Source: Dizz Group of Companies Ltd 2013 to 2015 audited financial statements, Management projections and Due Diligence Report

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

Note 2: A split between current and non current borrowings was not made available for FY2013