

ANNEX C – FINANCIAL ANALYSIS SUMMARY

Bortex Group Finance p.l.c.
30th October 2017





FINANCIAL ANALYSIS SUMMARY

Bortex Group Finance p.l.c.

The Directors
Bortex Group Finance p.l.c.,
A 11 Marsa Industrial Estate,
Marsa, MRS 3000, Malta

30th October 2017

Dear Sirs,

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Bortex Group Finance p.l.c. ("the issuer") and Bortex Group Holdings Co Ltd ("the guarantor"). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the three years ended 2014, 2015 and 2016 have been extracted from the issuer and guarantor's audited statutory financial statements for the three years in question.
- (b) The forecast data for the current financial year and the year ending 2018 have been provided by management.
- (c) Our commentary on the Issuer and Guarantor's results and financial position is based on the explanations set out by the Issuer in the Prospectus.
- (d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (e) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies.

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 potential investors and is meant to complement, and not replace, the contents of the full Prospectus. 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. Potential investors are encouraged to seek professional advice before investing in the bonds.

Yours sincerely,

Nick Calamatta
Director

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Part 1 - Information about the Group

1.1 Issuer and Guarantor's key activities and structure

The Issuer, Bortex Group Finance plc ("BGF"), company registration number C 82346, is a limited liability company registered in Malta on 30th August 2017. The Issuer is, except for one share which is held by Mr Peter Borg and another share held by Ms Karen Bugeja, a fully-owned subsidiary of the Guarantor, which latter entity is the parent company of the Group. The Issuer, which was set up and established to act as a finance company, has as at the date hereof an authorised and issued share capital of €250,000 divided into 250,000 ordinary shares of €1 each, all fully paid up.

The Guarantor, Bortex Group Holdings Company Limited ("BGH"), is a private limited liability company incorporated and registered in Malta with company registration number C 4863. It was formerly known as Borchild Limited until 26th September 2017. The Guarantor is the parent company of the Group, which is principally engaged, through several subsidiaries that operate in various jurisdictions, in the business of manufacturing garments for its own private label, Gagliardi, and other private labels, marketing and retailing garments; and developing high quality property developments, as well as owning and managing hotel and residential properties in Malta. The Group is also active in the Maltese real estate market.

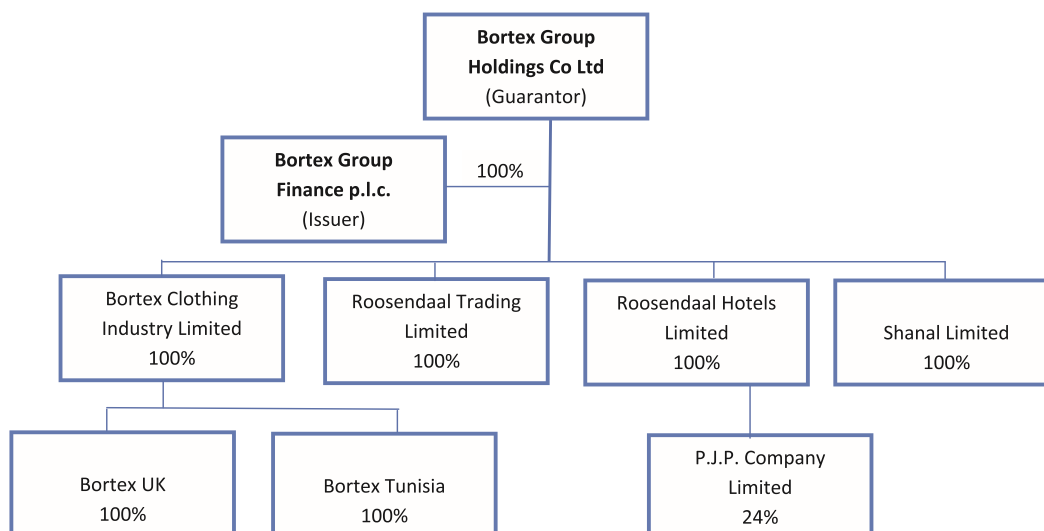
The authorised and issued share capital of the Guarantor is €46,587.46 divided into 20,000 ordinary shares having a nominal value of €2.329373 each. The Issuer and the Guarantor are ultimately owned as to 50% by Mr Peter Borg and as to 50% by Ms Karen Bugeja.

Restructuring exercise

In the weeks preceding the publication of the Prospectus, a Group corporate restructuring exercise was carried out in order to achieve a cleaner corporate set-up, which process essentially involved the transfer for a nominal value of various insignificant holdings within the Group structure which had been in existence since the Group's inception and which no longer served any particular purpose within the Group context. Pursuant to the corporate restructuring exercise, the Guarantor, previously registered under the name Borchild Limited until 26th September 2017, changed its name to Bortex Group Holdings Company Limited.

Following the date of the Prospectus it is intended that a second phase of the afore-mentioned corporate restructuring of the Group be carried into effect in order to streamline the Group's corporate set-up further, principally through the elimination of various non-active entities forming part of the Group to be executed in virtue of upstream mergers - specifically, pursuant to such mergers Sandpiper Limited (C 10308), Roosentours Limited (C 34287), Germal Company Limited (C 4291), Consolidated Coborg Company Ltd (C 4942), Combmed Holdings Company Limited (C 13359), K.Borg Company Limited (C 13315) and P.Borg Company Ltd (C 13314) will cease to exist.

The Group structure (post-restructuring) is as follows:



1.2 Directors and key employees

Board of Directors - Issuer

As at the date of the prospectus, the Issuer is constituted by the following persons:

Name	Designation
Peter Borg	Executive Director, rotating Chairperson
Karen Bugeja	Executive Director, rotating Chairperson
Christine Demicoli	Executive Director
David Debono	Non-Executive Director
Emanuel Ellul	Independent, Non-Executive Director
Joseph Cachia	Independent, Non-Executive Director
Alexandra Borg	Company Secretary

The business address of all of the Directors is the registered office of the Issuer. Refer to section 4 of the registration document for the curriculum vitae of the directors.

Board of Directors - Guarantor

As at the date of the prospectus, the Guarantor is constituted by the following persons:

Name	Designation
Peter Borg	Executive Director, rotating Chairperson
Karen Bugeja	Executive Director, rotating Chairperson
Christine Demicoli	Executive Director
Alexandra Borg	Executive Director
Sam Borg	Executive Director
David Debono	Non-Executive Director
Alexandra Borg	Company Secretary

The business address of all of the Directors is the registered office of the Issuer. Refer to section 4 of the registration document for the curriculum vitae of the directors.

The executive directors of the Issuer and the Guarantor, on the strength of their respective knowledge and experience in the applicable business interests of the Group to which they contribute directly, occupy the senior management and key executive positions across the Group.

As at the date of the prospectus, the Group has 640 employees.

1.3 Major assets owned by the Group

The Issuer does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company.

The Group's operations are, and have been for a number of years, divided into two principal segments garment manufacturing and retailing on the one hand and property development and hotel operations on the other. Although the core business of the Group knows its origins in the garment manufacturing sector, and the eventual retailing of those garments, it has also established itself in the hospitality sector and more recently has moved into the boutique hotel sector, through the refurbishment of a historical property in Valletta, Malta, intended to open its doors in 2018.

More specifically, Bortex Clothing Industry Company Ltd, a direct subsidiary of the Guarantor based in Malta, Bortex UK and Bortex Tunisia, both subsidiaries of Bortex Clothing Industry Company Ltd, carry out the design and manufacture of a vast range of formal tailoring. Roosendaal Trading Limited, also a direct subsidiary of the Guarantor, is then involved in the sale and distribution of formal tailoring, outerwear, casual clothing, footwear and accessories through the operation of a number of retail outlets. The business forming part of the Group's hospitality segment is carried out by Roosendaal Hotels Limited, another direct subsidiary of the Guarantor, which owns and manages the operations of the Plevna Hotel situated in Sliema, Malta. Shanal Limited was retained as a Group entity to serve as the property company of the Group.

Garment manufacture and retail

Bortex is among Malta's longest established names in formal men's tailoring. Bortex Clothing Industry Company Ltd was set up over fifty years ago by Maltese entrepreneur Sunny Borg in October of 1964, to produce jeans and similar items of clothing. The venture went from strength to strength, until in 1971 it entered into partnership with the renowned men's fashion manufacturer, Van Gils of Holland, to produce high quality tailoring. Van Gils shares were bought by the British retail group Next plc in 1987 enabling Bortex to spread its product profile into children's and ladies' wear.

In 1991 the Next plc shares in Bortex Clothing Industry Company Ltd were wholly bought up by the Borg family – resulting in the company becoming 100% owned by Sunny Borg and his family.

Over the years the Group has diversified into other product areas to include the retail of a whole men's wear proposition including shirts, accessories and footwear as well as providing its own brands.

Its own label, Gagliardi, was launched in 2010 and its principal markets apart from Malta include the UK, Ireland, Russia, Serbia and Scandinavia. The retailing of the Gagliardi line is achieved through a mixture of franchising arrangements, own-stores models as well as mixed concessions. In recent years, the Group has also launched its own e-commerce platform through which its Gagliardi line is sold online, the operations of which are based in Malta.

Manufacturing for private label clients still forms a substantial portion of the Group's garment manufacturing operations, with clients based chiefly in Sweden, Switzerland and the United Kingdom. The Group's operations in this sector have been streamlined in order to cater for higher-end and higher-value products rather than mass-produced but lower-value items. Although competition in this sector remains high, the Group enjoys an enviable track record and can boast several long-standing relationships with established brands.

The Group now manufactures mainly overseas, retaining Malta as its headquarters. Design, marketing and other knowledge based activities are carried out on in Malta. Shipments from Bortex factories in Tunisia transit in Malta on their way to some of Europe's better-end department stores, chain store groups and fashion houses.

Property development and hospitality

The Group has owned and managed a small, yet strategic, property portfolio for several decades. With the exception of a warehouse situated in Zebbug, Malta, as part of the garment operations, the properties are owned and operated by Roosendaal Hotels Limited and Roosendaal Trading Limited. As the name implies, the former is involved in the hotelier industry and currently owns and manages the Hotel Plevna in Tigne', Sliema, currently in the process of a major overhaul that will lead to its rebranding as Hotel 1926. Once reopened in July 2018, this spa hotel aims to offer the highest standards of lean luxury by employing state-of-the-art guest management software and technologies. The hotel is complemented with a beach lido concession on the Qui-si-Sana foreshore, which concession is for an indefinite term tied to the operation of the hotel, and which is being upgraded in tandem with the hotel building. A block of newly-developed luxury apartments, named 'TEN', and consisting of eighteen apartments and two penthouses over seven floors is currently in development, while simultaneously being marketed for sale.

The Group, through Roosendaal Hotels Limited, holds 24% of the issued share capital of P.J.P. Company Limited, with the remaining shareholding held by Ms Karen Bugeja (38%) and P.Borg & Son Holdings Limited (38%), a company in which Mr Peter Borg holds 50% of the issued share capital. In June 2016 P.J.P. Company Limited acquired a residential property situated in St. Paul's Street, Valletta, Malta which is currently being extensively refurbished and which is scheduled to open its doors in 2018 as an 8-roomed boutique hotel situated in the heart of the city, including a rooftop terrace.

Retail store management

Roosendaal Trading Limited is the principal company within the Group responsible for the operation of the Group's retail outlets for its garment sector in Malta.

The range of stores managed by said company are chiefly multi-brand stores, in which the Group's Gagliardi brand is sold alongside other brands such as Gant, Lacoste and Ralph Lauren, with which the Group has secured distribution arrangements. Roosendaal Trading Limited also operates one mono-brand store, stocking and selling the Gagliardi line exclusively – this store is situated within the MIDI complex in Sliema, Malta.

The Group plans to extend its store network, with flagship stores earmarked for the immediate future both in Sliema and Valletta (as set out in sub-section 1.4 below).

The following table provides a list of the principal assets and operations owned by the respective Group companies as at the date of the Prospectus:

OWNING COMPANY	NAME OF PROPERTY	LOCATION	DESCRIPTION	%OWNERSHIP
Roosendaal Hotels Limited	Hotel 1926	Sliema, Malta	Hotel management & operation	100%
Roosendaal Hotels Limited	TEN apartments	Sliema, Malta	Investment property	100%
P.J.P. Company Limited	PJP Boutique Suites	Valletta, Malta	Hotel management & operation	24%
Roosendaal Trading Limited	Bortex Retail Outlet, Mosta	Mosta, Malta	Retail Outlet	100%
Roosendaal Trading Limited	Bortex Retail Outlet, Tower Road, Sliema	Sliema, Malta	Retail Outlet	100%
Roosendaal Trading Limited	Bortex Retail Outlet, Mrieħel	Mrieħel, Malta	Retail Outlet	100%
Bortex Clothing Industry Company Ltd	Bortex Warehouse, Zebbug	Zebbug, Malta	Warehouse	100%

1.4 Operational Developments

The most recent principal investments of the Group are described hereunder:

Refurbishment and extension of the newly branded Hotel 1926 in Sliema, Malta

The Group currently owns and operates Hotel Plevna, a 3-star hotel located in a quiet residential area off Qui-si-Sana seafront in Sliema, Malta, which consists of 100 rooms and has a concession to operate a private beach situated 200 metres from the hotel on the Qui-si-Sana seafront. The Group is in the process of undergoing an upgrade and extension project of the hotel following which the hotel shall be formally re-branded to 'Hotel 1926'. This major renovation project is expected to upgrade the standard rating of the hotel to a 4-star spa / suite hotel. The project will involve the refurbishment of the internal spaces and the construction of 3 additional floors, together with a recessed penthouse floor, on top of the existing hotel. This will increase the hotel's room capacity by 44 rooms providing the hotel with a total room stock of 144 rooms, of which 52 will be suites, many of which boasting views of Manoel Island and Valletta. The hotel will consist of a luxury spa, restaurant, roof terrace, as well as private beach club. Works on the hotel are projected to start in November 2017, with the hotel closing down operations whilst the works are carried out. The target is for the hotel to open its doors for operations with the current refurbished rooms on the original 5 floors (100 rooms) by July 2018 in time for the peak of the summer season; the internal finishing works of the newly built 44 rooms on the 3 additional floors are expected to be completed by the end of 2018, with the hotel being fully operational by such date.

Development of TEN Apartments in Sliema, Malta

The Group intends re-developing a plot of land it owns in Hughes Hallet Street, Sliema, Malta into a 9-storey building with commercial development at the ground floor area and residential units on the rest of the floors. The block of luxury apartments will be named 'TEN'. The current plans indicate that the development will include a reception area and commercial spaces at the ground floor level, 18 residential apartments and 2 penthouses with an average area of 140m2 and

170m², respectively, as well as 69 underground car parking spaces. Works on the project commenced in 2016 and the planned timelines envisage completion of construction works by November 2018, with the finishes of the apartments targeted to be completed by March 2019.

International retail expansion strategy, particularly via the opening of Gagliardi retail outlets overseas

The Group intends to embark on an aggressive expansion of its Gagliardi brand in overseas territories via owned as well as franchised retail outlets. It is intended to roll out a capital expenditure program over FY17-20 in this respect, with at least 9 new stores in the pipeline (3 per annum). Management has earmarked a total of €1.8m to this end. The cost estimates are still preliminary, due to the Group being in its early stages of identifying the exact locations where to open such outlets.

Development of a mixed-use complex in Mriehel, Malta

The Group has purchased a plot of land stretching over an area of approximately 438m² overlooking the Mriehel Bypass for redevelopment into a mixed-use commercial complex built across 5 floors, with a retail outlet at the lower floors and office space in the upper levels. The design also envisages 3 levels of underground car parking. The retail space will be utilised by the Group as an 'out-of-town' outlet store for all the menswear proposition, whereas the office space and related car parking facilities will be leased to third parties. Construction works are well underway and target completion date for this development is by the end of the first quarter of 2018.

Redevelopment of the Group's existing retail outlet in Mosta, Malta

The Group owns a 2-storey building in Constitution Street, Mosta, Malta which is currently being used as one of the Group's retail outlets and is built on a site area of 181m², which it intends to develop into a mixed-use commercial building. The plan is for the proposed development to have 4 commercial levels, a basement for storage and ancillary uses. Part of the ground floor and top level will be used as a catering outlet from which the Group expects to generate rental income. The remaining parts of the development will be used as a commercial outlet for the Group's retail purposes. The Group plans to commence the renovation of the site in question in January 2019, with the closure of the existing Bortex outlet located on the site – completion of this project is targeted by October 2019.

Refurbishment of PJP Boutique Suites in Valletta, Malta

The Group, through Roosendaal Hotels Limited, holds 24% of the issued share capital of P.J.P. Company Limited, which in June 2016 acquired a residential property situated in St. Paul's Street, Valletta, Malta, and which property is currently being extensively refurbished and is scheduled to open its doors in 2018 as an 8-roomed boutique hotel situated in the heart of the city, including a rooftop terrace.

In the short to medium term future the Group intends to invest in each of the proposed projects set out above. The Group intends to raise funds for the financing of these projects partially through the Bond Issue (as set out in sub-section 5.1 of the Securities Note), with the remaining capital expenditure being funded by bank finance and own funds.

Save for the above, the Group is not party to any other principal investments, and has not entered into or committed to any material investments subsequent to 31 October 2016, being the date of the latest audited consolidated financial statements of the Guarantor.

Part 2 – Historical Performance and Forecasts

The Issuer was incorporated on 30th August 2017 and, accordingly, has no trading record or history of operations. Furthermore, the Issuer itself does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company solely for the needs of the Group, and, as such, its assets are intended to consist primarily of loans issued to Group companies. For the purpose of this document, the focus is on a review of the performance of the Guarantor which constitutes the entire group of companies. The Guarantor's historical financial information for the three financial years ended 30th October 2014, 2015 and 2016, as audited by PricewaterhouseCoopers, is set out in the audited consolidated financial statements of the Guarantor. Forecasts are based on management projections.

2.1 Issuer Income Statement

Income Statement for the years ended October	2017F	2018F
	€000s	€000s
Interest on loans to subsidiaries	-	506
Facility fee	-	153
Finance income	-	659
Finance cost	-	(505)
Director's fees	(10)	(24)
Listing and related fees	(10)	(17)
Other costs	(4)	(10)
Profit before tax	(24)	102
Taxation	-	(36)
Profit after tax	(24)	66
<i>Net Margin</i>	<i>0.0%</i>	<i>10.0%</i>

Bortex Finance p.l.c is projected to incur a loss in the current year (FY17) mainly as a result of the fees incurred prior to incorporation, but become profitable when finance income is due from its subsidiaries upon the bond issue. Finance income relates to a spread charged over the Issuer's effective coupon rate (covering the amortisation of bond issue costs). The facility fee is intended to cover director's fees, listing fees and other administrative expenses.

2.2 Issuer Cashflow Statement

Cashflow Statement for the years ended October	2017F	2018F
	€000s	€000s
Cash flows from operating activities		
Cash generated from operations (before payment of coupon)	(24)	607
Coupon payment	-	(478)
Taxation paid	-	-
Net cash used in/(generated from) operating activities	(24)	129
Cash flows from investing activities		
Loans to subsidiaries	(12,423)	-
Net cash used in/(generated from) investing activities	(12,423)	-
Cash flows from financing activities		
Share capital	250	-
Proceeds from bond issue (net of finance costs)	12,423	-
Repayment of loan from fellow subsidiary	-	-
Repayment of bond issue	-	-
Net cash used in/(generated from) financing activities	12,673	-
Net movements in cash and cash equivalents	226	129
Opening cash and cash equivalents	-	226
Closing cash and cash equivalents	226	355
Net cash flow to service the bonds' interest (excl. net bond proceeds and repayment of Bonds)	226	607
Bond interest payable	-	(478)
Net cash surplus after bonds' interest	226	129

The net cash generated from operating activities represents the net finance margin between the Issuer's coupon expenses and interest charged to its fellow subsidiaries, the facility fee and the taxation paid on the Issuer's profit.

The net cashflows from investing and financing activities reflect the €12.75m bond issue, net of €0.3m issue costs, and its distribution between the Group's subsidiaries. The projections also include the €0.25m of share capital, issued and fully paid upon the setting up of Bortox Group Finance on 30th August 2017.

The issuer is projected to have an interest cover ratio of 1.2x throughout the term of the bond.

2.3 Issuer Financial Position

Statement of Financial Position for the years ended October	2017F	2018F
	€000s	€000s
Assets		
Non-current assets		
Loans and receivables	12,423	12,423
Current assets		
Cash and cash equivalents	226	355
Total Assets	12,648	12,778
Equity and liabilities		
Non-current liabilities		
Amortised bond issue	12,423	12,450
Current liabilities		
Accrued bond interest	-	-
Current tax payable	-	36
sub-total	-	36
Total liabilities	12,423	12,485
Equity		
Share capital	250	250
Retained earnings	(24)	42
Total equity	226	292
Total Equity & Liabilities	12,648	12,778
Ratio Analysis*		
<i>Liabilities / Assets</i>	<i>98%</i>	<i>98%</i>
<i>Interest Coverage</i>	<i>n/a</i>	<i>1.3</i>
*refer to Glossary for definitions		

In the current year following the bond issue, total assets are projected at €12.6m comprising loans to fellow subsidiaries of €12.4m carried until the maturity of these loans in line with the eventual redemption of the bond issue in FY27, and a €0.2m positive cash balance. The level of assets is not expected to alter materially throughout the life of the bond.

In the current year following the bond issue, liabilities include €12.4m amortised bond issue, which is expected to increase marginally over the life of the bond as issue costs are amortised.

In the current year, Total equity includes issued and fully paid up share capital of €0.25m and retained losses of €24k, which are expected to alter in line with the annual profit surplus over the life of the bond.

2.4 Guarantor's Income Statement

Historical Performance

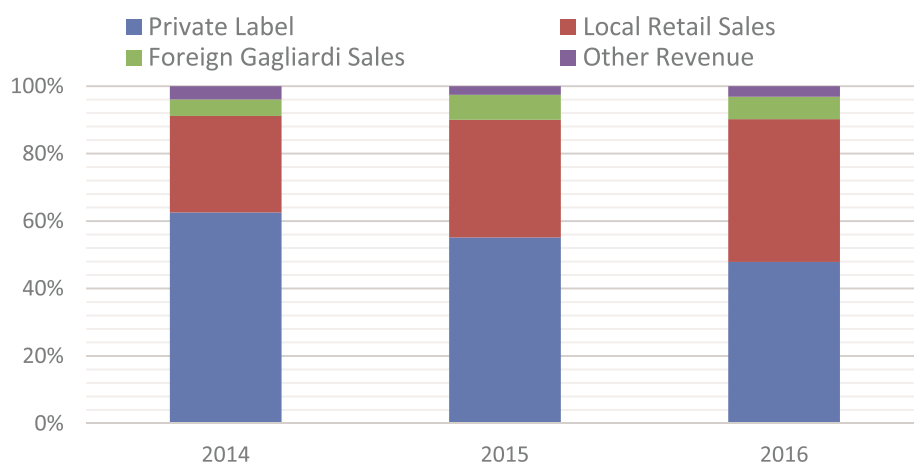
Income Statement for the years ended October	2014	2015	2016
	€000s	€000s	€000s
Revenue			
Garment manufacturing & retail	22,534	19,409	18,759
Hospitality	1,539	1,544	1,566
Normalised Revenue	24,072	20,953	20,325
Revenue from discontinued agreement	1,019	769	297
Reported Revenue	25,091	21,722	20,621
EBITDA			
Garment manufacturing & retail	1,713	1,602	1,636
Hospitality	343	187	146
Normalised EBITDA	2,056	1,789	1,782
Normalisation adjustments	(356)	(339)	(484)
Reported EBITDA	1,700	1,450	1,298
Depreciation & Amortisation	(684)	(766)	(765)
EBIT	1,016	684	533
Financial income	367	457	97
Finance costs	(219)	(234)	(281)
Share of profit/(loss) from joint venture	(26)	4	-
Profit before tax	1,138	912	349
Taxation	(27)	(57)	(47)
Profit for the year	1,111	855	302
Other comprehensive income			
Revaluation surplus on land and buildings	-	-	5,137
Deferred income taxes on revaluation surplus			(514)
Deferred tax movement on land and buildings	-	132	8
Net fair value gains on AFS financial assets	12	176	15
Reclassification adjustments	(80)	(271)	-
Currency translation differences	-	98	(240)
Total comprehensive income for the year	1,043	990	4,708
Ratio Analysis*			
<i>Revenue Growth (YoY)</i>	<i>n/a</i>	<i>-13.4%</i>	<i>-5.1%</i>
<i>Operating Margin</i>	<i>4.0%</i>	<i>3.1%</i>	<i>2.6%</i>
<i>Net Margin</i>	<i>4.4%</i>	<i>3.9%</i>	<i>1.5%</i>
<i>Interest Coverage</i>	<i>9.4</i>	<i>7.6</i>	<i>6.3</i>
<i>Dividend Coverage</i>	<i>5.4</i>	<i>4.7</i>	<i>0.5</i>
<i>Earnings per Share</i>	<i>€23.8</i>	<i>€18.4</i>	<i>€6.5</i>
*refer to Glossary for definitions			

1. **Revenue** – The noticeable decline in revenue over the past reporting periods is primarily due to a continued shift from the high volume manufacture of garments for private labels towards the manufacture and retailing of Gagliardi garments through the Group's retail outlets. This trend is expected to reverse following the roll-out of the internationalisation of the Gagliardi brand.

Revenue Analysis - Garment Manufacturing and Retail Sector

Segment Revenue for the years ended October	2014	2015	2016
	€000s	€000s	€000s
Private Label	14,158	10,743	9,063
Local Retail Sales	6,477	6,803	8,007
Foreign Gagliardi Sales	1,106	1,444	1,258
Other Revenue	895	499	594
	22,637	19,489	18,922
Exchange Differences	(103)	(80)	(163)
Net Revenue	22,534	19,409	18,759

%Sales



Revenue from the garment manufacturing and retail sector contracted from €22.5m in FY14 to €18.8m in FY16. As intimated above, this was as a direct result of the Group's strategic decision to scale down private label production and increase focus on production of its own brand. The increase in local retail sales reflects both organic growth as well as the opening of 3 new outlets over the period. Foreign Gagliardi sales were boosted by revenue from wholesalers in Sweden and Russia. Other revenue includes income from stock clearance sales drives.

Revenue Analysis – Hospitality Segment

Revenue from the Plevna Hotel increased from €1.5m in FY14 to €1.6m in FY16, which is a reflection of an increase in the bed night rate from €24.05 in FY14 to €26.34 in FY16. The increase in revenue from room rates was partially offset by lower occupancy levels from 71% in FY14 to 69% in FY16.

- EBITDA** – The reduction in EBITDA primarily reflects a deterioration in the results of the hospitality segment that reported a decline of €0.2m over a three year period. The decline comes as a result of increased direct wages, resulting in lower gross profit margin. The dynamic of the operation is expected to change significantly positive following the upgrade and subsequent re-branding of the hotel Plevna to hotel 1926. Gross margins from the Garment manufacturing & Retail segment improved from 25.8% in FY14 to 33.6% in FY16 which reflects the gradual shift in sales mix towards Gagliardi clothing, which attracts higher margins than the private label sales.

3. **Other Line Items** - Financial income includes income, dividends and gains/losses recognised on the Group's investment portfolio. Finance costs increased over the financial periods as a result of increased indebtedness. The effective corporate tax rate is lower than the statutory tax rate as a result of benefits available to the Group's manufacturing segment in terms of the Business Promotion Act. Normalisation adjustments relate to stock write-offs.

In FY16, the group recognised a revaluation surplus (net of related deferred tax adjustment) of €4.6m on the valuation of former Hotel Plevna, which property is in the process of being redeveloped (to be rebranded Hotel 1926).

Forecasted Income Statement

Income Statement for the years ended October	2017	2018
	€000s	€000s
Revenue	19,398	20,739
Cost of Sales	(12,360)	(13,012)
Gross Profit	7,037	7,728
Selling & Distribution Expenses	(3,713)	(3,955)
Administrative Expenses	(1,637)	(1,819)
Other Operating Income/(Expenses)	16	251
Normalised EBITDA	1,704	2,205
Normalisation adjustments	(919)	-
EBITDA	785	2,205
Depreciation & Amortisation	(663)	(1,072)
Operating Profit	121	1,134
Development profit	(60)	(60)
EBIT	61	1,074
Finance costs	(166)	(669)
Finance income	61	147
Share of profit/(loss) from associate	(10)	5
Profit before tax	(53)	557
Taxation	1,235	(468)
Profit after tax	1,182	89
Ratio Analysis*		
<i>Revenue Growth (YoY)</i>	-5.9%	6.9%
<i>Operating Margin</i>	0.3%	5.2%
<i>Net Margin</i>	6.1%	0.4%
<i>Interest Coverage</i>	10.3	3.3
<i>Earnings per Share</i>	€25.4	€1.9
*refer to Glossary for definitions		

The Group is expected to continue generating EBITDA through its current main business segments. The hospitality segment is not expected to experience a significant alteration in performance until beyond FY18, being after the completion of the refurbishment project of Hotel 1926 (former Plevna hotel). The garment manufacturing and retail segment is expected to be largely in line with the results achieved in FY16. Growth is forecasted beyond the period under review, following the opening of nine Gagliardi outlets overseas.

FY2017 profit after tax is expected to be abnormally affected by the recognition of a tax asset obtained in the current year.

Management is projecting to invest circa €6.2m of the bond proceeds in Hotel 1926 and circa €1.8m to launch and open the Gagliardi retail outlets overseas as well as a further €2.5m on the outlets in Mriehel and Mosta.

Interest Coverage Working

	2016A	2017F	2018F
	€000s	€000s	€000s
EBITDA	1782	1704	2205
Interest Paid	281	166	669
Interest Coverage	6.3	10.3	3.3

Interest coverage is defined as the level of earnings before interest, tax, depreciation and amortisation (EBITDA) divided by the interest due on debt. It is an indication of the level of earnings generated that would cover the interest obligations of a company. Interest coverage is expected to increase from 6.3 times in 2016 to 10.3 times by the end of financial year 2017. This is expected to decrease to 3.3 times in FY18 as a result of the sharp increase in the interest expense.

2.5 Guarantor's Balance Sheet

Historical Financial Position plus forecasted years

Balance Sheet for the years ended October	2014A	2015A	2016A	2017F	2018F
	€000s	€000s	€000s	€000s	€000s
Assets					
Total Non- Current Assets	16,701	15,416	19,489	25,543	32,795
Current Assets					
Inventories	10,262	14,515	15,647	13,356	14,083
Trade and other receivables	4,227	4,432	4,379	3,285	3,512
Current tax assets	16	150	16	16	16
Other assets	-	-	-	500	400
Term placements	8	8	8	8	8
Cash and cash equivalents	1,514	551	898	5,803	(223)
Total current assets	16,026	19,656	20,949	22,966	17,796
Total Assets	32,727	35,072	40,437	48,509	50,591
Liabilities					
Non-current liabilities					
Deferred taxation	790	659	1,165	1,126	1,377
Borrowings	2,345	1,884	2,618	1,199	2,391
Bond issue (Amortised cost)	-	-	-	12,423	12,450
Accrued bond interest	-	-	-	-	-
Total non-current liabilities	3,136	2,543	3,783	14,747	16,218

	2014A	2015A	2016A	2017F	2018F
Current liabilities					
Borrowings	3,312	5,562	5,183	715	736
Trade and other payables	3,114	2,959	3,375	2,626	2,764
Current tax liabilities	14	49	40	303	217
Advance payments on development	-	-	-	629	1,079
Total current liabilities	6,440	8,569	8,598	4,273	4,795
Total Liabilities	9,576	11,112	12,381	19,020	21,013
Equity					
Share capital	47	47	47	297	297
Revaluation reserves	570	580	1,787	1,787	1,787
Other reserves	17,194	17,790	20,820	20,820	20,820
Retained earnings	5,341	5,544	5,403	6,585	6,674
Total Equity	23,151	23,960	28,056	29,489	29,577
Total Equity and Liabilities	32,727	35,072	40,437	48,509	50,591

	2014A	2015A	2016A	2017F	2018F
Ratio Analysis*					
<i>Profitability</i>					
Return on Common Equity	4.8%	3.6%	1.1%	4.0%	0.3%
Return on Assets	3.4%	2.4%	0.7%	2.4%	0.2%
<i>Solvency</i>					
Net Debt / Total Equity	17.9%	28.8%	24.6%	28.9%	53.4%
Total Liabilities /Total Assets	29.3%	31.7%	30.6%	39.2%	41.5%
Net Debt / EBIT	4.1	10.1	13.0	139.9	14.7
Current Ratio	2.5	2.3	2.4	5.4	3.7
Net Debt/CFO	1.3	(2.2)	3.6	7.0	(27.9)
CFO/EBIT	3.0	(4.5)	3.6	20.1	(.5)
Dividend Cover	5.4	4.7	0.5	n/a	n/a
*refer to Glossary for definitions					

Total Assets for financial year 2015 were largely unchanged on the previous year. In 2016, non-current assets increased by circa €5m as a result of an increase in property, plant and equipment, which is related to revaluation of property. Management is forecasting total assets to increase significantly in financial years 2017 and 2018 as a result of the proceeds of the bond issue and its subsequent deployment in non-current assets.

Total Liabilities were also largely unchanged over the financial period 2014 to 2015, with a minor increase of around €1.5m in 2016 as a result of increased borrowings. Management is forecasting an increase in liabilities of €12m in line with the proceeds of the bond issue, and repayment of bank borrowings. Liabilities are expected to marginally increase again in 2018 as a result of further borrowings.

The book value of the Group's Equity increased by €5m to €28m in financial year 2016. The Group distributed total dividends of c. €1m between FY2014-16. Management is not expecting to pay a dividend in the forecasted periods. Total equity is expected to increase by €1m to €29m by 2018 as a result of retained earnings.

While normalised profitability ratios are expected to improve in the forecasted years, solvency ratios will deteriorate as a result of the increased leverage, albeit at still relatively low levels. Current ratio is expected to remain at a healthy level, with dividend cover not applicable, as the Group isn't expecting to distribute any dividend.

2.6 Guarantor's Cashflow Statement

Historical position plus forecasted years (abridged)

Cashflow Statement for the years ended October	2014	2015	2016	2017F	2018F
	€000s	€000s	€000s	€000s	€000s
Net cash generated from/(used in) operating activities	3,097	(3,085)	1,900	1,227	(566)
Cashflows from investing activities					
Net Purchase of property, plant and equipment	(905)	(1,354)	(2,203)	(2,222)	(6,395)
Net cash generated from/(used in) investing activities	(545)	462	(1,199)	(2,222)	(6,395)
Cashflows from financing activities					
Net bank borrowings	13	(159)	911	(691)	1,210
Dividends paid	(205)	(181)	(611)	-	-
Bond Issue proceeds	-	-	-	12,423	-
Net cash generated from/(used in) financing activities	(192)	(649)	227	10,821	935
Movement in cash and cash equivalents	2,359	(3,272)	929	9,826	(6,026)
Opening cash and cash equivalents	(4,014)	(1,635)	(4,854)	(4,024)	5,803
Effects if currency translation on cash and cash equivalents	19	53	(99)	-	-
Closing cash and cash equivalents	(1,635)	(4,854)	(4,024)	5,803	(223)

The Group experienced a healthy inflow of cash from operating activities in FY16, the most recent audited financial period. Following capex investments and bank borrowings the Group ended FY16 with a positive cash contribution, reducing the current negative balance of cash and cash equivalents to €4mln.

Following the bond issue, the Group is expected to have a positive bank balance, augmented by contributions from cash from operations. This balance is expected to be deployed on capital expenditure projects sequentially over the near term.

Part 3 – Key market and competitor data

3.1 General Market Conditions

The Bank's Business Conditions Index (BCI) signalled a slight improvement in activity levels in September over the previous month. Economic sentiment fell marginally during the month, as improved confidence in construction, services and industry was offset by declining confidence in the retail sector and among consumers. In August, retail sales accelerated in annual terms, while tourism activity rose further. Industrial production also rose in annual terms. Labour market conditions remained favourable, with the number of registered unemployed declining on an annual basis and Eurostat's measure of the unemployment rate remaining low from a historical perspective.

Price pressures remained moderate, with the annual rate of inflation based on the Harmonised Index of Consumer Prices (HICP) unchanged at 1.2% in August and September. (Source: CBM, 10/2017)

Retail Segment

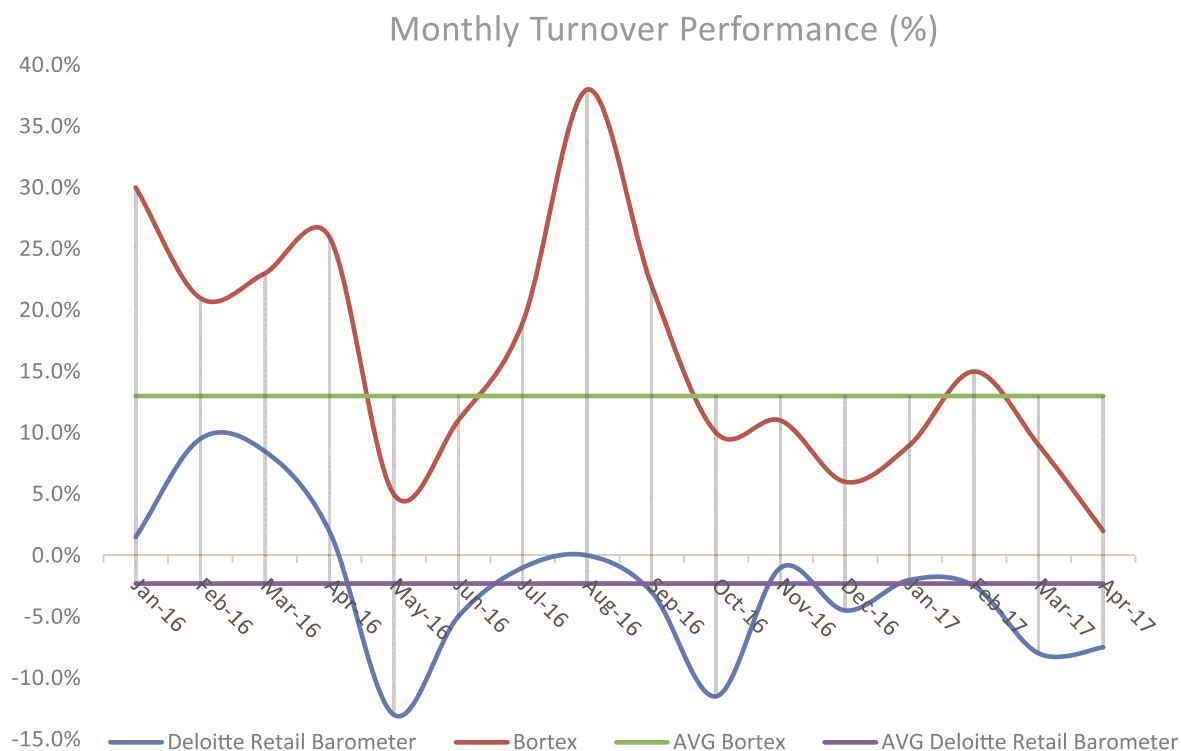
In September 2017, the Economic Sentiment Indicator (ESI) fell marginally to 118, from 119 in the preceding month, and stood above its long-term average of 101. Lower sentiment was registered within the retail sector and among consumers. In contrast, confidence increased within the construction, and to a lesser extent, within the services and industrial sectors. Sentiment in the retail sector more than halved, falling to 8 in September, from 17 in August.

Despite this substantial decline in sentiment, this indicator remained above its long-term average of 1. This deterioration was driven by all subcomponents, with the most significant decline stemming from the share of firms expecting business activity to improve over the following three months. Additional survey data for this sector indicate that a smaller share of firms expected prices to rise over the three months ahead.

Consumer confidence fell to 8 in September, from 12 in August, but still stood well above the long-term average of -19.

Almost all sub-components contributed to this decline in sentiment, with consumers' savings expectations for the 12 months ahead being the main driver. While, consumers' expectations of the general economic situation were unchanged between August and September, a smaller share of respondents expected unemployment to decline further.

Additional survey information indicates that in September, a larger share of consumers expected inflation to increase in the following months, when compared with the preceding month. (Source: CBM, 10/2017)



Source: Deloitte Retail Barometer, Management

Hospitality Segment

Tourists arrivals in Malta has been continuously increasing year on year, with a record high of 2 million visitors in 2016, an increment of 10.2% on 2015. With the majority of tourists coming from the UK (29%), Italy (16%), Germany (8%) France (7%) and Scandinavia (6%) which consists of Denmark, Finland, Norway and Sweden. An increase in the number of Libyan visitors was observed mainly due to the surge of civil unrest in the country. Expenditure by tourists has also been increasing with a total spend of approximately €1.7 Billion in 2016. While the MTA in 2016 recorded an average spend per capita of €869 and an average length of stay of 7.6 days.

The local hotel market has been positively affected by the increment in tourist arrivals with occupancy increasing to 82% while ADR registered a 7% growth. The 4 star hotel sector registered a continual year on year growth in both occupancy and rate levels leading to a 7% increase in the accommodation income PAR. The GOP margin for the 4 star market averaged 42% representing a growth of 9.9%, a decrease in the growth rate noted for the same period in 2015 at 16.8%. Events such as Valletta 2018 is expected to create a higher demand whilst bolstering Malta's image on the international scene. (Source: Malta Tourism Authority, 2016)

3.2 Comparative Analysis

The purpose of the table below compares the proposed debt issuance of the group to other debt instruments with similar duration. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore also different.

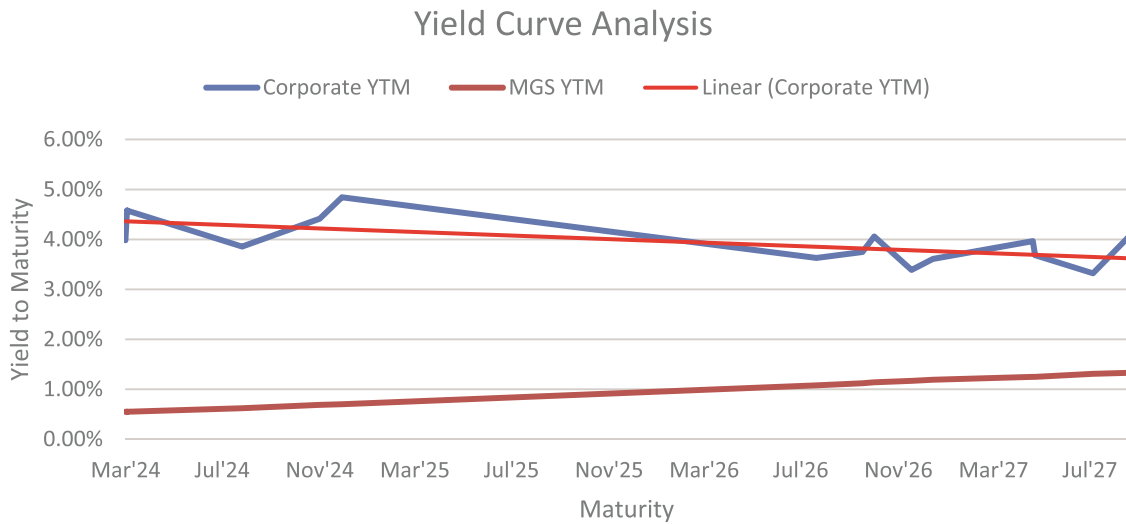
Security	Nom Value	Last Price*	YTM*	Interest Cover	Total Assets	Net Asset Value	T. Liab./T. Assets	Net Debt/Equity	Net Debt/EBIT	Current Ratio	Return on Equity	Return on Assets	Net Margin	1Yr Rev. Growth
	€000's		(%)	(times)	(mln)	(mln)	(%)	(%)	(x)	(x)	(%)	(%)	(%)	(%)
6% AX Investments Plc 2024	40,000	111.22	3.98%	3.62	270.4	163.7	40%	21%	4.3	0.85	2.5%	1.5%	10.6%	18.4%
4.4% VDH Grp Finance plc 2024	25,000	99.00	4.58%	0.69	65.0	31.8	51%	73%	56.52	0.45	0.0%	0.0%	0.0%	29.4%
5% Tumas Investments plc 2024	25,000	106.80	3.86%	4.27	181.4	81.4	55%	47%	4.0	1.46	6.4%	2.9%	12.4%	-9.7%
5% Hal Mann Vella Grp plc 2024	30,000	103.50	4.41%	-1.91	82.1	32.3	61%	120%	n/a	2.64	-3.2%	-1.3%	-9.3%	-4.3%
5.1% PTL Holdings plc 2024	36,000	101.51	4.84%	1.58	71.7	4.8	93%	891%	15.5	1.03	-15.8%	-1.0%	-0.9%	-32.7%
4% MIDI plc 2026	50,000	102.75	3.63%	0.59	203.8	67.4	67%	69%	28.4	3.47	-3.7%	-1.2%	-29.0%	-78.9%
3.9% Plaza Centres plc 2026	8,500	101.15	3.75%	9.01	43.4	26.2	40%	48%	6.6	0.61	4.8%	2.9%	46.4%	11.8%
5% Dizz Finance plc 2026	8,000	107.00	4.06%	3.15	17.0	4.7	73%	163%	6.5	0.97	12.7%	3.5%	5.8%	61.2%
3.75% Premier Capital plc 2026	65,000	102.80	3.39%	15.57	193.4	41.6	78%	143%	2.8	1.42	22.4%	4.8%	4.1%	130.3%
4% IHI plc 2026	40,000	102.99	3.61%	2.26	1220.3	646.8	47%	58%	n/a	1.18	-1.2%	-0.6%	-4.8%	17.8%
4.35% SD Finance plc 2027	65,000	103.00	3.96%	5.45	156.4	56.7	64%	112%	5.4	0.27	9.9%	3.6%	13.1%	22.9%
4% Eden Finance plc 2027	40,000	102.50	3.68%	3.98	165.5	92.6	44%	53%	10.5	0.30	3.6%	2.0%	10.5%	11.0%
3.75% Tumas Inv. plc 2027	25,000	103.51	3.32%	4.27	181.4	81.4	56%	108%	9.4	1.46	6.4%	2.9%	12.4%	-9.7%
4.5% Gran. Harb. Marina plc '27	15,000	103.75	4.04%	1.95	16.8	2.8	83%	344%	7.9	0.80	13.3%	2.2%	8.9%	13.5%
3.75% Bortex Finance plc '27**	12,750	100.00	3.75%	3.31	50.6	29.6	42%	53%	14.7	3.7	0.3%	0.2%	0.4%	6.9%
Average of Comparables			3.94%	3.89	204.9	95.3	61%	161%	13.2	1.21	4.15%	1.6%	5.7%	12.9%

Source: Audited financial statements, 2016

*as at 27/09/2017

** forecasted 2018

Following the bond issue, the Group's leverage will be among the lowest amongst comparable issuers on the Malta Stock Exchange at 41.7% gearing (on assets), compared to an average of 55%. Gearing (on equity) will be 54.1% compared to an average of 240% for the industry.



As at 18th October 2017, the average spread over the Malta Government Stock (MGS) for corporates with maturity range of 7-10 years was 306 basis points. The new Bortex bond is being priced with a 3.75% coupon issued at par, meaning a spread of 250 basis points over the equivalent MGS, and therefore at a premium to the average on the market.

Glossary and Definitions

Income Statement

Revenue Total revenue generated by the Group from its business activities during the financial year, that is, from its real estate development and hotel operations

Operating Expenses Operating expenses include the cost of real estate developments and hotel operations

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.

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

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.

Profit before Tax (PBT) Profit before Tax is the profit is achieved during the financial year after deducting all relevant expenses including interest expenses. This however does not include tax expense.

Efficiency

Return on Equity Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, 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.

Equity Ratios

Earnings per share Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date

Cash Flow Statement

Cash flow from operating activities Cash generated from the principal revenue-producing activities of the Company.

Cash flow from investing activities Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Company.

Cash flow from financing activities Cash generated from the activities that result in change in share capital and borrowings of the Company.

Balance Sheet

Non-current assets Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of

years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include intangible assets (goodwill on acquisition), investment properties, and property, plant & equipment.

Current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include intangible assets (goodwill on acquisition), investment properties, and property, plant & equipment.
Current assets	Current assets are all assets of the Company, which are realisable within one year from the balance sheet date. Such amounts include inventory, accounts receivable, cash and bank balances.
Current liabilities	All liabilities payable by the Company within a period of one year from the balance sheet date, and include accounts payable and short-term debt.
Net debt	Borrowings before unamortised issue costs less cash and cash equivalents.
Non-current liabilities	The Company's long-term financial obligations that are not due within the present accounting year. The Company's non-current liabilities include bank borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.
Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's EBITDA of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.