PROSPECTIVE FINANCIAL INFORMATION AND SUMMARY OF SIGNIFICANT ASSUMPTIONS AND ACCOUNTING POLICIES

| 1 | INTRODUCTION

Melite Finance p.l.c. was registered and incorporated on 27 September 2018. The principal transaction carried out by Melite Finance p.l.c. since its incorporation involved the acquisition of the shares in Melite Properties Srl, which was concluded on 31 October 2018. Melite Properties Srl was incorporated on 18 October 2018 in line with the restructuring process outlined in section 4.1.2 of the registration document. The Melite Finance Group therefore includes Melite Finance p.l.c. and Melite Properties Srl.

The directors of Melite Finance p.l.c. (the **"Directors"**) prepared projected financial information for the Melite Finance Group for the purpose of inclusion in the Prospectus of Melite Finance p.l.c., dated 12 November 2018. This includes the projected consolidated statement of financial position, the projected consolidated income statement and the projected consolidated statement of cash flows of Melite Finance Group for the period from 1 October 2018 to 31 December 2020 (the **"Prospective Financial Information"**). The Prospective Financial Information set out in section 5 of this report and the assumptions below are the sole responsibility of the Directors.

The Prospective Financial Information is intended to show a possible outcome based on a mixture of best-estimate assumptions as to future events, which the directors expect to take place and actions the directors expect to take, and hypothetical assumptions about future events and management actions which are not necessarily expected to take place. Events and circumstances frequently do not occur as expected and therefore actual results may differ materially from those included in the prospective financial information. Attention is drawn, in particular, to the risk factors set out in the Prospectus, which describe the primary risks associated with the business and operations to which the prospective financial information relates.

The Prospective Financial Information is not intended to, and does not, provide all the information and disclosures necessary to give a true and fair view of the financial results, financial position and cash flows of the Group in accordance with International Financial Reporting Standards as adopted by the European Union.

The Directors have exercised due care and diligence in adopting the assumptions below. The Prospective Financial Information was formally approved on 30 October 2018 by the Directors and the stated assumptions reflect the judgments made by the Directors at that date. The assumptions that the Directors believe are significant to the prospective financial information are set out in section 3 below and in section 5 of the Registration Document.

| 2 | SIGNIFICANT ACCOUNTING POLICIES

A copy of the significant accounting policies of Melite Finance p.l.c. will be available for inspection as set out in section 16 of the Registration Document. Where applicable, these accounting policies, in so far as they relate to recognition and measurement criteria, have been consistently applied in the preparation of the Prospective Financial Information.

| 3 | BASIS OF PREPARATION AND PRINCIPAL ASSUMPTIONS

The Melite Finance Group's principal operation includes the leasing and sub-leasing of retail outlets located in Italy. The Group's business will initially be based on 25 retail outlets that are currently held by Melite Properties Srl under either a *contratto di locazione* or a *contratto d'affitto di ramo d'azienda*. The majority of these outlets are presently being leased to Melite Italia Srl, a related company to the Melite Finance Group, which uses the outlets to operate Accessorize and CKU stores. The remaining four outlets are leased to third-party retail operators.

Going forward, the Melite Finance Group will be deploying €2.5 million of the proceeds of the Bond Issue to acquire property rights for retail outlets in new locations across Italy. The acquisition of new units is expected to be carried out gradually over the next one to two years and the timing thereof will depend primarily on the opportunities that may arise. As at the date of the Prospectus, the directors of Melite Properties have not yet firmed up any specific acquisitions of the new locations. However, the projections are based on the assumption that the Group will invest €1 million of the proceeds of the Bond Issue in the financial year ending 31 December 2019 with a further investment of €1.5 million in the financial year ending 31 December 2020.

The principal assumptions relating to the environment in which Melite Finance Group operates and the factors which are exclusively outside the influence of the Directors and which underlie the projected financial information are the following:

- there will be no material adverse events originating from retail market in Italy and macro-economic conditions in Italy;
- the basis and rates of taxation will not change materially throughout the period covered by the prospective financial information; and
- the rate of inflation in Italy will not exceed that experienced in the last few years.

The principal assumptions relating to the environment in which Melite Finance Group operates, and the factors that the Directors can influence and which underlie the Prospective Financial Information are outlined below:

3.1 REVENUE AND COST OF SALES

Revenue is principally made up of rental income derived from the subleasing of retail outlets to Melite Italia and third-party lessees. It also includes a property fee charge as described below.

Rental income has been projected by taking into consideration the sub-lease agreements that are currently in place with Melite Italia and with third parties. The projections include a provision for annual inflation adjustments that are assumed at 1.5% per annum in 2019 and 2020.

Revenue also includes a property fee charged by Melite Properties to Melite Italia for the improvements made to the retail outlets operated by the latter. The property fee to be received by the Melite Finance Group in 2019 and 2020 is expected to amount to *circa* €0.1 million per annum. This additional property fee charge is incorporated within the rental charge set out in the sub-lease agreements between Melite Properties and Melite Italia.

Cost of sales, which is made of rental costs, has been projected by taking into consideration the terms of the underlying *contratto di locazione* or *contratto d'affitto di ramo d'azienda* in place with third party landlords. The projections include a provision for annual inflation adjustments that are assumed at 1.5% per annum in 2019 and 2020.

As outlined above, the projections assume that the Melite Finance Group will invest €2.5 million of the bond proceeds to acquire new retail locations. It is also assumed that the investment will be entirely in the form of an upfront premium paid to acquire rights in terms of a *contratto di locazione* and that the Group will generate a net rental income margin equivalent to 15% of the premium paid to acquire the new locations. Based on these assumptions, the projections include a net rental income margin of €0.2 million in 2019 and €0.3 million in 2020 generated from the acquisition of property rights.

The term of the Group's property rights for the following outlets (both of which are operated by Melite Italia) expire in 2020:

Store	Location	Type of Contract	Expiry Date of Contract
Curno, Curno CC	Curno	Contratto d'affitto di ramo d'azienda	Jan '20
Padova, Padova Stazione	Padova	Contratto di locazione	Mar '20

The projections assume that the agreements for each of these outlets are renewed and provide for a 5% uplift in both the rentals paid by Melite Properties to the landlords and the rental rate charged to Melite Italia.

The term of the sub-lease agreement in place with a third-party retail operator for the outlet in Via Garibaldi, Torino expires in September 2019. The projections assume that the sub-lease agreement is renewed at terms, which at least match those of the existing agreement, after adjusting for inflation.

3.2 DIRECT COSTS

Direct costs comprise of depreciation which is calculated on the straight-line method to allocate the cost of all items comprised within plant and equipment to their residual value over their estimated useful life. The estimated useful life is assumed to match the remaining term of the lease agreement of the outlet in which the items of plant and equipment are installed.

3.3 ADMINISTRATIVE EXPENSES

Administrative expenses are projected at €0.5 million per annum in 2019 and 2020, of which €0.3 million relate to amortisation charges and the remaining €0.2 million per annum relate to administrative fees.

3.3.1 AMORTISATION

The carrying amount of the property rights relating to outlets held on a *contratto d'affitto di ramo d'azienda* are amortised over the remaining term of the agreements pertaining to the respective outlets.

The carrying amount of the property rights relating to outlets held on a *contratto di locazione* will be reviewed for impairment at the end of each financial year. The annual impairment review will make reference to updated valuations of the property rights that will be prepared by specialised independent experts such as Rustioni & Partners Srl. The projections assume that these reviews will not give rise to any impairment charges in 2019 and 2020.

3.3.2 ADMINISTRATIVE COSTS

Administrative expenses include Directors' fees, salary cost of an employee, professional fees, listing fees together with corporate and general expenses. These expenses are projected at €43,000 in 2018, increasing to €0.2 million in 2019 and increasing by 2% per annum thereafter. The projected costs include a management fee of €50,000 per annum charged by Melite Italia for services rendered to the Melite Finance Group including the provision of management, accounting and other support services.

3.4 FINANCE INCOME

Finance income includes the interest generated through the reinvestment of the Group's surplus cash balances. Interest income is being assumed at the rate of 1.5% per annum.

3.5 FINANCE COSTS

Finance costs include the interest payable on the Bond, which for the purposes of the projections is being assumed at 5.0% per annum. It also includes the amortisation of the bond issue costs which are being amortised on a straight-line basis over the term of the Bond.

3.6 TAXATION

Current taxation is provided at the rate of 35% in the case of profits arising in Melite Finance p.l.c. and 27.9% in the case of profits arising in Melite Properties Srl.

Deferred taxation is provided for using liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying value for financial reporting purposes. The deferred tax charge included in the projections is arising due to temporary differences in connection with the amortisation of the property rights relating to *contratto di locazione*.

3.7 CAPITAL EXPENDITURE

Capital expenditure in the period relates to the assumed acquisition of property rights for new retail outlets in Italy. The projections assume an investment of €1 million to acquire property rights in the financial year ending 31 December 2019 with a further investment of €1.5 million in the financial year ending 31 December 2020.

3.8 WORKING CAPITAL

The Melite Finance Group's working capital mainly comprises the net impact of trade and other receivables together with trade and other payables.

Trade receivables include amounts relating to the rental obligations of Melite Italia, which are assumed to be settled within a credit periods of 90 days.

Trade and other creditors include advance payments on rent due to landlords, which is assumed to be settled 90 days in advance.

The Directors, having made due and careful enquiry, are of the opinion that in the absence of unforeseen circumstances outside their control, the working capital available to the Melite Finance p.l.c. and the Melite Finance Group will be sufficient for the carrying out of the respective business.

| 4 | CONCLUSION

The Directors believe that the assumptions on which the Prospective Financial Information is based are reasonable. Approved by the Board of Directors on 30 October 2018 and signed on their behalf by:

Andrew Ganado
Executive Director

Paul Mercieca
Non-Executive Director

| 5 | PROJECTED FINANCIAL STATEMENTS

PROJECTED STATEMENTS OF FINANCIAL POSITION

Melite Finance Group Projected Consolidated Statement of Financial Position Amounts in €'000s	as at 31 Dec 2018	as at 31 Dec 2019	as at 31 Dec 2020
Intangible Assets	10,214	10,847	12,014
Property, plant and equipment	528	420	332
Available-for-sale financial assets	587	587	587
Total non-current assets	**11,329**	**11,854**	**12,933**
Trade and other receivables	337	1,471	1,714
Cash	3,342	1,983	1,005
Total current assets	**3,679**	**3,454**	**2,719**
Total assets	**15,008**	**15,308**	**15,652**
Equity and liabilities			
Share Capital	5,874	5,874	5,874
Retained earnings	28	126	348
Total equity	**5,902**	**6,000**	**6,222**
Borrowings	8,938	8,970	9,002
Total non-current liabilities	**8,938**	**8,970**	**9,002**
Trade & other payables	119	119	119
Current tax liability	25	141	163
Deferred tax liability	24	78	146
Total current liabilities	**168**	**338**	**428**
Total liabilities	**9,106**	**9,308**	**9,430**
Total equity and liabilities	**15,008**	**15,308**	**15,652**

PROJECTED INCOME STATEMENTS

Melite Finance Group Projected Consolidated Income Statement Amounts in €'000s	Year ending Dec '18	Year ending Dec '19	Year ending Dec '20
Revenue	888	3,945	4,589
Cost of sales	(569)	(2,533)	(3,050)
Direct costs	(32)	(107)	(88)
Gross Profit	**287**	**1,305**	**1,451**
Administrative expenses	(136)	(543)	(512)
Operating Profit	**151**	**762**	**939**
Finance income	13	43	26
Finance costs	(85)	(495)	(495)
Profit before tax	**79**	**310**	**470**
Taxation	(52)	(213)	(249)
Profit after tax	**27**	**97**	**221**

PROJECTED STATEMENTS OF CASH FLOWS

Melite Finance Group Projected Consolidated Statements of Cash Flows Amounts in €'000s	Year ending Dec '18	Year ending Dec '19	Year ending Dec '20
Cash flow from operating activities			
Cash generated from operating activities	**165**	**134**	**1101**
Interest received	-	13	43
Tax Paid	(3)	(43)	(159)
Net cash generated from operating activities	**162**	**104**	**985**
Cash flow from investing activities			
Purchase of intangible assets	-	(1,000)	(1,500)
Net cash used in investing activities	**-**	**(1,000)**	**(1,500)**
Cash flow from financing activities			
Investment in share capital	250	-	-
Issue of €9,250,000 of 5% bonds	9,250	-	-
Issue costs	(320)	-	-
Interest paid	-	(463)	(463)
Payment to Melite Retail	(6,000)	-	-
Net cash generated from/ (used in) financing activities	**3,180**	**(463)**	**(463)**
Net movement in cash and cash equivalents	**3,342**	**(1,359)**	**(978)**
Cash and cash equivalents at beginning of year	-	3,342	1,983
Cash and cash equivalents at end of year	**3,342**	**1,983**	**1,005**