

SD FINANCE plc

Condensed Interim Financial Statements  
30 September 2021

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## Interim directors' report

The directors present their report and the condensed interim financial statements in terms of Chapter 5 of the Capital Markets of the Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act, 2005. The condensed financial statements have been extracted from SD Finance plc's unaudited financial information as at 30 September 2021 and the six month period then ended, prepared in accordance with International Financial Reporting Standards as adopted for use in the EU for interim financial statements (International Accounting Standard 34, 'Interim Financial Reporting'). This half-yearly report has not been audited or reviewed by the company's independent auditors.

### Trading performance

#### *The Company*

The company's principle activity is to carry on the business of a finance and investment company in connection with ownership, development, operation and financing of the business activities of the companies forming part of db Group.

In April 2021, the company paid out €2,827,500 (2020: €2,827,500) being 4.35% interest due to its bondholders. Interest and related income principally received from related parties during the period ended 30 September 2021 amounted to €1,508,658 (2020: € 1,507,779). Profit before taxation for the current six-month period amounted to €5,071 (2020: € 5,360). The directors are not anticipating any significant changes during the forthcoming six months.

#### *The Group*

The widespread COVID-19 pandemic resulted in disruptions to businesses worldwide. Several restrictions, both at a global and local level, which resulted in the forced closure of hotels, catering establishments and other places of entertainment, invariably had a negative impact on the Group, as it predominantly operates in the hospitality and leisure industry. The Maltese Government has responded with monetary and fiscal interventions to assist companies to overcome these unprecedented financial difficulties.

Following the opening of international travel in July 2021, a surge of new cases was experienced in Malta and abroad which somehow stifled bookings and travelling. However, what is encouraging is that while cases increased exponentially, hospital admissions remained low particularly in those countries, like Malta, where the vaccination uptake was high, as this is one way of making sure that this pandemic remains under control. Additional measures in place at the points of entry in the country have also kept any potential new cases in check.

All the business units of the Group are now back in business and fully operational within the restrictions and guidelines issued by the Health Authorities. Accordingly, the Group is forecasting a moderate improvement in accommodation bookings in the months ahead and is projecting return to profitability by the end of 31 March 2022. For the period April to September 2021, both *db Hotels* were registering turnover at 48% of the pre-COVID 2019 figures, whereas the gross operating profit stood at 44% and 35% of the 2019 figures, for Seabank Hotel and Hotel San Antonio respectively. These results are expected to continue improving until March 2022, since the results for the first six months of financial year 2022 were adversely affected by the restrictive regulations for incoming overseas visitors that were still in force between April and June 2021.

## Interim directors' report - continued

On the other hand, figures for the six months to September 2021 show that the leisure arm of the Group generally fared better than the hospitality one. Turnover for SRGN for the period ended 30 September 2021 stood at the same level of the pre-Covid 2019 figures at €5.1 million, whilst GOP comparing at 99% with same period. These results include the new restaurant that was opened in Valletta during February 2020. The Hard Rock outlets are facing bigger challenges due to lower incoming visitors, more so from the cruise industry. Additionally, one of the three outlets was closed during November 2020. As a result, turnover from the Hard Rock outlets for the period ended 30 September 2021 is 50% higher than last year's results but at 26% of 2019 pre-COVID results. Starbucks outlets, now five in total, continue to grow with turnover for the first 6 months of the current financial year increasing by 83% when compared to the previous year. Three more outlets are expected to open by the end of 2022.

Conversely, the pandemic had the opposite effect on the healthcare arm of the Group. An upswing in demand for the services offered by the Group within this sector was experienced which somehow mitigated the negative effects experienced within the hospitality and leisure arm of the Group's business model. Moreover, the opening of the 504-bed wing at *Saint Vincent de Paul Residence* in July 2020, which is being run and managed by a Group's associate, will further serve to mitigate the negative impact experienced in other sectors within the Group.

The Group has prepared projections for the year ending 31 March 2022, based on actual results for the six months ended 30 September 2021 and forecasts thereafter. Revenue is projected to increase substantially from the prior year to €36 million (2021: €17.3 million), primarily on account of a gradual recovery in hospitality and a positive performance from the operations of Adeera Complex, Nine Lives Beach Club and AKI. Consequently, EBITDA is projected to increase from €5.6 million in financial year 2021 to €11.7 million, which is encouraging, although still 54% below the reported EBITDA for the year ended 31 March 2019. The Group is not expecting material changes to depreciation, amortisation and net finance costs. As for share of results of associates, the Group is projecting a significant increase of around 90% year on year to €4.2 million (2021: €2.2 million) primarily because of the expected higher earnings to be generated by Malta Healthcare Caterers Limited.

Further details on these projections are available in the Financial Analysis Summary report issued in September 2021.

In view of the Group's financial discipline, and also having secured and utilised a €10 million loan under the MDB COVID-19 Guarantee scheme, cash balances increased by €6 million to €32 million as at 31 March 2021. The Group's projections show further strengthening of its cash balances to €34.8 million by March 2022.

In view of the measures undertaken by the Group, the projections outlined above and the cash reserves accumulated by the Group in the past years, the directors are of the opinion that the Issuer will have the necessary funds to finance the interest falling due in April 2022 and going forward.

### Dividends

The directors do not recommend the payment of an interim dividend.

**Interim directors' report - continued**

**Directors' statement pursuant to Capital Markets Rule 5.75.3**

We hereby confirm that to the best of our knowledge:

1. the condensed half-yearly report gives a true and fair view of the financial position of the company as at 30 September 2021, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34).
2. the interim directors' report includes a fair review of the information required in terms of Capital Markets Rule 5.81.



Robert Debono  
Director



Stephen Muscat  
Director

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Seabank Hotel,  
Marfa Road,  
Mellieha  
MLH 9064  
Malta

22 November 2021

## Condensed statement of financial position

	Notes	As at 30 September 2021 € (unaudited)	As at 31 March 2021 € (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Loans receivable	3	64,332,686	62,232,686
<b>Current assets</b>			
		1,639,160	5,113,259
<b>Total assets</b>		<b>65,971,846</b>	<b>67,345,945</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
		283,433	280,137
<b>Non-current liabilities</b>			
Borrowings	2	64,445,966	64,401,010
<b>Current liabilities</b>			
		1,242,447	2,664,798
<b>Total liabilities</b>		<b>65,688,413</b>	<b>67,065,808</b>
<b>Total equity and liabilities</b>		<b>65,971,846</b>	<b>67,345,945</b>

The notes on pages 8 to 10 are an integral part of these condensed interim financial statements.

The condensed interim financial statements on pages 4 to 10 were authorised for issue by the board of directors on 22 November 2021 and were signed on its behalf by:

  
Robert Debono  
Director

  
Stephen Muscat  
Director

## Condensed statement of comprehensive income

	6 months ended 30 September	
	2021 € (unaudited)	2020 € (unaudited)
Finance income	1,508,658	1,507,779
Finance costs	(1,462,580)	(1,460,897)
<b>Net interest income</b>	<b>46,078</b>	<b>46,882</b>
Administrative expenses	(41,007)	(41,522)
<b>Profit before tax</b>	<b>5,071</b>	<b>5,360</b>
Tax expense	(1,775)	(1,876)
<b>Profit for the period</b> – total comprehensive income	<b>3,296</b>	<b>3,484</b>

The notes on pages 8 to 10 are an integral part of these condensed financial statements.

### Condensed statement of changes in equity

	Share capital €	Retained earnings €	Total €
Balance at 1 April 2020	250,000	25,198	275,198
Profit for the period - total comprehensive income	-	3,484	3,484
Balance at 30 September 2020	250,000	28,682	278,682
Balance at 1 April 2021	250,000	30,137	280,137
Profit for the period - total comprehensive income	-	3,296	3,296
<b>Balance at 30 September 2021</b>	<b>250,000</b>	<b>33,433</b>	<b>283,433</b>

The notes on pages 8 to 10 are an integral part of these condensed interim financial statements.



## Condensed statement of cash flows

	6 months ended 30 September	
	2021 € (unaudited)	2020 € (unaudited)
<b>Cash flows from operating activities</b>	<b>1,404,335</b>	128,278
<b>Cash flows used in investing activities</b>	<b>(2,100,000)</b>	-
Net movement in cash and cash equivalents	<b>(695,665)</b>	128,278
Cash and cash equivalents at beginning of period	<b>2,293,486</b>	2,199,611
<b>Cash and cash equivalents at end of period</b>	<b>1,597,821</b>	2,327,889

The notes on pages 8 to 10 are an integral part of these condensed interim financial statements.

## Notes to the condensed interim financial statements

### 1. Basis of preparation

This condensed interim financial information for the six month period ended 30 September 2021 has been prepared in accordance with IAS 34, 'Interim financial reporting'. They have been prepared under the historical cost convention. These financial statements have not been audited nor reviewed by the company's independent auditors. The condensed interim financial information does not include all the notes of the type normally included in the annual financial statements. Accordingly, this report should be read in conjunction with the annual financial statements for the period ended 31 March 2021, which have been prepared in accordance with IFRSs as adopted by the EU.

The accounting policies applied in the preparation of these condensed interim financial statements are consistent with those applied in the annual financial statements for the period ended 31 March 2021.

### 2. Borrowings

	30 September 2021 €	31 March 2021 €
<b>Non-current</b>		
650,000 4.35% bonds 2027	<b>64,445,966</b>	64,401,010

The bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of such bonds, using the effective interest method as follows:

	30 September 2021 €	31 March 2021 €
Original face value of bonds issued	<b>65,000,000</b>	65,000,000
Bond issue costs	<b>(924,036)</b>	(924,036)
Accumulated amortisation	<b>370,002</b>	325,046
Closing net book amount of bond issue costs	<b>(554,034)</b>	(598,990)
<b>Amortised cost and closing carrying amount of the bonds</b>	<b>64,445,966</b>	64,401,010

## 2. Borrowings - continued

By virtue of an offering memorandum dated 27 March 2017, the company issued 650,000 bonds with a face value of €100 each, for an aggregate amount of €65,000,000. The bonds have a coupon interest of 4.35% which is payable annually in arrears on 25 April. The bonds are redeemable at par and are due for redemption on 25 April 2027 unless they are previously re-purchased and cancelled in accordance with the provisions of the offering memorandum. The bonds are guaranteed by SD Holdings Limited, which has bound itself jointly and severally liable for the payment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. The bonds have been admitted on the Official List of the Malta Stock Exchange on 4 May 2017. The quoted market price for the bonds as at 30 September 2021 was €102.50 (31 March 2021: €101.50). At the end of the reporting period, bonds with a face value of €535,000 (31 March 2021: €535,000) were held by a company director.

## 3. Related party transactions

The company forms part of the db Group of Companies. All companies forming part of the db Group are related parties since these companies are all ultimately owned by SD Holdings Limited, which is considered by the directors to be the ultimate controlling party. The main related parties with whom transactions were entered into during the current and the comparative financial periods were SD Holdings Limited, the guarantor of the bonds, and fellow subsidiaries to whom the bond proceeds were advanced in accordance with the provisions of the prospectus (see Note 2).

Balances with related parties at the end of the financial reporting periods were as follows:

	30 September 2021 €	31 March 2021 €
<b>Loans receivable</b>		
Loan to parent company	1,488,101	1,488,101
Loans to fellow subsidiaries	62,844,585	60,744,585
	<b>64,332,686</b>	<b>62,232,686</b>
<b>Current amounts receivable</b>		
Amounts receivable from parent company	35,018	67,426
Amounts receivable from fellow subsidiaries	1,473,640	2,752,347
	<b>1,508,658</b>	<b>2,819,773</b>

The loans receivable are subject to a fixed interest rate of 4.55% with an additional renewal fee which is chargeable on the loans at a floating rate at the discretion of the directors of the issuer. As at the end of the current interim reporting period the element of the floating interest rate was 0.14% (31 March 2021: 0.28%). The loans are unsecured and repayable by not later than 10 April 2027.

**3. Related party transactions - continued**

Interest and related income from related parties during the current and the comparative six month period is disclosed below:

	<b>6 months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>€</b>	<b>€</b>
Finance income from loan advanced to parent company	<b>35,018</b>	36,054
Finance income from loans advanced to fellow subsidiaries	<b>1,473,640</b>	1,471,725
	<b>1,508,658</b>	1,507,779