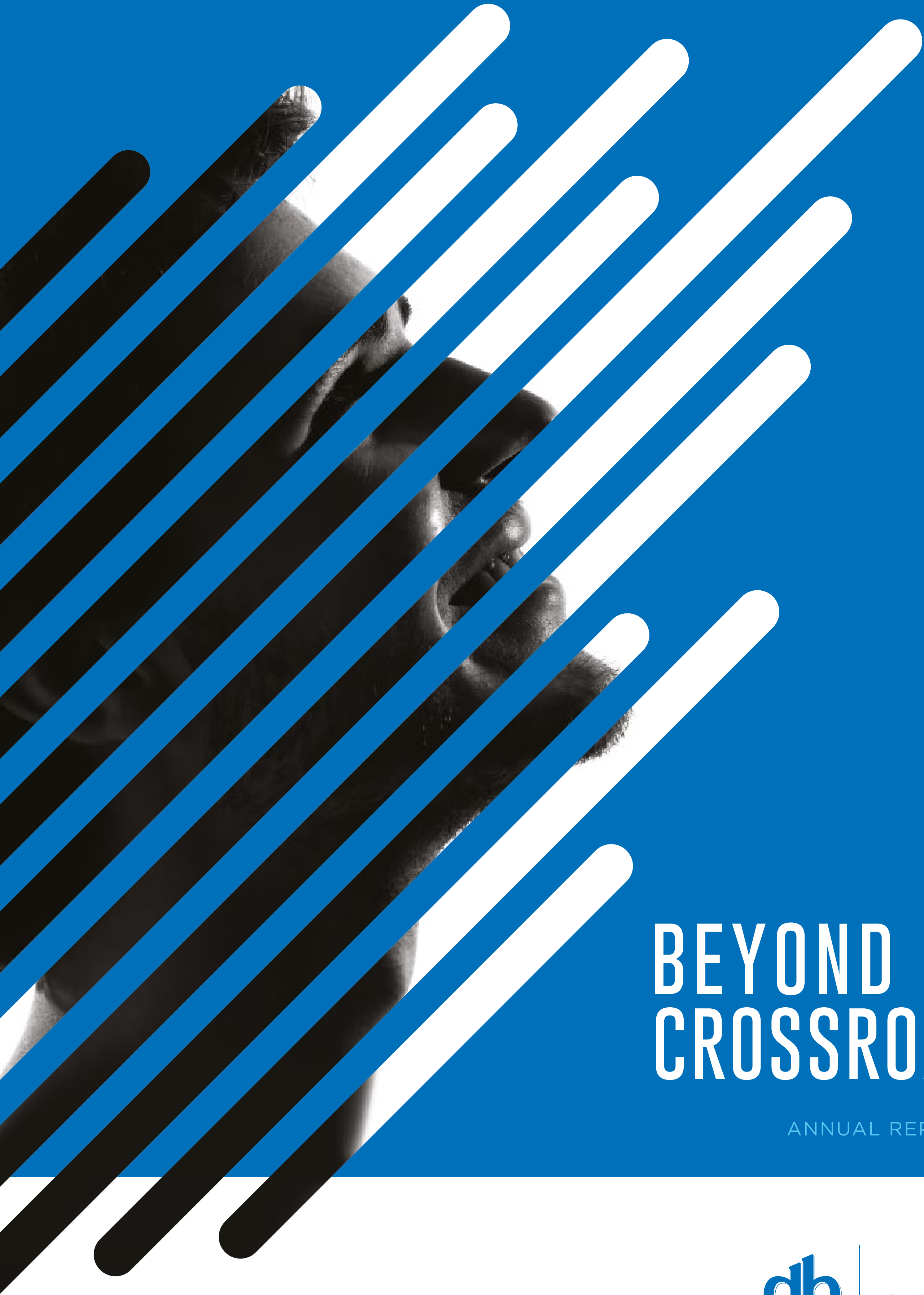


BEYOND THE CROSSROADS

ANNUAL REPORT **2018**

db GROUP

OUR MISSION

One word which...

Is the essence of success of our business.

Always reminds us of how we got here.

Has guided us for three decades.

Inspires all our new ventures.

Distinguishes us from others.

Explains our staying power.

Defines who we are.

Is our future.

EXCELLENCE

CONTENTS

CHAIRMAN'S

"WE HAVE ALWAYS PUT EXCELLENCE AT THE HEART OF EVERYTHING WE DO

INTRODUCTION

THIS IS IT

Our Group has been growing steadily since its inception in the 1980s. It has been gradual and steady, but prudent. We risked on our home turf but were more cautious when we ventured beyond it. We were eager to grow but always chose to do so organically.

The process of risking and consolidating has taught us a great deal. We have learned from our mistakes and pooled the knowledge acquired in the various areas. With a solid and multi-talented team, we turned our Group into a nimble and smart organization, always ready to respond to the rapidly changing nature of our globalized world. Indeed, we are now positioned to anticipate many changes before they actually happen.

Throughout our journey so far we have veered off the beaten path with caution. We have taken risks but we did so with prudence. Our growth has in the main been organic. Now, in 2018, our strategy will mark somewhat of a venture into terra incognita.

With the City Centre project at St George's Bay, St Julians, within sight, the db Group will be playing in a different ball game. We have been leaders in Malta's entrepreneurial premier league for some time now. But this project will be driven by the largest private investment by a single local investor - us - in the country's history.

Clearly, this is a turning point, a crossroads, and the db Group has to rise to the occasion. Without hesitation, I have no doubt that we will. It is not a question of reckless overconfidence or naïve optimism. Throwing caution to the wind was never part of our corporate DNA.

My strong belief in making a success of this project stems from closely observing what served us well throughout the journey: our values and our people.

Above all else, we have always put excellence at the heart of everything we do. This single word captures our entrepreneurial philosophy to the hilt. If the benchmark is excellence in everything - from the small things to the most high level Group decisions - the end result is always predictable. It is with great pride that today I can safely declare that excellence is firmly insinuated in our entire corporate culture. And it will become even more so when the City Centre project gets underway.

I am equally proud of another key and distinctive feature of our Group - the team spirit and sense of family among our staff. Our business is a people's business. The success of whatever happens behind the scenes - the investment, the management, and all the processes - hinges on the client's satisfaction with our services at the end of the line. Accordingly, we have worked hard with our staff in every sense to ensure that they have happy, fulfilling and meaningful work experiences. Because these are the men and women who *are* db to our clients. They will be the same men and women running the City Centre. And more of them.

> **For us, working hard to be ahead of this game was never a choice. It was a way of db life.**

Finally, my confidence in the future hinges on our built-in inclination to never rest on our laurels. Our raison d'etre has been that we are in a fast-paced and ever-changing globalized industry, driven by technology and populated by travelers for whom the world is their oyster.

For us, working hard to be ahead of this game was never a choice. It was a way of db life. It will continue to be so as we embark of this project that will not only change us but the also the face of upmarket tourism in Malta.

Yes, this is it.

SILVIO DEBONO
Chairman

Silvio Debono is the db Group's Founder, Chairman and Managing Director.
He has been in the catering industry since the early eighties. From a single small guesthouse in the 1980s, he has built the largest leisure industry group in Malta.

CEO REPORT

“WE CONTINUED ON OUR UPWARD TRAJECTORY ON A NUMBER OF FRONTS

WE ARE LISTENING TO THE FUTURE

This was yet another successful year for the db Group. We continued on our upward trajectory on a number of fronts, driven by our key policy of ploughing back profits. We rejuvenated our core business operations, thereby consolidating the foundations for future revenue streams. The hospitality and leisure industry continues to thrive on the country's strong tourism numbers.

One of the Group's main restaurant complexes, the Adeera Complex (formerly Tunnynet) in Għadira, was given a major €3 million refurbishment treatment, fully funded from the Group's cash-flows.

Negotiations on a revised business concept in the airline industry were also successfully concluded with Air Malta plc.

The Group has now completed all the necessary studies and submittals in connection with the City Centre project, earmarked for the former ITS site in St George's Bay, St Julians. We are now looking forward to the final phase, the hearing for planning approval of the project.

In its quest to sustain a steady and gradual expansion of the Group's core business assets and revenue streams, it is my pleasure to announce the signing of a licensing agreement with Starbucks to open and operate Starbucks stores in Malta and Gozo. This world-renowned brand will add a new and exciting dimension to the Group's international portfolio. Reaching this major milestone fills us with great pride and determination to deliver on the local stage the unique experience which Starbucks has been offering the world since 1971.

Another major investment, now officially launched, is the completion of the €4 million state of the art kitchen at Saint Vincent de Paule Residence. This initiative will increase and better serve the Group's operational ability, making it more flexible to serve one of its major clients: the public healthcare sector.

Through an affiliate company, the Group won a public tender for a long term contract for the provision of meals to residents at Saint Vincent de Paule Residence and a long term contract for the construction and management of an additional 500 beds to the same residence.

Following the successful launch of a 10-year bond at a fixed coupon of 4.35%, its trading commenced on the Malta Stock Exchange in May 2017 and has since always traded above par with latest pricing, factoring in at around €103. Moreover, funding for the proposed City Centre project was secured via a number of local banks.

The Group's revenue continues to be primarily generated from hospitality, leisure and ancillary services. This was another record-breaking year for tourism, registering an impressive 15.7% year-on-year growth, surpassing the 2.2 million inbound tourists mark. This, coupled with the continued quest for excellence in the delivery of quality of service - a fact which is once again amply recognised by the various international awards won by the Group's hotel portfolio - led to very encouraging results.

- Group sales increased by 7.8% factoring in at €50.3 million;
- EBIDTA mirrored the increase in turnover, coming in with an 8.8% increase at €21.6 million; and
- Operating cash flows continue on a positive trajectory, factoring in at €15.6 million.

Balance sheet totals have now reached €230 million, an increase of €12 million over the previous year's numbers. This was achieved despite the redemption of €9.6 million preference shares which invariably impacts the total equity value of the Group.

> “
> **We will continue to aim for excellence, doable only through the full commitment and initiative of all our staff.**

From an operations perspective, the Group continues to raise the bar on quality and financial targets. The main challenge we have been facing is in the recruitment of professionally-trained personnel. Although this matter remains ongoing and still calls for close and smart attention, we are currently experiencing a period of stability and injecting the right blend of skills in our organisation. As always, we do not rest on our laurels and continue to implement measures to guarantee the right pool and blend of talent to service the Group's vast and diversified client base.

It is with great pride that I report these solid and encouraging results. These achievements will propel us to look to even higher ground. We will continue to aim for excellence, doable only through the full commitment and initiative of all our staff. We are only as strong as our weakest link. We will keep our focus on gearing the team to rise to the next challenge.

A number of very important future milestones are calling. We are listening.

ARTHUR GAUCI
Chief Executive Officer

Arthur Gauci, Director and Group CEO, is a certified public accountant. He joined the db Group as Financial Controller in the mid-nineties. As the Chairman's right hand, Arthur saw through the Group's extensive growth and diversification over the past two decades.

BOARD OF

SILVIO DEBONO
CHAIRMAN

VICTORIA DEBONO
DIRECTOR

ROBERT DEBONO
DIRECTOR

JESMOND VELLA
DIRECTOR

DIRECTORS

ARTHUR GAUCI
CEO

VINCENT DEGIORGIO
DIRECTOR

ALAN DEBONO **DAVID DEBONO**
ALSO FEATURED (CHAIRMAN'S SONS)

GROUP BACKGROUND

In the 1980s, Silvio Debono, the Group's founder, operated a small guesthouse. Today, as db Group Chairman, he sits at the helm of the largest hotel operation in Malta.

Over the course of the last four decades, the Group has forged strategic relationships with various global players including Hard Rock Café International, the Accor Hotel Group, and RIU Hotels & Resorts and as a result accumulated invaluable business acumen and experience. This has enabled us to establish our very own unique brand, db Hotels + Resorts, holding at its core the fundamental principle of excellence on which the Group was founded.

Over the years, the Group diversified its core operations, venturing into contract catering, healthcare, and property development. Furthermore, year-on-year, the Group won a number of prestigious global awards and honours, positioning it at the forefront of the Maltese hospitality and catering industry.

KEY MILESTONES ACHIEVED DURING THE YEAR

2018 was another record-breaking year for the Group, with solid growth in turnover at 7.8% reaching the €50.3 million mark. More encouragingly, EBITDA increased at 8.8% factoring in at €21.6 million.

DEVELOPMENT OF THE DB CITY CENTRE AT THE GOLDEN MILE, ST JULIAN'S

Last year the Group was successful in signing a 99-year concession for a tract of land located in Malta's golden mile, across St George's Bay in St Julian's, upon which the db City Centre is earmarked to be constructed.

The project will feature the Mediterranean's third Hard Rock Hotel, a residential tower, office space, a three-storey shopping mall, a perched rooftop bar, the largest spa in Malta and a number of world-famous bars, restaurants and retail brands.

Around €300 million will be invested in the development making the db City Centre project one of the largest private investments made by a local operator in Malta's history.

During 2018, the Group made strides in the preliminary planning phase, concluding the necessary negotiations and agreements for the project to get off the ground. Successful agreements with Hard Rock International were concluded and the project designs with the architectural team were commissioned. The Group envisions that this unique project would be completed by 2021.

RENOVATION AND REBRANDING OF ADEERA COMPLEX IN MELLIEĦA WITH AN INVESTMENT OF €3 MILLION

In 2018, the previously well-known Tunny Net Complex, sitting directly at the water's edge, overlooking Malta's largest and unique sandy beach (Għadira Bay in Mellieħa), was renovated and rebranded as Adeera Complex.

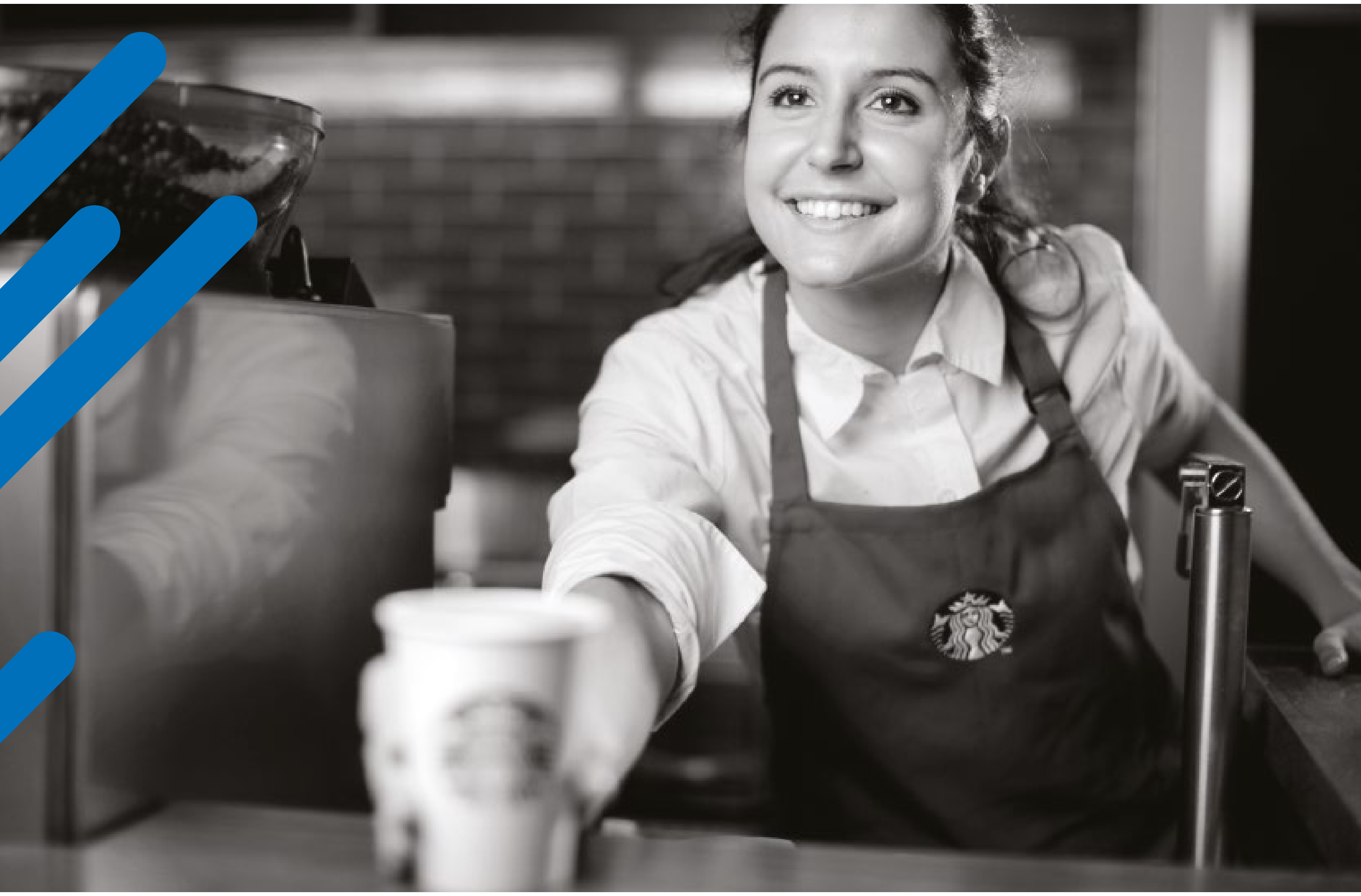
A capital investment of over €3 million was injected by the Group and the works spanned over a 4-month period. The complex houses 3 restaurants; Amami - a redefined concept of Japanese and Asian haute cuisine, Westreme, the perfect family restaurant and the new Blu Beach lido offering a unique dining and relaxation experience and ambience. The complex also houses a convenience store to service tourists.

CONCESSION FOR THE PROVISION OF SERVICES AT ST VINCENT DE PAUL RESIDENCE THROUGH A PUBLIC PRIVATE PARTNERSHIP

In 2017, as a Consortium, Malta Healthcare Caterers Ltd and James Caterers Ltd were awarded a concession for the provision of services at St Vincent de Paul Residence (SVPR), a senior living care residence, under a Public Private Partnership arrangement. Malta Healthcare is to construct four new blocks to accommodate an additional 500 residents at SVPR and provide management services (nursing, caring, housekeeping, catering, and so forth) for the additional beds under a long term contract.

Furthermore, Malta Healthcare is to set up and operate a fully equipped kitchen on-site, to provide catering services for the existing 1,100 beds in the residence. The required capital expenditure for the PPP agreement is estimated to be at around €30 million.

DB GROUP BRINGS STARBUCKS TO MALTA



2018 marks another milestone in the db Group's journey. The company has announced it will enter into a licensed partnership to open the first Starbucks store in Malta. Starting in 2019, db Group will gradually open Starbucks stores at select locations around the islands, bringing the Starbucks Experience to locals and visitors.

Since 1971, the Starbucks Coffee Company has been committed to ethically sourcing and roasting high-quality arabica coffee. Today, with more than 28,000 stores around the globe, Starbucks is the premier roaster and retailer of specialty coffee in the world. Through its unwavering commitment to excellence and guiding principles, the unique Starbucks Experience is brought to life for every customer, through every cup.

HOSPITALITY AND LEISURE

- db Seabank Resort + Spa
- db San Antonio Hotel + Spa
- Hard Rock Café Malta
- Porto Azzurro Hotel
- Adeera Complex

PROPERTY DEVELOPMENT

- Kika Construction Company Limited
- Siar Property Investments Limited
- Għadira Property Investments Limited
- db San Gorg Property Limited

The results of the property development companies listed above, other than those of db San Gorg Property Limited are not included in the Group Accounts of SD Holdings Limited. Kika Construction Company Limited, Siar Property Investments Limited and Għadira Property Investments Limited file separate Audited Financial Statements.

CONTRACT CATERING

- Sky Gourmet Malta Limited
- Malta Healthcare Caterers Limited

HEALTHCARE

- Healthmark Care Services Ltd
- Health Services Group Limited
- Support Services Limited

ANDRE ATTARD

FINANCIAL CONTROLLER
DB SAN ANTONIO HOTEL & SPA

"ONCE IN A WHILE I STEP OUT OF MY OFFICE TO SEE PEOPLE ENJOYING THEMSELVES AT OUR HOTEL. IT BRINGS A SMILE TO MY FACE AND HELPS ME MAKE SENSE OF ALL THOSE NUMBERS ON MY FINANCIAL STATEMENTS

FINANCIAL HIGHLIGHTS

Largest hotel operator with
3,500 BEDS

Staff complement of
3,306 EMPLOYEES

This figure comprises the entire headcount employed by the Group, including individuals employed in subsidiary and associated companies.

REVENUE (€000s)

MARCH 2016	42,647	
MARCH 2017	46,624	
MARCH 2018	50,259	

+7.8% CHANGE FY2017/FY2018

EBITDA (€000s)

MARCH 2016	18,228	
MARCH 2017	19,854	
MARCH 2018	21,608	

+8.8% CHANGE FY2017/FY2018

EBITDA MARGIN (%)

MARCH 2016	42.7%	
MARCH 2017	42.5%	
MARCH 2018	43.0%	

+1.2% CHANGE FY2017/FY2018

PROFIT AFTER TAX (€000s)

MARCH 2016	5,627	
MARCH 2017	6,755	
MARCH 2018	7,591	

+12.4% CHANGE FY2017/FY2018

CAPITAL EXPENDITURE (€000s)

MARCH 2016	3,697	
MARCH 2017	3,796	
MARCH 2018	5,654	

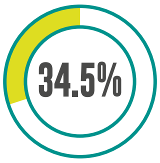
+48.9% CHANGE FY2017/FY2018

GROUP REVENUE, INCLUSIVE OF REVENUE GENERATED BY INDIVIDUAL ASSOCIATES, FOR THE YEAR ENDED 31 MARCH 2018

HOSPITALITY AND LEISURE

CONTRACT CATERING

HEALTHCARE SECTOR



MALTA COUNTRY PROFILE

MALTA KEY FACTS & FIGURES

The Maltese archipelago is situated in the heart of the Mediterranean and is directly accessible by plane and sea from most key European commercial centres, as well as North Africa. The country enjoys long-standing political stability, a high quality of life, and a relatively low cost of living.

Capital City

VALLETTA

Currently selected as Europe's Capital of Culture

Population

475,701 PERSONS

2017

Population density

1,505 PERSONS per km²

Malta is the seventh most densely populated nation worldwide and second to Gibraltar on a European level

Area

316KM²

Shoreline

200KM

MALTA GENERAL FACTS

300
days of sunshine

Average temperature:
12°C WINTER
31°C SUMMER

Annual rainfall:
600MM

Official currency:
EURO

Time zone:
GMT +1

International dialling code:
+356

Official languages:
ENGLISH & MALTESE

HIGH INTERNATIONAL CONNECTIVITY:
30+ airlines, serving 80+ international destinations

MALTA'S BENCHMARK RANKING BASED ON 137 COUNTRIES INCLUDED IN THE WORLD ECONOMIC FORUM'S GLOBAL COMPETITIVENESS INDICATORS

17TH
Soundness of Banks

28TH
Regulation of securities exchanges

15TH
Strength of audit & reporting standards

27TH
Affordability of financial services

51ST
Judicial Independence

19TH
Quality of education system

35TH
Extent of staff training

21ST
Country capacity to attract talent

Source: *World Economic Forum, Global Competitiveness Report 2017-2018*

MALTA
A FORWARD-LOOKING ECONOMY

- Malta is a long-standing reputable, regulated financial services hub.
- It was the first EU Member State to regulate online gaming in 2004, thus gaining a significant competitive edge compared to its EU counterparts.
- Malta is actively becoming an attractive jurisdiction for virtual currencies. In May 2017, Malta drafted a strategy document to entice bitcoin and blockchain commerce to the country.
- In March 2018, cryptocurrency exchange Binance, the largest cryptocurrency exchange by volume, announced they were relocating to Malta.

BREXIT AND MALTA
AN ATTRACTIVE COLOCATION JURISDICTION

Malta is deemed to be an attractive colocation jurisdiction for financial and gaming companies based in the UK.

A number of UK-based companies have expressed interest in opening a branch or subsidiary in Malta to maintain passporting rights into the EU.

SOVEREIGN RATINGS

A+ Fitch, 2018

A3 Moody's, 2018

A- Standard & Poor's, 2018

CORPORATE TAX RATE

35%

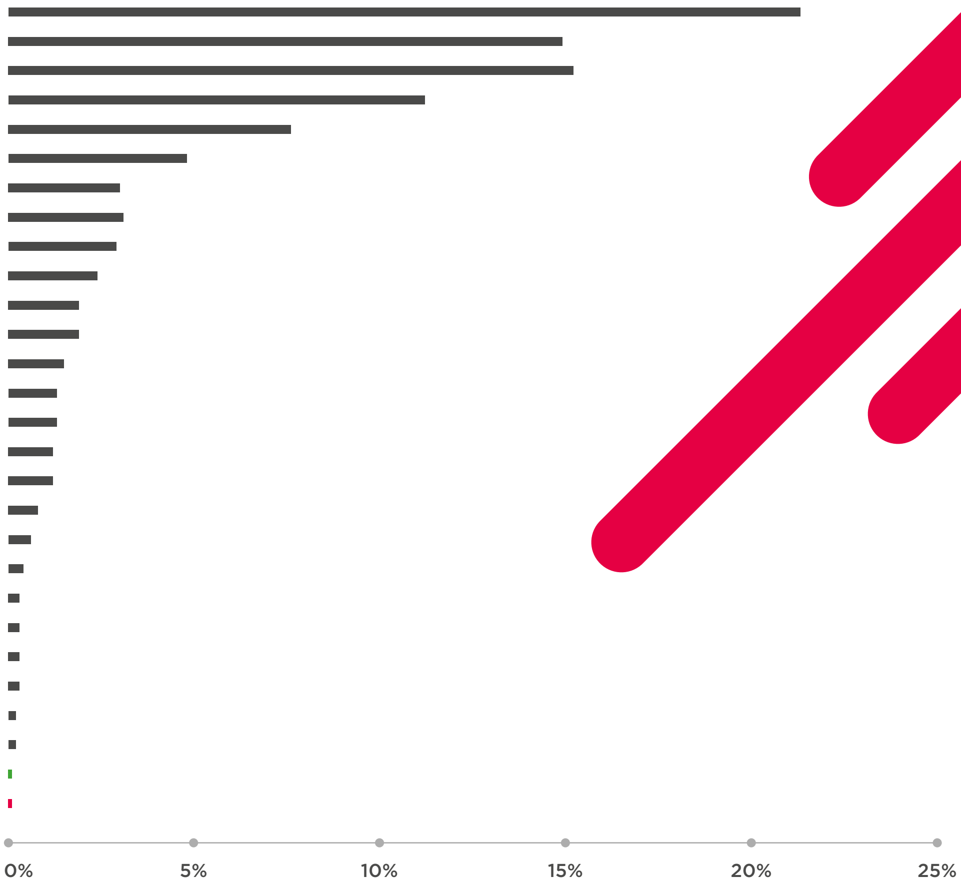
However, through Malta's full imputation system, shareholders can claim a 6/7 tax refund

DOUBLE TAXATION TREATIES

70+

REAL GDP AS A PERCENTAGE OF EU-28 GDP

GERMANY	21.30%
FRANCE	14.90%
UNITED KINGDOM	15.20%
ITALY	11.20%
SPAIN	7.60%
NETHERLANDS	4.80%
POLAND	3.00%
SWEDEN	3.10%
BELGIUM	2.90%
AUSTRIA	2.40%
DENMARK	1.90%
IRELAND	1.90%
FINLAND	1.50%
PORTUGAL	1.30%
CZECH REPUBLIC	1.30%
GREECE	1.20%
ROMANIA	1.20%
HUNGARY	0.80%
SLOVAKIA	0.60%
LUXEMBOURG	0.40%
CROATIA	0.30%
BULGARIA	0.30%
SLOVENIA	0.30%
LITHUANIA	0.30%
LATVIA	0.20%
ESTONIA	0.20%
CYPRUS	0.10%
MALTA	0.10%



Source: *Eurostat, 2018*

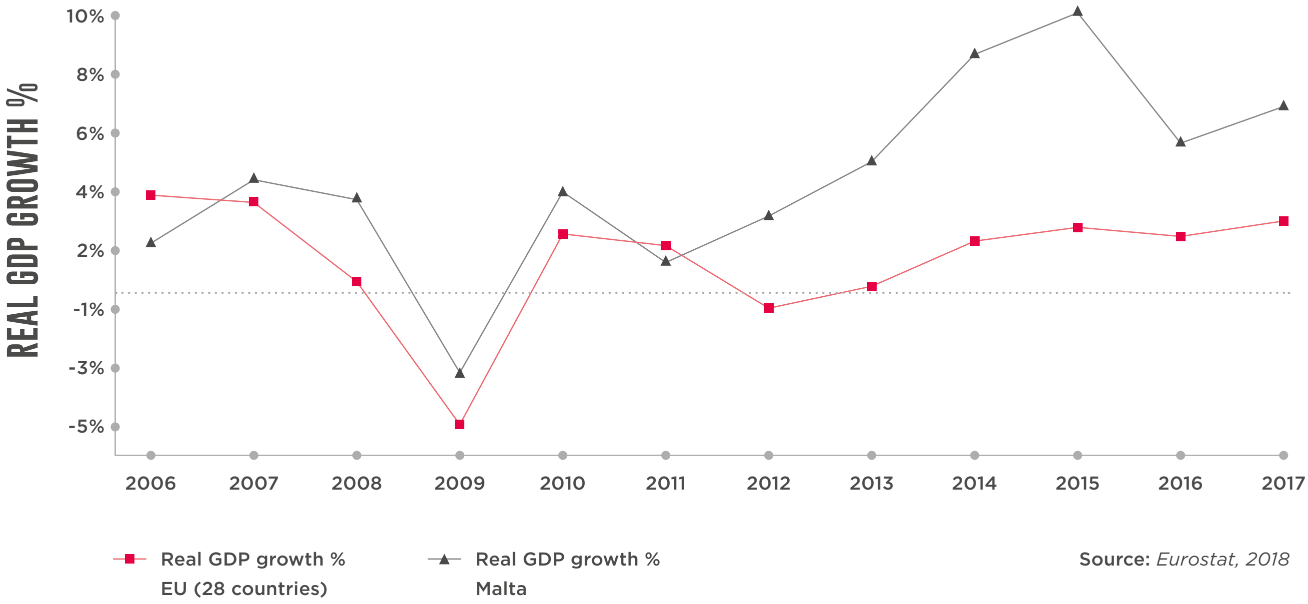
MALTA: EU'S SMALLEST ECONOMY

Since Malta's accession to the EU in 2004, the country's opportunities and prospects expanded significantly. The EU's smallest economy had real GDP of €9.5 billion in 2017, making it one of Europe's fastest growing economies.

Between 2006-17, Malta's GDP increased from €6 billion to €9.5 billion, despite global and European economic difficulties.

Malta's economy has consistently registered one of the highest GDP growth rates compared to neighbouring EU-28 economies

In terms of real GDP growth, the Maltese economy has consistently outperformed the EU average since 2007. This growth has been driven by significant structural changes in the islands' economy. Over the past decade there has been a notable shift away from manufacturing activities towards a growing focus on services. The main service sectors contributing to growth over the past decade have been the value-added knowledge services, particularly financial services, IT, gaming and other professional activities. Projections issued by the International Monetary Fund highlight that Malta's economic growth will continue to outpace the EU average until 2019.



Source: *Eurostat, 2018*

MALTA'S ECONOMIC PROSPERITY CONTINUES TO ATTRACT AN INCREASING NUMBER OF EXPATRIATES, FUELLING THE LOCAL PROPERTY MARKET

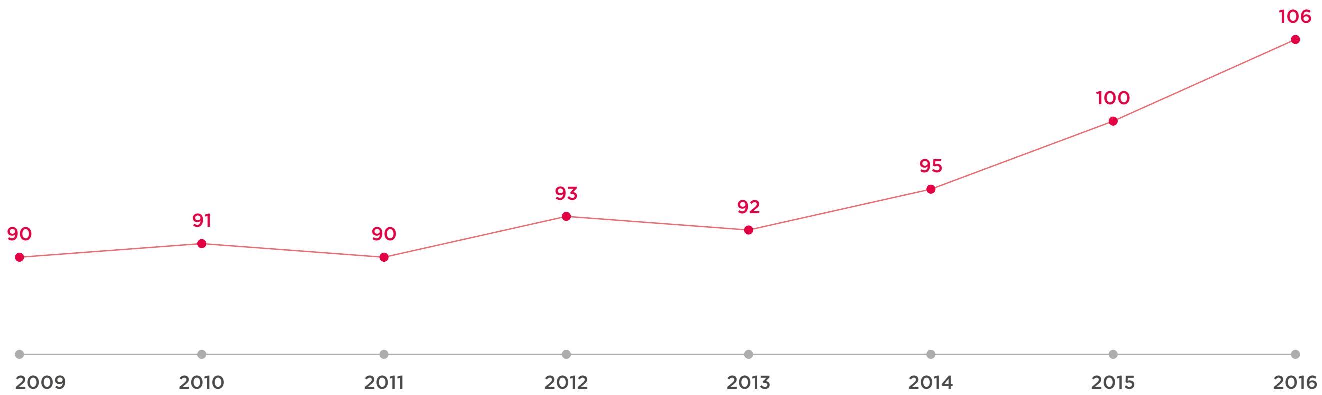
Malta reported a 13% population growth between 2007-16, increasing the population to around 460,000. It is estivmated that around 12% of the total population residing in Malta is foreign, three times as much as it was in 2007.

MALTA'S RESIDENTIAL PROPERTY MARKET

The economic and population growth significantly impacted demand in the local residential property market, reflected in the surge of transacted property volume and the residential property price index, specifically between 2014-16. The Maltese real estate market has always been strong and has experienced a three-decade long capital appreciation curve, withstanding the global economic crisis.

ANNUAL PROPERTY PRICE INDEX 2009-2016

(BASIS YEAR = 2015)



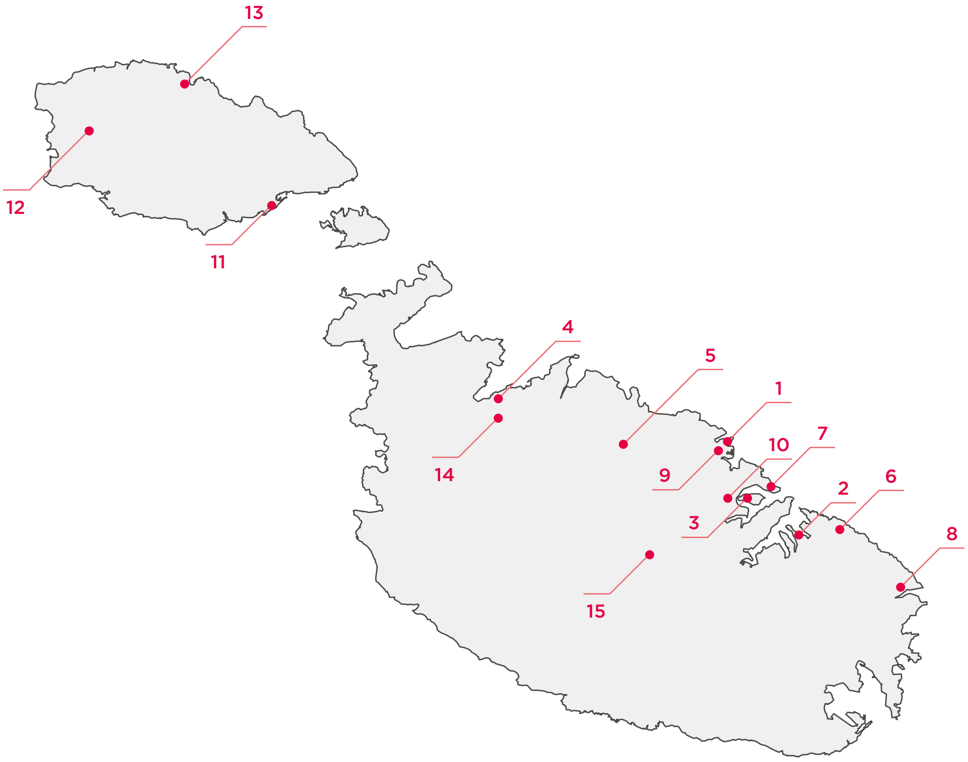
Source: *Malta National Statistics Office, 2018*

Looking ahead, the residential market is expected to continue on its upward trajectory, the result of an increasing number of expatriates relocating to Malta to work in the iGaming, financial services, and technology-related industries.

Government schemes aimed at increasing foreign investment, such as the Individual Investor Programme (IIP), have been put in place in order to assist third country nationals in purchasing property in Malta. Sales to non-nationals have tended to be concentrated in new larger developments (typically enjoying Special Designated Area [SDA] status) where the conditions of acquisition are the same for Maltese and foreign residents. Property in SDAs is intended to provide top-end facilities and amenities such as restaurants, supermarkets, spas and marinas in the same area.

The value of property per sqm in SDAs depends on the individual unit which varies primarily because of location, size and views. The properties in these developments command significantly higher values compared to other residential areas. The average price per sqm in these developments, particularly in the northern harbour area, is considerably higher than the national average. The latest properties coming on the market in these areas include additional blocks in Tigné Point, Pender Gardens and Portomaso developments, hitting sales prices of up to €9,000 per sqm.

PROPERTY DEVELOPMENTS WITHIN SPECIAL DESIGNATED AREAS



THE CURRENT SPECIAL DESIGNATED AREAS IN MALTA AND GOZO:

1 Portomaso Development, St Julian's
2 St Angelo Mansions, Birgu
3 Manoel Island / Tigné Point, Tigné / Gzira
4 Tas-Sellum Residence, Mellieħa
5 Madliena Village Complex, Madliena
6 SmartCity, Xgħajra
7 Fort Cambridge Zone, Sliema
8 Ta' Monita Residence, Marsascala
9 Pender Place and Mercury House Site, St Julian's
10 Metropolis Plaza, Gżira
11 Fort Chambray, Għajnsielem, Gozo
12 Kempinski Residences, San Lawrenz, Gozo
13 Vista Point, Marsalforn, Gozo
14 Southridge, Mellieħa
15 Quad Business Towers, Mrieħel *(non-residential development)*

Other upmarket properties include luxury apartments in stand-alone residential developments, typically situated along the Sliema/St Julian's seafront, and luxury villas and bungalows situated in prime locations such as Madliena and Mellieħa. The value per sqm of apartments in these categories would also be substantially higher than average prices.

ECONOMIC DIVERSIFICATION AND STABILITY

Malta's well-diversified and vibrant economy is attracting international companies and individuals operating in, amongst others, the financial, maritime, aviation, and digital industry sectors.

The choice of high-profile companies to invest in and move their operations to Malta is a strong indicator of the country's status as a profitable business hub. HSBC, Banif Bank, French line CMA CGM in the maritime sector, Microsoft, Huawei, Lufthansa Technik, and Playmobil amongst others, have all chosen Malta.

Currently, the Government of Malta is actively becoming a jurisdiction for a regulated virtual currency hub, with a number of companies already opting to set-up shop here. This has been evidenced through the setting up of the Digital Innovation Authority, with a number of bills already proposed to Parliament. Encouragingly, in 2018, one of the world's largest cryptocurrency exchanges by volume, Binance announced their relocation to Malta. The Prime Minister of Malta, Joseph Muscat's tweet summed up the vision for Malta in this sector.

> **Welcome to #Malta @binance. We aim to be the global trailblazers in the regulation of blockchain-based businesses and the jurisdiction of quality and choice for world class fintech companies.**
>
> *Joseph Muscat, Prime Minister of Malta*

Furthermore, as a result of Brexit, Malta is being seen as an attractive colocation jurisdiction for financial and gaming companies based in the UK. A number of UK-based companies have already expressed tangible interest in opening a branch or subsidiary in Malta to maintain passporting rights into the EU.

Malta's proximity to, and cultural links with, North African and Middle Eastern countries are particularly attractive to companies seeking to have a stake in the country as a stepping stone for trading, distribution, and marketing of their international operations in Southern Europe and North Africa. In addition to the historical and strong commercial links with Italy and the UK, Malta conducts healthy trade with France, Germany, the Netherlands, the US, Canada, and China.

Malta's exposure to international commerce is one of the highest worldwide, and the country's leaders are constantly working on developing new ties with foreign governments in order to facilitate worldwide market access for all industries.

The buoyant economy has also been attracting professionals pursuing dynamic careers in various sectors. As a result, around 14% of Malta's total resident workforce is made up of foreign nationals, enjoying sustainable job prospects as well as a Mediterranean island lifestyle.

10 REASONS WHY EXPATS ENJOY LIVING IN MALTA

IDEAL WEATHER
all-year round

SHORT DISTANCES
between destinations keep commuting times to a minimum

FRIENDLY
population

ENGLISH
as an official language

LOW COST OF LIVING
while all goods are easily available

Excellent
SOCIAL LIFE
for all ages

LOW CRIME RATE

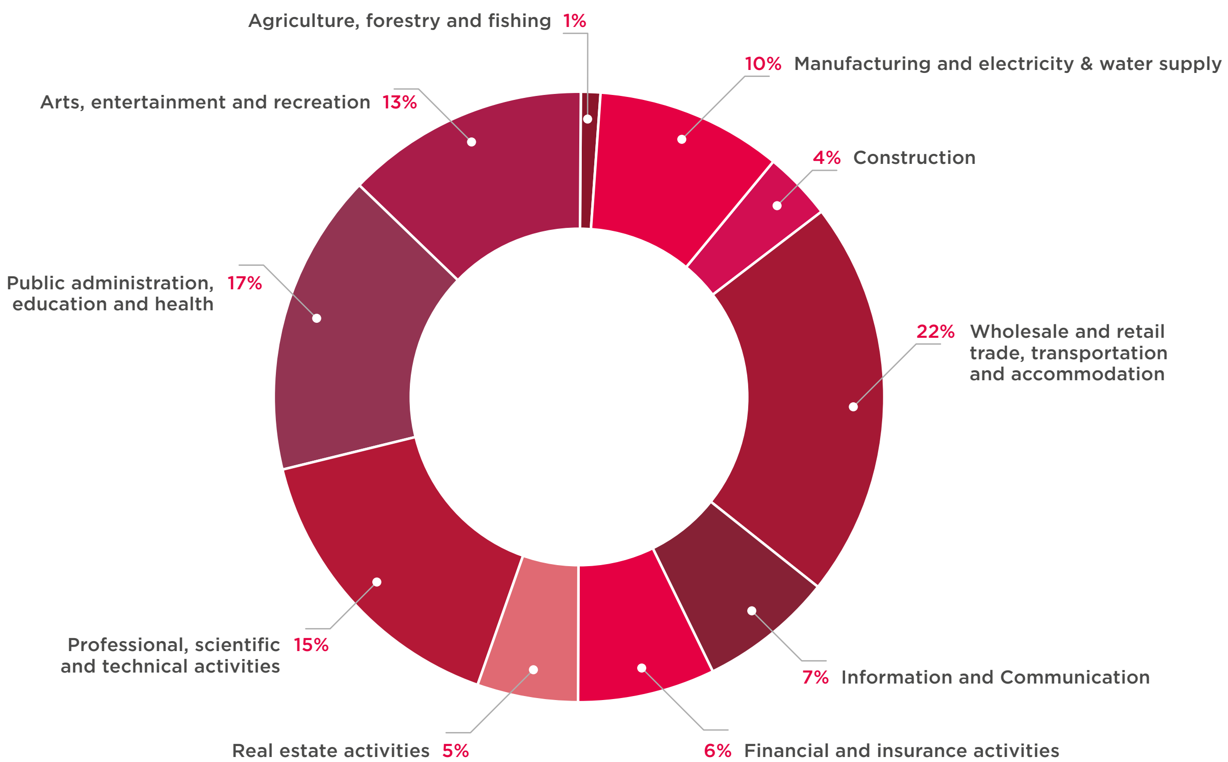
Good
MEDICAL
services

English-speaking schools and a respected
UNIVERSITY

A wide variety of
PROPERTY
is available in all price ranges

GROSS VALUE ADDED (GVA) SECTORIAL DISTRIBUTION OF MALTA'S GVA FOR 2017

Source: *NSO, 2018*



KEY SECTORS WITHIN MALTA'S DIVERSIFIED ECONOMY

FINANCIAL SERVICES

Long-standing reputable international financial services hub

GAMING

Following proactive regulation of remote gaming regulation ahead of its EU counterparts, the country has positioned itself as an attractive destination for gaming companies

TOURISM

Landmark number of tourists of over 2 million in 2017, circa 4 times the local population

AVIATION

The local economy is equipped with all the necessary services for aircraft operations with aircraft manufacturers, operators, and ancillary service providers based in two dedicated aviation parks

MARITIME

One of the largest ship registers in the world. Malta is well-connected and set up for sea transportation, offering various berthing, ancillary, and other services to owners of private vessels and superyachts

CONSTRUCTION

The construction and real estate industries are flourishing due to the recent influx of foreigners who have relocated to Malta to work

EDUCATION

All public education up to tertiary education is of high quality and free. The Maltese educational system receives continuous investment from the Government

HEALTHCARE

Public healthcare is excellent and is provided free of charge to residents. Recently, some of the public hospitals have embarked on a PPP route to also open up a medical tourism market

MANUFACTURING

Several overseas corporations have relocated their manufacturing divisions to Malta to benefit from a skilled, multi-lingual workforce, and a relatively low cost of living

REASONS TO INVEST IN MALTA

GEOGRAPHY
Malta's strategic location in the middle of the Mediterranean makes it an ideal stepping stone or intermediary for any organisation to branch out and expand both in Europe and Africa. EU membership also allows legal bodies incorporated in Malta freedom of movement throughout the EU.

POLITICAL STABILITY AND ECONOMIC PERFORMANCE
Malta is a democracy based on the Westminster model and enjoys long-standing political stability and separation of powers. In turn, this is reflected in its solid economic performance. Malta also scores highly on all quality of life aspects.

BUSINESS FRIENDLY ENVIRONMENT
The country is an internationally-recognised financial services hub and is fast becoming a regional centre of ICT expertise. Malta has a business-friendly environment with a sound infrastructure and favourable tax rates at corporate and individual levels.

WORKFORCE
The labour force is productive, highly educated, extremely flexible, and has an excellent work ethic. The country has a good pool of professional, managerial and technical human resources and a ready supply of top graduates.

INFRASTRUCTURE
Substantial investment in both the public and private sectors is being carried out to increase the residential and touristic capacity and office and retail space, as well as to improve and modernise the quality of life.

START-UPS
The Government has recognised the key role that entrepreneurs and innovators play in the economy. Research shows that seed investment can last five times longer in Malta than in other, more expensive jurisdictions. Attractive initiatives for start-ups include tax benefits, and less burdensome audit and administrative requirements.

CONTAINMENT
Malta's size and population allows its market to be used strategically for pilot testing and refinement prior to going full-scale internationally. Additionally, the country's size diminishes commuting times.

CLIMATE AND ENERGY
Malta enjoys at least 300 days of sunshine annually, making it an enjoyable destination for travel or work, and offers great potential for renewable energy generation.

HISTORY AND ACTIVITIES
Malta has a 7,000 year-old history, including the oldest free standing structures in the world. The country is literally a treasure trove of architectural, artistic and cultural remnants of Phoenician, Arab, Roman, Knights of Malta, and British origins.

CITIZENSHIP BY INVESTMENT

In 2014, Malta introduced the Individual Investor Programme which grants Maltese citizenship to any foreign individuals and their families who contribute to the economic development of Malta as well as meet other requirements. Conditions for eligibility under this scheme include that the individual:

- provides proof of a residential address in Malta with a minimum value of €350,000 or an annual rent of €16,000;
- makes a lump sum contribution of €650,000 and additional payments according to the number of dependants; and
- commits to invest at least €150,000, in stocks, bonds, debentures, special purpose vehicles or to make other investments as provided from time to time by Identity Malta (the Maltese Government agency administering the programme) in the Government Gazette.

MALTA RESIDENCE AND VISA REGULATIONS

Furthermore, a high value individual may obtain Maltese residence, in terms of the immigration Act under the **Malta Residence and Visa Regulations (MRVP)**, subject to the satisfaction of various conditions.

Under the MRVP, Third Country Nationals and their dependents who are willing to bring investment to Malta are granted Maltese residency and may reside, settle and stay in Malta indefinitely, as well as travel within the Schengen area without the need to apply for a visa.

The main applicant must satisfy the following three criteria:

- pay a contribution of €30,000 (of which, €5,500 is a non-refundable administrative fee and must be paid upon submitting the relevant application to the Authority) and, where applicable, €5,000 per parent or grandparent of the main applicant or the spouse;
- invest an initial value of €250,000 or as maybe determined, from time to time, by Identity Malta; and
- purchase or rent property at a consideration of not less than €320,000 (or €270,000 for a property situated in Gozo or the South of Malta) or rent a property of not less than €12,000 per annum (or €10,000 for a property situated in Gozo or in the south of Malta).

TAX INCENTIVES FOR FOREIGN INVESTORS

Malta provides various incentives to foreigners, which have been instrumental to attract almost 40,000 expats, most of whom are professionals.

A long-standing, full tax system has existed in Malta since 1948. The rate for corporate taxation in Malta stands at 35%. However, upon distribution of dividends, foreign shareholders may qualify for a refund generally equivalent to 6/7ths of the tax paid, thus resulting in an effective tax rate of 5%.

With regards to personal taxation, individuals in Malta are, as a rule, subject to tax at progressive rates. There are different scales of rates for different categories of individuals with the maximum being 35%. The general rule is that expats are taxed on income and certain capital gains arising in Malta and foreign income remitted to or received in Malta. Foreign funds of a capital nature are not taxable, even when received in Malta. Furthermore, there are no property, wealth or inheritance taxes.

One may opt to be taxed on gross rental income from residential or commercial property at a flat rate of 15% (subject to certain conditions).

In addition, the country offers various tax programmes to high value expatriates which provide for an advantageous flat tax rate of 15%. In order to qualify for one of the below special tax programmes, certain criteria must be satisfied. Amongst others, the individual must hold a ‘Qualifying Owned Property’ of not less than €275,000 (or €220,000 for property situated in Gozo or the south of Malta) or lease a ‘Qualifying rented property’ of not less than €9,600 per annum (or €8,750 for property situated in Gozo or the south of Malta) and must not reside in any other jurisdiction for more than 183 days in a calendar year.

For an individual qualifying under the **Global Residence Programme** (for non-EU/non-EEA/non-Swiss nationals) or the **Residence Programme Rules** (for EU/EEA/Swiss nationals) all foreign sourced income, which is remitted to Malta, is taxed at 15% subject to a minimum tax payment of €15,000. There is also the possibility of claiming double taxation relief on such income. In order to qualify for this special status, amongst other conditions, the individual must own or rent immovable property in Malta and must not be domiciled in Malta, or intends to do so.

In 2015, the Government introduced the **Malta Retirement Programme Rules**. These rules apply to EU, EEA and Swiss nationals who are not in employment and who receive a pension as their regular source of income, all of which must be received in Malta and which must constitute at least 75% of the beneficiary’s income chargeable to tax in Malta. An individual qualifying under this programme will be subject to tax at a rate of 15% on any foreign income received in Malta, subject to a minimum income tax of €7,500 and an additional €500 per dependent per annum, after double taxation relief. In order to qualify for this special status, the individual must physically stay in Malta for at least 90 days per year averaged over 5 years.

The **United Nations Pensions Programme** (UNPP) is available to expatriates in receipt of a UN pension or a Widow's/Widower's Benefit of which at least 40% is received in Malta. UN pension or Widow's/Widower's benefit income received in Malta is exempt from income tax in Malta. Other foreign income received in Malta is subject to income tax at a flat rate of 15%, subject to a minimum rate of €10,000, after double tax relief.

Malta also offers tax programmes to attract highly qualified foreign individuals to work in specific sectors of the Maltese economy. Under the **Highly Qualified Persons Rules**, expatriates satisfying certain requirements and employed in an eligible office, such as companies licensed and/or recognised by the Malta Financial Services Authority the Malta Gaming Authority or with an undertaking holding an air operators' certificate or with the Office of the Chief Medical Officer to Government earning income payable from a 'qualifying contract of employment', may opt to be subject to tax on such employment income at a flat rate of 15%, without being able to claim double tax relief or any other deductions of credits. This incentive applies for 5 consecutive years for EU/EEA/Swiss nationals, with the possibility to apply for a 5 year extension, and of 4 years in the case of third country nationals, with the possibility to apply for a 4 year extension. Other similar programs, namely, **Qualifying Employment in Innovation and Creativity (Personal Tax) Rules**, **Qualifying Employment in Maritime Activities and the Servicing of Offshore Oil and Gas Industry Activities (Personal Tax) Rules** and **Qualifying Employment in Aviation (Personal Tax) Rules** are also available.

Individuals who are established in a field of excellence and return as ordinary Maltese residents may opt to have their income from employment in Malta taxed at a rate of 15%, subject to certain terms.

The above mentioned incentives and schemes are having a multiplier effect on the Maltese economy and are leading to an increased demand for upmarket property on the Island.

MARION SPITERI

FRONT OFFICE MANAGER
DB SEABANK RESORT & SPA

"

WORKING WITH THE DB GROUP FOR ALL THESE YEARS HAS BEEN A GREAT OPPORTUNITY TO GROW IN EVERY SENSE. I FACE A LOT OF CHALLENGES EVERY DAY BUT TOGETHER WITH MY GREAT TEAM WE MANAGE TO EXCEED OUR GUESTS' EXPECTATIONS. I FEEL PROUD THAT TOGETHER WE CONTINUE TO GROW AND EXCEL IN EVERYTHING WE DO.

HOSPITALITY & LEISURE MARKET IN MALTA

The tourism sector is a main pillar of the Maltese economy, attracting over 2 million tourists a year[1] and accounting for 27.1% of GDP, with a direct contribution of 14.2% at €1.5 billion (2017)[2]. Over the eight years to 2016, tourist arrivals increased by an annual average rate of 5%, well over averages reported for the European Union[3].

1 National Statistics Office, Inbound Tourism: December 2017

2 World Travel and Tourism Council, Travel and Tourism Economic Impact 2018, Malta

3 Ministry for Tourism, Draft National Tourism Policy 2015-2020

KEY INDICATORS FOR MALTA'S TOURISM SECTOR FOR 2017 AND PROJECTIONS FOR 2018 AND 2028:

	2017	2018	2028
Direct contribution of travel and tourism to GDP (€ million)	1,493	1,530	2,326
Direct contribution of travel and tourism as a % of GDP	14.2%	14.1%	17.4%
Total contribution of travel and tourism as a % of GDP	27.1%	26.9%	32.9%
Total contribution of travel and tourism to GDP (€ million)	2,846	2,922	4,398
Direct jobs generated in travel and tourism	31,000	30,500	39,000
Travel and tourism direct jobs as % of total employment	15.7%	15.6%	20.1%
Total jobs generated in travel and tourism	55,500	55,000	69,000
Travel and tourism total jobs as a % of total employment	28.3%	28.1%	35.4%
Money spent by foreign visitors (€ million)	1,729	1,770	2,778
Investment attracted by travel and tourism (€ million)	255.7	266.9	426.4

Source: *World Travel and Tourism Council, Travel and Tourism Economic Impact 2018, Malta*

Economic growth in Malta in 2017 is expected to be driven by a positive performance in the services sector. Tourism is expected to continue performing strongly with the projected expansion in the supply side of the industry – through increased airline and cruise ship seat capacity and bed capacity – to meet higher demand levels.

	2015	2016	2017	% change 16-17
Inbound tourists (thousands)	1,783	1,966	2,274	+15.7%
Tourist guest nights (thousands)	14,151	14,961	16,509	+10.3%
Average length of stay (days)	7.9	7.6	7.3	-3.9%
Tourist expenditure (€ billions)	1.6	1.7	1.9	+13.9%

Main Indicators for Inbound Tourism for Malta 2015-2017
Source: *National Statistics Office, Inbound Tourism: December 2017*

In 2017, the peak months remained May to October, with the highest activity level registered in August. Tourists coming from EU Member States account for 86.0% of all inbound visits[4]. The UK remains Malta's main source market accounting for 24.7% of annual arrivals. 16.0% of incoming tourists visit from Italy, 8.5% from Germany, and 7.8% come from France.

Over the years, Malta's tourist profile has changed from one with a 'sun and sea' focus to a much more varied and sophisticated one, embracing history, culture, and business travel requirements – meetings, incentives, conferences, and exhibitions; diving and other sports; and English language learning. The majority of tourists are between 25 to 44 years old. Tourist arrivals in this category increased by 24.7% over 2016. The second largest category of tourist arrivals was in the 45 to 64 age group[5].

At the end of 2017, the number of hotels in Malta and Gozo stood at 115, with over 35,000 beds in supply. The majority are 4- and 3-star establishments, housing 17,000 and 10,000 beds respectively. In 2017, 45.2% of hotel guests stayed at 4-star hotels, whilst a further 27.5% stayed at 3-star hotels, and 24.1% opted for 5-star hotels[6].

ACCESSIBILITY

Malta is a small EU island state, with the attendant features of insularity and peripherality – hence, tourism is highly dependent on established route networks.

AIR CONNECTIVITY

In 2017, 97.9% of all tourists travelled to Malta by air. The Malta International Airport (MIA) registered 6.0 million passenger movements, a 20.0% increase over the previous year. This growth is driven by further capacity being deployed by operating airlines and a number of new airlines and routes operating to Malta.

SEA CONNECTIVITY

In 2017, 670,135 cruise passengers visited Malta, a 7.0% increase over 2016 levels. Around 71% of cruise visitors came from EU Member States. Malta is also traditionally popular as a yachting destination, offering a wide range and volume of berthing facilities[7].

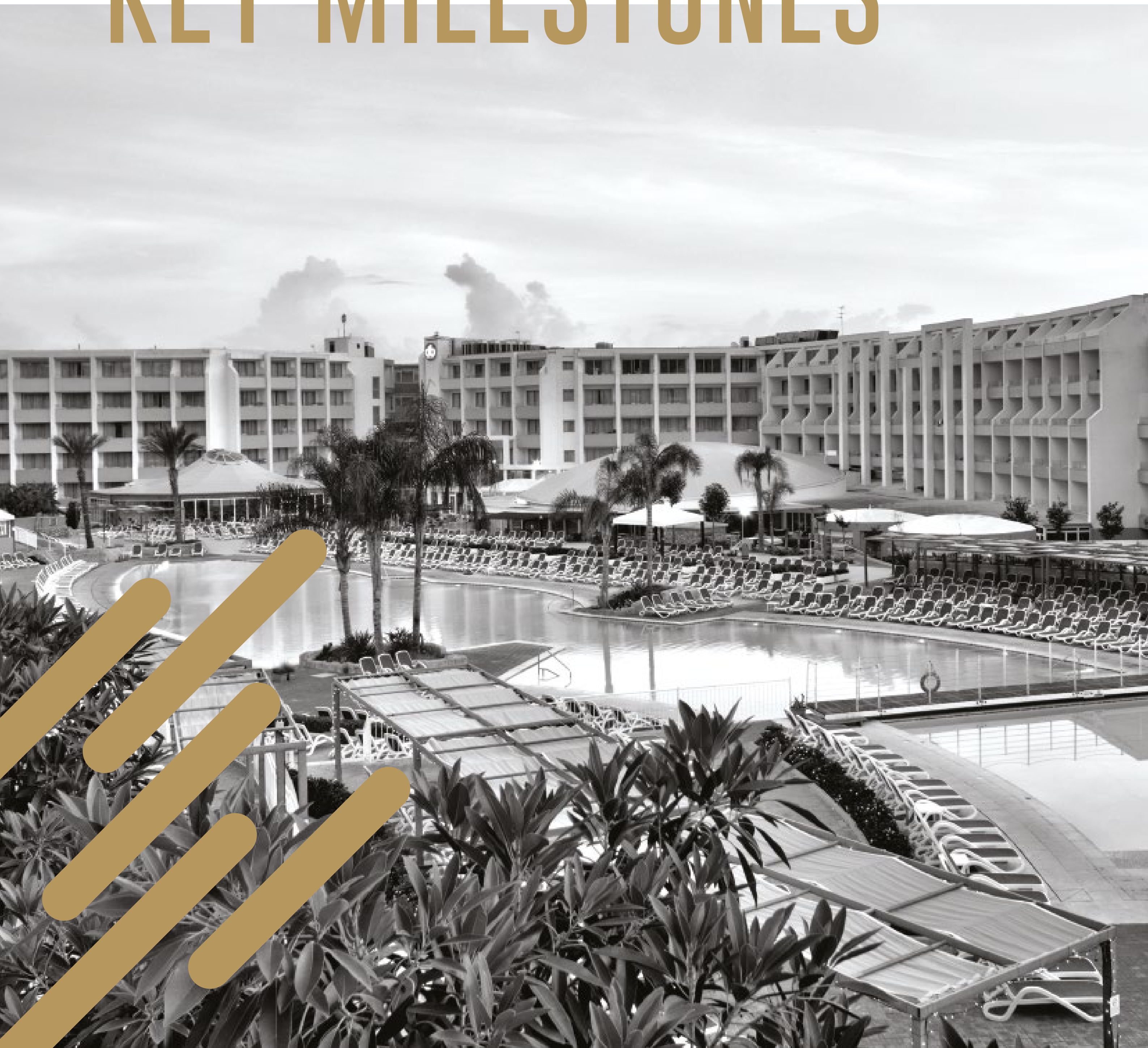
[4] National Statistics Office, Inbound Tourism: December 2017

[5] Ibid.

[6] National Statistics Office, Collective Accommodation Establishments: December 2017

[7] Ministry for Tourism, Draft National Tourism Policy 2015-2020

DB SEABANK RESORT + SPA KEY MILESTONES



1984

Silvio Debono buys a small guesthouse in Mellieħa, expanding and embellishing it in subsequent years

1992

The guesthouse is converted into an 80-room hotel and inaugurated as the Seabank Hotel

1996

Major structural modifications are carried out and new amenities added as the number of rooms is doubled to reach 160

2001

Seabank Resort + Spa is expanded further and the number of rooms is increased to 251

2005

Seabank Resort + Spa undergoes a major overall refurbishment programme

2012

With an investment of over €40 million, the db Seabank Resort + Spa is converted into a 540-room all-inclusive hotel operation

DB SEABANK RESORT + SPA

The db Seabank Resort + Spa is a 4-star all-inclusive hotel located in Mellieħa Bay. It is Malta's first fully all-inclusive resort offering a superior service. The hotel spreads over around 23,000m² of land, 19,000m² of which are landscaped.

With an injection of €40 million, the resort has been renovated and extended to a 540-room facility. It now offers seven themed restaurants, four bars, Malta's largest hotel pool, a state of the art fitness centre, and a spa with a heated indoor pool offering panoramic views. In 2015, a new entertainment complex was opened at the db Seabank Resort + Spa, including three restaurants, a bowling alley, a sports bar, and a teens and kids club.

Over the years, the Hotel has been awarded a number of prestigious awards by leading tour operators and certification bodies:

2018

TRAVELLER'S CHOICE
by TripAdvisor

2017

TRAVELLER'S CHOICE
by TripAdvisor

TOP-RATED ALL-INCLUSIVE HOTEL FOR THE YEAR
by Hotels.com

2016

CERTIFICATE OF EXCELLENCE
by TripAdvisor

TRAVELLER'S CHOICE
by TripAdvisor

2015

CERTIFICATE OF EXCELLENCE
by TripAdvisor

TRAVELLER'S CHOICE
by TripAdvisor

SUNNY HEART SILVER AWARD *(Nominee)*
by Thomas Cook

2014

TRAVELLER'S CHOICE
by TripAdvisor

CERTIFICATE OF EXCELLENCE
by TripAdvisor

MOST POPULAR HOTEL IN MELLIEĦA
by HolidayCheck.com

GOLD AWARD ACCESSIBLE TOURISM
by Travelife

2013

TOP 25 ALL-INCLUSIVE RESORT IN EUROPE
by TripAdvisor

TRAVELLER'S CHOICE
by TripAdvisor

CERTIFICATE OF EXCELLENCE
by TripAdvisor

QUALITY SELECTION CERTIFICATE
by HolidayCheck.com

2012

CERTIFICATE OF EXCELLENCE
by TripAdvisor

2011

CERTIFICATE OF EXCELLENCE
by TripAdvisor

Above all, the db Seabank Resort + Spa was ranked by TripAdvisor in the top 10 best all-inclusive hotels in Europe.

2018 RESULTS AND KPIS

REVENUE (€000s)

MARCH 2016	19,988
MARCH 2017	21,110
MARCH 2018	22,733

+7.7% CHANGE FY2017/FY2018

AVERAGE ACHIEVED ROOM RATE (€)

MARCH 2016	115.46
MARCH 2017	114.27
MARCH 2018	119.64

+4.7% CHANGE FY2017/FY2018

GROSS OPERATING PROFIT (€000s)

MARCH 2016	10,879
MARCH 2017	10,444
MARCH 2018	11,946

+14.4% CHANGE FY2017/FY2018

OCCUPANCY (%)

MARCH 2016	85.0%
MARCH 2017	83.0%
MARCH 2018	82.0%

-1.2% CHANGE FY2017/FY2018

Average occupancy achieved by 4-star hotels operating in Malta was 82.6% (for 2017)

DB SAN ANTONIO HOTEL + SPA KEY MILESTONES

2000

Group acquires 50% of the San Antonio Hotel + Spa

2002

Following extensive renovations and an investment of €28 million, the 300-room San Antonio Hotel + Spa is inaugurated

2013

The Group acquires 100% ownership of the db San Antonio Hotel + Spa

2015

With an investment of €33 million, the db San Antonio Hotel + Spa is refurbished and converted into a 500-room all-inclusive hotel as the Group launches the db brand, its chain of hotels and resorts

DB SAN ANTONIO HOTEL + SPA

The db San Antonio Hotel + Spa is one of the largest hotels in Malta. Located in St Paul's Bay, the 4-star all-inclusive hotel is built in Moorish style, with 500 rooms spread over ten floors. It has five themed restaurants; indoor, outdoor, and rooftop pools; a fitness centre; a Hammam spa; and extensive conference facilities.

The hotel targets the 4-star+ market and today forms part of the db hotel chain. It has been operating since 2002 and has recently been substantially upgraded. With an investment of €33 million, the number of rooms was increased from 300 to 500, and a number of apartments are also being offered on long-term accommodation bases. In line with this upgrade, the hotel has been converted into an all-inclusive destination.

Over the years, the hotel has been awarded a number of prestigious awards by leading tour operators and certification bodies:

tripadvisor · HolidayCheck.com · Lufthansa Holidays · zoover · Expedia · venere.com

2018

CERTIFICATE OF EXCELLENCE
by TripAdvisor

2017

TRAVELLER'S CHOICE
by TripAdvisor

RECOGNITION OF EXCELLENCE AWARD
by HotelsCombined

2016

CERTIFICATE OF EXCELLENCE
by TripAdvisor

ECO CERTIFIED
by the Malta Tourism Authority

2015

TRAVELLER'S CHOICE by TripAdvisor

CERTIFICATE OF EXCELLENCE by TripAdvisor

CERTIFIED by Lufthansa Holidays

BRONZE AWARD WINNER by Zoover

TOP PRODUCER PACKAGE ROOMS by Expedia.com

2013

CERTIFICATE OF EXCELLENCE
by TripAdvisor

RECOMMENDED HOTEL
by Zoover

TOP OVERALL RATINGS
by venere.com

TOP CLEAN AWARD
by venere.com

2012

CERTIFICATE OF EXCELLENCE
by TripAdvisor

2011

CERTIFICATE OF EXCELLENCE
by TripAdvisor

2010

BEST HOTEL IN QAWRA
by Zoover

2018 RESULTS AND KPIS

REVENUE (€000s)

MARCH 2016	14,727
MARCH 2017	16,578
MARCH 2018	18,202

+9.8% CHANGE FY2017/FY2018

AVERAGE ACHIEVED ROOM RATE (€)

MARCH 2016	106.79
MARCH 2017	106.27
MARCH 2018	115.85

+9.0% CHANGE FY2017/FY2018

GROSS OPERATING PROFIT (€000s)

MARCH 2016	6,730
MARCH 2017	7,252
MARCH 2018	7,726

+6.5% CHANGE FY2017/FY2018

OCCUPANCY (%)

MARCH 2016	78.0%
MARCH 2017	81.0%
MARCH 2018	78.2%

-3.5% CHANGE FY2017/FY2018

Average occupancy achieved by 4-star hotels operating in Malta was 82.6% (for 2017)

PORTO AZZURRO HOTEL
KEY MILESTONES

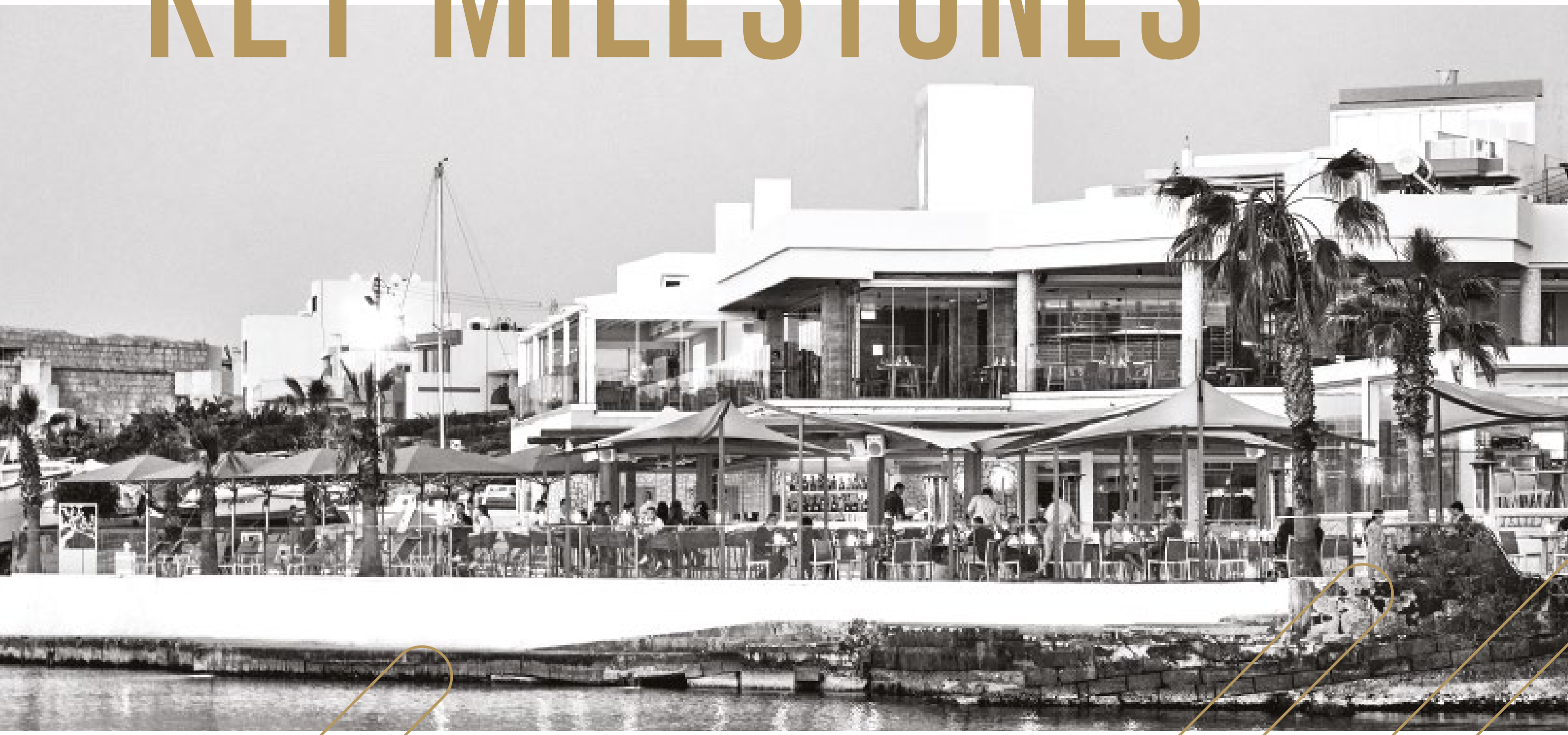
1995

Group acquires a third of the Porto Azzurro Complex, an 80-room aparthotel which was refurbished and opened a year later

1998

25 new hotel rooms are added to the Complex

ADEERA COMPLEX
KEY MILESTONES



1993

Group acquires Tunny Net Complex which is located on the water's edge, some 200 metres away from the db Seabank Resort + Spa

1995

The Tunny Net Complex is demolished and reconstructed to include a restaurant, pub, club, beach lido and water sports facilities

2014

Complete refurbishment of the Tunny Net Complex

2018

Extensive renovation, with an investment of €3 million and rebranded as "Adeera Complex"

PORTO AZZURRO HOTEL

Porto Azzurro is a 3-star, 125-room aparthotel overlooking St Paul's Bay. The rooms and apartments are stylish and comfortable, with ensuite bathrooms, air conditioning, a fully-equipped kitchenette and other amenities.

The hotel has a 24-hour reception, wi-fi connectivity, internet café, launderette, mini-market, dedicated restaurant and a pizzeria.

Leisure facilities include outdoor, indoor and children's pools, a whirlpool, a Jacuzzi, and a fitness centre.

2018 RESULTS AND KPIS

REVENUE (€000s)

MARCH 2016	844
MARCH 2017	1,240
MARCH 2018	1,406

+13.4% CHANGE FY2017/FY2018

GROSS OPERATING PROFIT (€000s)

MARCH 2016	492
MARCH 2017	696
MARCH 2018	299

-57.0% CHANGE FY2017/FY2018

THE ADEERA COMPLEX

In 2018, the previously well-known Tunny Net Complex, sitting directly on the water's edge, overlooking Malta's largest sandy beach Għadira Bay in Mellieħa, was renovated and rebranded as Adeera Complex.

A capital investment of €3 million was invested by the Group and the works spanned over a four month period. The complex houses three restaurants, a beach lido and a convenience store to service tourists.

AMAMI

Adeera houses Amami, redefining the concept of Japanese and Asian haute cuisine, prepared by an expert team of international chefs and enjoying a fantastic sea view location. It also houses robatayaki grill, a traditional form of fireside cooking.

WESTREME

Westreme is also located in the Adeera Complex, servicing the family market with a wide menu selection and affordable prices. Patrons of Westreme enjoy the unique and tranquil views of the Mellieħa Bay whilst children can enjoy the dedicated play area right in the restaurant, making it the perfect family restaurant.

BLU BEACH CLUB

The Blu Beach Club is set at the water's edge with direct access to Għadira Bay, Malta's largest sandy beach. The lido has all it takes to give patrons the ultimate in seaside leisure. Great attention is placed on every detail – from the comfortable sun loungers to the great food and carefully selected summer cocktails, the relaxing décor, and interior design. The Group have teamed up with some of Malta's favourite bands and singers to offer various evenings of live music.

2018 RESULTS AND KPIS

REVENUE (€000s)

MARCH 2016	2,655
MARCH 2017	2,987
MARCH 2018*	2,788

-6.7% CHANGE FY2017/FY2018

*Adeera Complex was closed for 4 months during FY2018 for the location's refurbishment and rebranding.

HARD ROCK CAFÉ MALTA KEY MILESTONES

2000

Group obtains the prestigious Hard Rock Café franchise and opens the first Hard Rock Café outlet in St Julian's

2004

The first airport Hard Rock Bar in the world is opened at the Malta International Airport

2006

The third Hard Rock Café outlet is opened at the Valletta Waterfront

2015

The Group fully refurbishes the Hard Rock Bar at the Malta International Airport

HARD ROCK CAFÉ MALTA

In 2000, the Seabank Group obtains the prestigious franchise to open Malta's Hard Rock Café and today operates three outlets across the island:

ST JULIAN'S

Hard Rock Café,
Bay Street Complex,
St George's Bay, St Julian's

Covering 600 sqm, this restaurant seats 180 and includes a bar area, a merchandise shop and world-famous rock 'n' roll memorabilia.

MALTA INTERNATIONAL AIRPORT

Hard Rock Bar,
Malta International Airport

Situated in the departures lounge, it is the first Hard Rock Bar in an airport in the world. In 2015, it was fully refurbished and restyled.

VALLETTA

Hard Rock Café,
Valletta Waterfront

The third Hard Rock outlet has a seating capacity of 140 and is also equipped with a cocktail bar.

Over the years, the restaurants have won a number of prestigious awards:

2014

HARD ROCK BAR IN VALLETTA
CERTIFICATE OF EXCELLENCE
by TripAdvisor

2007

HARD ROCK CAFÉ MALTA
BEST FRANCHISE OF THE YEAR AWARD

HARD ROCK CAFÉ MALTA
TOP OF THE ROCK AWARD
2004, 2007, 2010

2018 RESULTS AND KPIS

REVENUE (€000s)

MARCH 2016	5,529
MARCH 2017	5,885
MARCH 2018	6,532

+11.0%

CHANGE
FY2017/FY2018

NICOLAI CACHIA
RESTAURANT MANAGER
ADEERA COMPLEX

"WHEN I COME IN TO WORK, THE FIRST THING I DO IS SPEND A FEW SECONDS LOOKING AT THIS VIEW FROM ONE OF OUR RESTAURANTS OR BARS. IT HELPS ME SEE MY JOB FROM OUR CLIENTS' EYES. THIS IS WHAT THEY COME TO ENJOY AND MY JOB IS TO HELP THEM DO SO

DB CATERING AND EVENTS

db Catering and Events is the catering arm of the db Hotels and Resorts chain. It manages all in-house and outsourced functions, activities and events.

The arm caters for any occasion, venue and scale of event, including home and private dining, office, weddings and civil unions, charity events, business meetings and corporate functions, amongst others.

CORPORATE SERVICES

The corporate services branch assists companies in creating company events such as team building exercises, product launches, corporate incentive activities, annual general meetings and so on. Both the db Seabank Resort + Spa and the db San Antonio Hotel + Spa offer ample and state of the art conference facilities.

WEDDINGS

Both db hotels offer several facilities to cater for weddings of various sizes. The sites include both indoor and outdoor venues with capacities of up to 800 guests.

MARIA ATTARD

DB TOWER RESIDENCE MANAGER
DB CITY CENTRE

"

JOINING THE CRACKING TEAM TO MAKE THIS DREAM PROJECT COME TRUE WAS ONE OF THE BEST DECISIONS IN MY LIFE. IT'S HARD WORK, BUT EXTREMELY REWARDING

HOSPITALITY AND LEISURE

DEVELOPMENT SHOWCASE:
DB CITY CENTRE AND HARD ROCK HOTEL

DB CITY CENTRE AND HARD ROCK HOTEL

The db Group has a clear and ambitious vision to run hotels and resorts which strive to be rated amongst the top in Europe.

Looking forward, the Group plans to grow both locally and internationally and envisions an increase in the number of hotels making up the db brand. Having already established a significant presence in the 4-star all-inclusive sector, plans are currently in place to continue to enhance and consolidate this product offering. Going forward, there are also plans to target the 5-star sector.

The Group is currently in an advanced planning phase to open the first ever 5-star Hard Rock Hotel in Malta as part of the Group's db City Centre on the Golden Mile in St Julian's, overlooking Saint George's Bay. The target completion date for the City Centre is set for 2021 with an investment of €300 million.

“

The db Group is recognised as one of the most established hospitality companies on the island with more than 30 years of experience, which includes the ongoing management of Malta’s existing Hard Rock Cafés

Marco Roca, Executive Vice President of global hotel development at Hard Rock International

The Hard Rock International brand itself is currently present in 74 countries internationally, with nearly 200 cafés, 24 hotels, and 11 casinos. The brand mission is to spread the spirit of rock n’ roll by creating authentic experiences for its customers. Some of the greatest stars in the world - Ringo Starr, Jon Bon Jovi, Eric Clapton and Rihanna, to name a few – actively associate themselves with the Hard Rock Brand. Hard Rock is also closely partnered with Microsoft, Nobu, Fender, MTV and Universal Studios.

From Ibiza to Chicago to Bali, Hard Rock Hotels already dot the globe. Architecturally, they aspire to be monuments of local architectural heritage. In the next five years, there are contracts signed to build another 20 Hard Rock Hotels around the world, ranging from Abu Dhabi to Aruba to Malta. Europe currently has only two Hard Rock Hotels, in Ibiza and Tenerife, affirming that Malta’s combination of sea and sun is a recipe for success.

“

This is the biggest investment by a Maltese, in Malta, and it will create 1,500 new jobs

Joseph Muscat, Prime Minister of Malta,
during the press conference announcing the db City Centre development

The 5-star Hard Rock Hotel will be an integral part of the Group's City Centre. The City will include a targeted hotel offering for adults, families as well as high-end suites. The retail, entertainment and leisure facilities will complement the project and will feature international brands and fine dining restaurants.

The City Centre is designed to be a hive of activity, typical of the world's most cutting-edge capitals. Furthermore, the Hotel will be part of an upmarket mixed tourism and leisure project. The City Centre, in addition to the 5-star Hard Rock Hotel, will feature a shopping mall, residences, office space, restaurants, a casino, a marina, a café on the beach and a sky rooftop bar with panoramic views.

The proposed Hard Rock Hotel is planned to span over 17 levels and will house 464 rooms (including 110 suites), the majority of which with a sea view. It will feature a fully equipped Rock spa and a Body Rock fitness centre, indoor and outdoor pools, as well as a number of complementary bars and restaurants.

Passionate to come up with the best possible use and design for the site, the db Group has commissioned no less than four different architectural firms from around the globe to submit their ideas. MYGG, the successful firm, has a fantastic track record with a number of iconic buildings and designs to their name.

For the City Centre design, MYGG locked on to three images:
- A residential tower modelled as a green waterfall;
- A Sky Bar mimicking a flying bird; and
- A Hard Rock Hotel envisaged as a hanging garden.

Steadily, the idea started to take shape until the project gained its own identity. It became the city centre of an emerging destination, set to be the most sophisticated place to go to in Malta.

NAKITA CAMENZULI

NURSE
HEALTHMARK CARE SERVICES

"I LOVE BEING CALLED A NURSE. IT IS SUCH A GREAT WORD WHICH DESCRIBES EXACTLY WHAT I LIKE DOING – NURSING AND CARING FOR PEOPLE WHO NEED ME. IN THE BEST WAY I CAN

HEALTHCARE

HEALTHCARE SERVICES

The public sector is the key healthcare services provider in Malta. It is complemented by the private sector which mostly delivers primary healthcare services. Malta currently has five public hospitals, two of which are acute and three specialised, as well as another two private ones.

In 2014, the country had a total of around 2,000[8] hospital beds, with a ratio of 467 available beds per 100,000 of total population[9]. This number increased marginally in September 2015, in line with the inauguration of the new oncology centre, providing another 113 beds. Going forward, the number of beds is expected to increase to around 2,600, through a private public partnership, which the Government announced in 2015. In fact, the erection of a new hospital in Gozo by Vitals Global Healthcare, in partnership with the Government, will house around an additional 450 beds.

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[8] Azzopardi Muscat, N., Calleja, N., Calleja, A., Cylus, J. (Vol. 16 No.1 2014), Health Systems in Transition – Malta Health System Review

[9] WHO (2015) European Health for all Database (HFA-DB) Updated December 2015

LONG-TERM CARE

Long-term care for the elderly is provided by the state, the Catholic Church and the private sector. Due to the ever-increasing demand for long-term care facilities the Government has been investing in the construction and management of a number of residences and nursing homes for the elderly. In seeking to find the optimum model to develop and run these institutions, the Government has signed various contracts with the private sector.

LONG-TERM CARE FACILITIES

Homes for the elderly	Number of Homes	Number of Licenced Beds
Church Homes	15	767
Private Homes	15	1,729
Government Homes	15	2,699
Total	**45**	**5,195**

Source: *Ministry for Energy and Health Consolidated Annual Report 2015*

NURSING AND ELDERLY HOME BEDS

The number of nursing and elderly home beds per 100,000 population in 2015 stood at 1,073.2, up from 635.4 in 2008[10]. Due to Malta's aging population, there is a continued increase in demand for long-term care with individuals experiencing significant waiting time to be accepted into long-term care facilities.

[10] Eurostat publication, 2017 – Healthcare resource statistics - beds

HEALTHCARE KEY MILESTONES

2014

Through its partnership in Malta Healthcare Caterers Limited, the Group acquires the two largest healthcare companies in Malta and sets up Healthmark Care Services Ltd ('Healthmark') to supply healthcare workers to public hospitals and clinics, and to provide home care and support services.

2015

The Group, through its partnership in Malta Healthcare Caterers Limited, acquires land to develop a 300-bed home for the elderly in Santa Lucija, and a historical building in Mtarfa, which was subsequently converted into a 150-bed residence for the elderly suffering from dementia. The service offering in this area significantly increased upon taking over the former MMDNA operations.

2016

Expanded service offering to include domiciliary care for the elderly.

2017

Malta Healthcare Caterers Ltd and James Caterers Ltd were awarded the concession, through a Public Private Partnership (PPP), for the construction and day-to-day operation of an additional 500 beds at St Vincent de Paul Residence (SVPR), a senior living care residence. The same PPP awarded Malta Healthcare with the setting up of an onsite, fully equipped kitchen and the provision of day-to-day catering services to residents. The capital investment injected by Malta Healthcare is estimated at €30 million.

HEALTHMARK CARE SERVICES LIMITED

In 2014, through its partnership in Malta Healthcare Caterers Limited, the Group acquired two existing healthcare sector companies and set up Healthmark Care Services Limited (Healthmark). This company was set up to supply healthcare workers to public hospitals and clinics, and to provide home care and support services. In November 2015, Healthmark took over the former MMDNA operation, substantially increasing its headcount and service offering. Furthermore, in January 2016, the company expanded further to offer domiciliary care for the elderly.

Today, Healthmark has a pool of 155 professional nurses, 163 staff members providing domiciliary care for the elderly and over 1,800 trained care assistants. These numbers are on the increase in light of the high demand for these services in Malta. In fact, having increased its headcount by 18%, Healthmark is now the largest employer of healthcare professionals in Malta. Operationally, its staff work on contracts in various hospitals, clinics, retirement homes, schools, and in private residences.

In 2017, as a Consortium, Malta Healthcare Caterers Ltd and James Caterers Ltd were awarded a concession for the provision of services at St Vincent de Paul Residence (SVPR) a senior living care residence, under a Public Private Partnership arrangement. Malta Healthcare is to construct four new blocks to accommodate an additional 500 residents at SVPR and provide management services including nursing, caring, housekeeping, catering, amongst others, for the additional 500 beds at SVPR under a long term contract. Furthermore, Malta Healthcare is to construct and operate a fully equipped kitchen on-site, to provide catering services for the existing 1,100 beds within the Residence.

In 2017, the companies constituting the Group's Healthcare Division, including Healthmark Care Services Limited, Health Services Group Limited and Support Services Limited achieved the following results:

2017 RESULTS AND KPIS

REVENUE (€000s)

DECEMBER 2015	17,692
DECEMBER 2016	26,619
DECEMBER 2017	34,907

+31.1% CHANGE FY2016/FY2017

CLINT BUSUTTIL

JUNIOR SOUS CHEF
MALTA HEALTHCARE CATERERS

"ONE OF THE GREATEST THINGS ABOUT MY JOB IS TO IMAGINE ONE OF OUR DISHES BRIGHTENING UP THE DAY OF A SICK CHILD OR GRANDMOTHER IN A HOSPITAL SOMEWHERE. THE FEELING MAKES ME PUT IN THAT EXTRA EFFORT AND TO KEEP MORE OF AN EYE ON DETAILS

CONTRACT CATERING

SKY GOURMET MALTA LIMITED KEY MILESTONES

2006

As part of its partnership in Sky Gourmet Malta Limited, the Group wins the in-flight catering contract of Air Malta, the country's national airline

MALTA HEALTHCARE CATERERS LIMITED KEY MILESTONES

2007

Through its partnership in Malta Healthcare Caterers Limited, the Group enters the contract catering market, supplying meals to Malta's public sector hospitals

2012

Through the Group's partnership in Malta Healthcare Caterers Limited, the Group starts supplying meals to Gozo's Acute Hospital

2017

In terms of a long term agreement, as a Consortium, Malta Healthcare Caterers Ltd and James Caterers Ltd are awarded the continued supply of meals to 1,100 beds at Saint Vincent de Paule Residence

OVERVIEW OF THE CONTRACT CATERING MARKET

Contract catering in Malta has developed substantially over the last decade. The highest demands for it come from the healthcare, aviation and canteen catering sectors.

In the healthcare sector, demand for catering comes from state and privately-owned hospitals, as well as homes for the elderly and retirement homes. In the aviation industry, the demand for inflight catering services is decreasing as a result of airlines reducing their costs on ancillary services such as inflight meals.

KEY CONTRACT
MALTA HEALTHCARE CATERERS LIMITED

Malta Healthcare Caterers, a joint venture led by the db Group, provides hospital catering to all the public hospitals in Malta. The company uses state-of-the-art technology and computerised regeneration trolleys to serve 5,700 cook-chill meals a day, making it the largest operation of its type in the country.

The company has been successfully providing such a service to Mater Dei, St Luke’s and Sir Paul Boffa hospitals since 2007, for the Gozo General Hospital since 2013 and for St Vincent de Paul Residence since 2014. The company also started providing meals for the new oncology hospital, which started operating in September 2015.

In 2017, under a long term catering agreement, as a Consortium, Malta Healthcare Caterers Ltd and James Caterers Ltd were awarded the continued supply of meals for residents at Saint Vincent de Paule and entrusted with the setting up of an onsite, fully equipped, catering centre.

2017 RESULTS AND KPIS

REVENUE (€000s)

DECEMBER 2015	7,436
DECEMBER 2016	7,623
DECEMBER 2017	7,447

-2.3% CHANGE FY2016/FY2017

KEY CONTRACT
SKY GOURMET MALTA LIMITED

Sky Gourmet services Air Malta - Malta's national airline, Emirates, Ryanair, and other top-end carriers, on a regular or ad hoc basis. The company serves over 2 million airline meals and snacks a year. In addition, it also provides Air Malta with commissary and transport services for on/off loading of meals.

2018 RESULTS AND KPIS

REVENUE (€000s)

MARCH 2016	5,685
MARCH 2017	5,620
MARCH 2018	7,221

+28.5% CHANGE FY2017/FY2018

PROPERTY DEVELOPMENT KEY MILESTONES

1991

Kika Construction Company Limited is set up to oversee the construction of the Seabank Hotel

2009

A block of upmarket apartments in St Paul's Bay is completed

2012

The db Group completes the extension of the db Seabank Resort + Spa in a record 8-month timeframe

2013

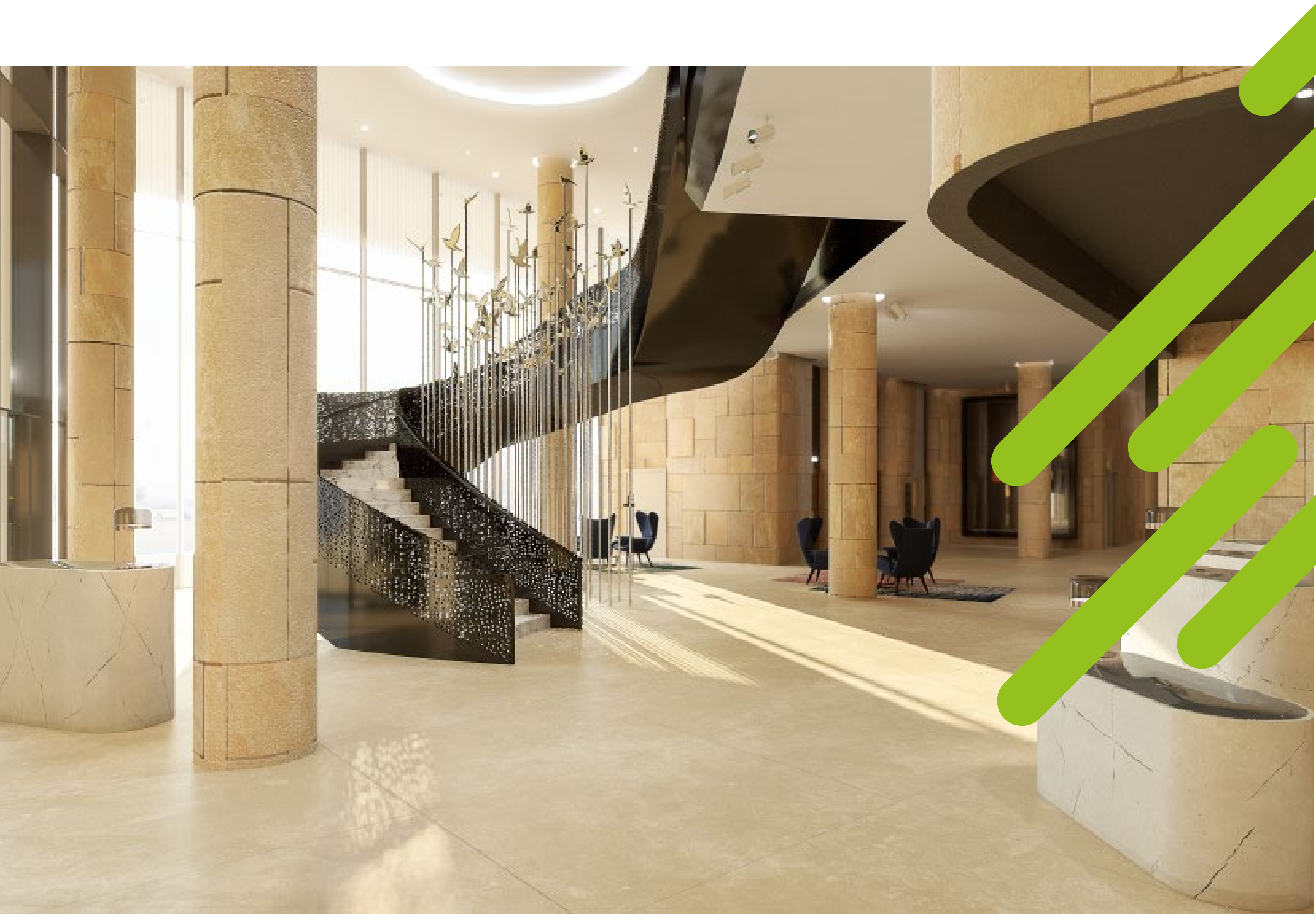
Submission of land reclamation proposal to the Maltese Government

2015

Completes a block of luxury apartments in Mellieħa Bay

2017

The Group signs a contract to build the db City Centre project in St George's Bay, Paceville with an investment of €300 million



OVERVIEW OF PROJECTS CARRIED OUT

Initially, the Group strategically entered the property development market to develop its own projects. Eventually, it expanded its operations to include other real estate ventures.

Kika Construction and Kika Developments were set up in 1991 and 1995 respectively, in order to oversee the construction and upgrading of the db Seabank Resort + Spa extension projects. This latest extension project, with an investment of €40 million, was completed in a record 8-month period.

Additionally, Siar Property Developments was later set up in order to develop and sell luxury apartments, a thriving market in Malta. Furthermore, the Group continued to develop luxury apartments in Għadira and Mellieħa, leading to the formation of Għadira Property Investments Limited. The Group was also involved in the development of a block of 16 high-end apartments in St Paul's Bay.

PROPERTY DEVELOPMENT
WHERE ARE WE HEADING?

Recognising the increase in demand for luxury properties in the country, the db Group intends to continue penetrating this sector with a number of projects.

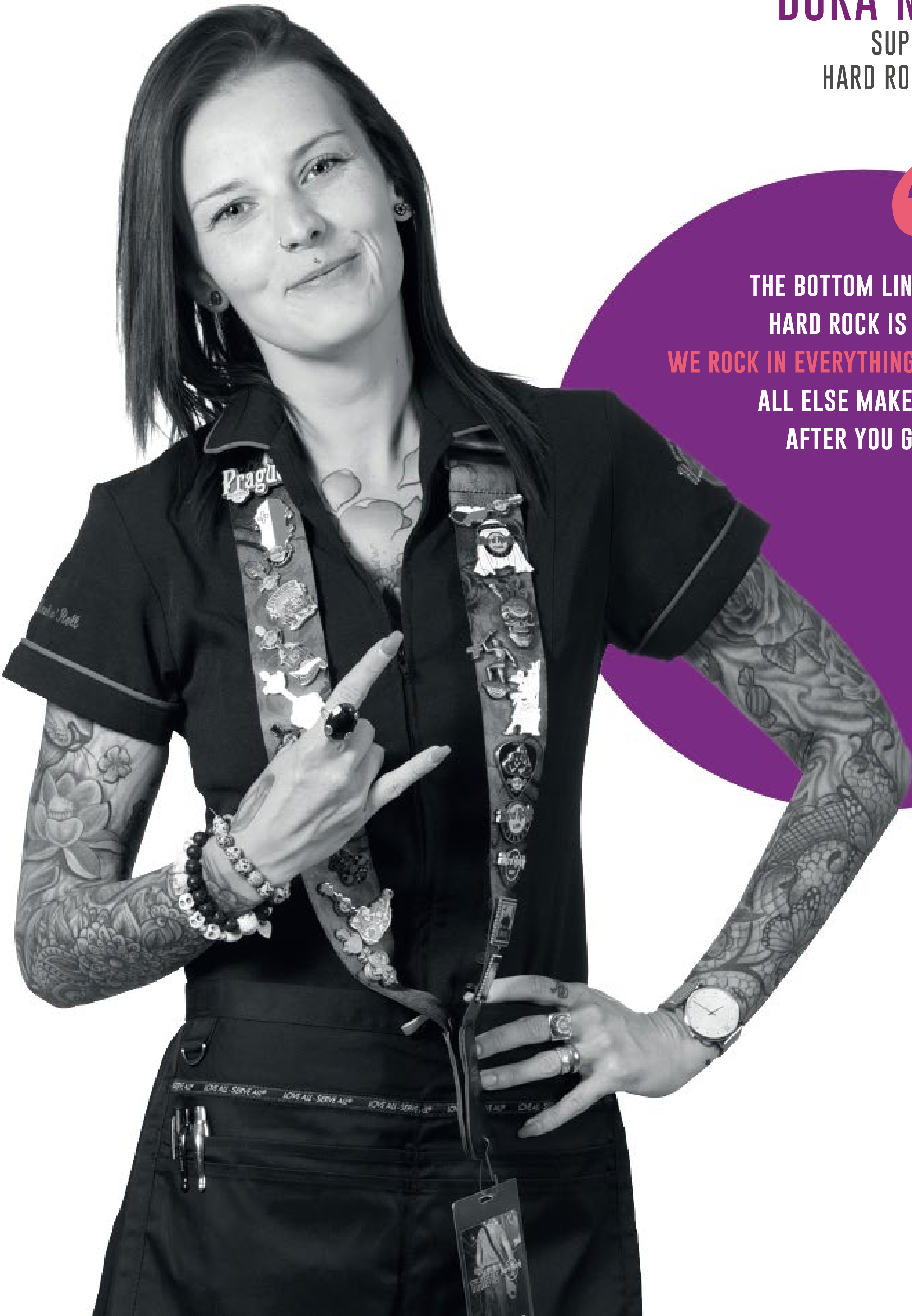
In fact, it has recently submitted a proposal to government for a major land reclamation. The Marina Park Land Reclamation Project is earmarked for the heart of Bugibba, the largest resort town in the northern part of Malta. This town is home to over 21,000 residents in winter and an additional 60,000 during summer.

This development will cover a total area of 69,000 sqm. Although bounded by the sea along its northern perimeter, Bugibba has very few green public spaces. The Marina Park will increase public space and the coastline will be extended. Using a floating breakwater and pontoons, the Marina will become the area's destination harbour.

Additionally, the db Group is currently in an advanced planning phase to develop a €300 million db City Centre on the former ITS site in St George's Bay, St Julian's. Envisaged as a destination offering a total lifestyle experience, the City Centre will feature a three-storey shopping mall, a residential tower housing upmarket residences, office space, bars, restaurants, a casino, a café on the beach and a sky roof top bar, as well as the 5-star Hard Rock Hotel. The proposed Hard Rock Hotel is planned to span over 17 levels and will have 464 rooms, together with a state of the art spa and fitness centre, indoor and outdoor pools. The Group envisions the project will be completed by 2021.

DORA NAGY

SUPERVISOR
HARD ROCK CAFÉ



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THE BOTTOM LINE ABOUT HARD ROCK IS SIMPLE: WE ROCK IN EVERYTHING WE DO! ALL ELSE MAKES SENSE AFTER YOU GET THIS.

CORPORATE SOCIAL RESPONSIBILITY

It is a given that we are a client-centric organisation, placing our guests and clients at the centre of all we do. But we don't stop there.
We are committed and responsible towards:

OUR PEOPLE

The Group employs, in aggregate, 3,306 employees

This figure comprises the entire headcount employed by the Group, including individuals employed in subsidiary and associated companies.

OUR LOCALITIES AND COMMUNITIES

Our establishments are situated across the Maltese island

OUR PLANET

We actively look for ways to reduce the environmental impact of our operations

OUR PEOPLE

The Group owes its success to its teams and the bonds between them. In fact, this sense of family is cultivated and driven by the directors and extends to every member of staff. Consequently, the Group has a solid and transparent staff policy benefiting. In turn, this positive spirit is transmitted to our clients and guests.

The Group is an equal opportunities employer; it values and treats its staff fairly and with respect. It ensures that no one is discriminated against, irrespective of age, sexuality, gender, ethnicity, religion, culture or disability. The Group currently employs over 3,300 individuals, 65% of the team is female while the staff compliment represents over 40 nationalities.

Training is provided to support the Group's employees in their roles, from their induction and throughout their careers. The Group ensures that it abides by all applicable employee laws and regulations and is committed to providing an occupationally safe working environment.

OUR COMMUNITIES

Since its inception, the db Group has been an integral part of the communities in which it operates, particularly in the north of the island. The Group's first hospitality offering was in Mellieħa and, to date, operations are still largely concentrated in the northern localities. The Group remains close to these communities by regularly participating in and supporting cultural, charitable and artistic activities.

The Group's community outreach programmes evolved and grew in parallel with the growth of the Group. Today the Group actively participates and contributes in activities and initiatives across the island and on a national level.

Music events and village feasts are an integral part of Maltese culture. In 2017, the Group supported the Hard Rock Café Malta Mellieħa Fireworks Festival, the Hard Rock Café Malta Beland Music Festival in Żejtun, and the Ruslana Live in her Qormi event.

Hard Rock Café Malta sponsored the national concert "Rockestra" and the Ivan Grech Live in Concert in aid of ALS Malta. Furthermore, through Hard Rock International, funds were donated to Dr Klown Malta, an organisation of volunteers who dress up as clowns to entertain children who are recovering in hospital. The funds were used to buy musical instruments for the Dr Klowns to continue spreading joy in hearts of these children through music.

Through various initiatives carried out throughout the year, and with the participation of staff and clients, the Group assisted in the collection of €120,000, which were distributed to 15 charitable associations, NGOs, and amateur local sports clubs.

OUR PLANET

As a Group, we actively seek to minimise the environmental impact of our operations, and actively encourage responsible tourism.

Specifically, the Group focuses on the reduction and separation of waste, the reduction of water usage and the reduction of energy usage. Furthermore, employees and guests are encouraged to become environmentally aware and responsible.

Waste Management
Waste is measured with the aim of reducing it. With the support of clients, the Group, particularly in the hospitality sector, takes initiatives to decrease the use of plastic bottles. In fact, guest rooms are equipped with water bottles, to encourage guests to refill them from the various water dispensers around the hotels and resorts. Furthermore, branded recycled plastic water bottles are being sold to guests who use them during their stay and keep them as a souvenir.

Other waste management initiatives include the use of polycarbonate re-usable glasses and cups as opposed to disposable plastic ones, buying food items in bulk thereby reducing packaging, reducing the use of glass bottles by relying heavily on draught drinks, and separating all waste.

Energy Saving
The Group's resorts and hotels have power factor correction units, which help to maximise the efficient use of electricity obtained from the hotel's dedicated sub-stations connected to the national grid. Furthermore, the building management system helps to manage energy throughout the hotel and in the plant rooms in an automated and efficient way.

All hotel rooms are controlled via a room management system which reduces energy wastage through the use of motion sensors and control switches.

Furthermore, at least 95% of all the light fixtures in the Group's hotels and resorts are energy efficient. In addition, the Group's establishments' heating ventilation and air-conditioning is supplied through a primary water circuit, rather than relying on the use of fluorocarbon gases.

Finally, in each establishment, every unit of electricity and every litre of water, fuel or gas consumed is monitored and recorded, calculated and analysed per bed night. This helps the Group to plan consumption for the future and to set targets on savings.

Water Saving
Hotels and resorts, almost by definition, consume vast amounts of water. Yet, establishments belonging to the Group are, in the main, self-sufficient. To this end, the Group has invested in reverse osmosis plants to convert seawater into enough potable water to cater for all guests' needs.

The Group also operates a state-of-the-art, 180,000 litre per day sewage plant that treats all the sewage generated by the hotels. It recovers a large quantity of high-quality water that is re-used in second-class applications, such as for flushing toilets and for landscaping. With this plant alone, the Group saves up to 5,700,000 litres of water a year. Additionally, all storm water is collected and used for irrigation, supplementing the second class water system.

Education
The Group's management is trained on the environmental effects of tourism. Additionally, guests are encouraged to participate in the Group's environmentally friendly measures (re-using plastic bottles, reusing towels and bed sheets, using water responsibly and so on).

Through induction training, employee handbooks and daily briefings, staff is fully geared to achieve the Group's eco targets. An Environmental Awareness Week has also been introduced in the yearly calendar of events. As part of its environmental education drive, the Group also hosts school visits during which measures taken to protect the environment are shared with students.

Additionally, a number of employees are appointed as Green Wardens. Their role involves monitoring and helping with the implementation of environmentally-friendly procedures throughout the resorts and hotels, coaching other staff members, reporting malpractices and suggesting improvements.

JOHN MANSUETO
GENERAL MANAGER SKY GOURMET

"THE CONCEPT OF AIRLINE FOOD KEEPS CHANGING AND WE ARE ABLE TO REACT TO THE EVER CHANGING MARKET NEEDS BUT STILL STEERED TOWARDS AN ENJOYABLE MEAL OR SNACK ON THE FLIGHT

CORPORATE GOVERNANCE

THE AUDIT COMMITTEE

In April 2017, db Group issued a €65 million bond through its finance vehicle, SD Finance plc. This bond issue was oversubscribed by the public. The Guarantor of the bond, SD Holdings Limited, is not a public listed company and is therefore not bound by the provisions of the Code of Principles of Good Corporate Governance set out in the Listing Rules to set up an Audit Committee. However, the Issuer, SD Finance plc, being a public listed entity, had to formally set up an Audit Committee as a result of the bond issue.

The Audit Committee's primary objective is to assist the Board in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The Committee oversees the conduct of the external audit and acts to facilitate communication between the Board, management, and the external auditors. The external auditors are invited to attend Audit Committee meetings. The Audit Committee reports directly to the Board of Directors.

The terms of reference of the Audit Committee include support to the Board of Directors of the Issuer in its responsibilities in dealing with issues of risk, control and governance, and associated assurance. The Audit Committee also has the role and function of evaluating any proposed transaction to be entered into by the Issuer and a related party, including the Guarantor, to ensure that the execution of any such transaction is at arm's length, on a commercial basis and ultimately in the best interests of the Issuer. Furthermore, the Audit Committee has the role of assessing any potential conflicts of interest between the duties of the Directors of the Issuer and their respective private interests or duties unrelated to the Issuer.

The Audit Committee is made up entirely of independent non-executive Directors. The Audit Committee is composed of Mr Stephen Muscat, Mr Philip Micallef and Dr Vincent Micallef. The Chairman of the Audit Committee, appointed by the Board, is entrusted with reporting to the Board on the workings and findings of the Committee. Mr Stephen Muscat, who occupies the post of Chairman of the Audit Committee, is the independent non-executive director of the Company and is considered by the Board to be competent in accounting and/or auditing in terms of the Listing Rules.

THE BOARD OF DIRECTORS OF THE ISSUER AND THE GUARANTOR

SD Finance plc's Board of Directors is composed of three executive directors – Mr Silvio Debono, Mr Arthur Gauci and Mr Robert Debono. It also includes three non-executive directors – Mr Stephen Muscat, Dr Vince Micallef and Mr Philip Micallef. While the executive directors of the Issuer are entrusted with the company's day-to-day management, the main functions of the non-executive directors lie in monitoring the operations of the executive directors and their performance, whilst reviewing any proposals tabled by the executive directors.

The Board of Directors of SD Holdings Limited also consists of six directors and these comprise Ms Victoria Debono, Mr Vincent Degiorgio, Mr Jesmond Vella, Mr Silvio Debono, Mr Robert Debono and Mr Arthur Gauci.

SD HOLDINGS LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2018

CONTENTS

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The company's principal activity is that of holding investments.

The group operates in the local market and predominantly in hospitality, leisure and catering activities. It operates and owns the db Seabank Resort & SPA situated at Għadira Bay, Mellieħa and the db San Antonio Hotel & SPA situated in Bugibba. It also operates and owns the restaurant amenities at the Tunny Net Complex (now restyled as Adeera) and operates three outlets under the Hard Rock Café franchise.

The group also holds investments in associates which provide catering services to hospitals and retirement homes, together with other healthcare services; and associates which provide catering services primarily to Air Malta and other airlines operating from Malta. Other associated investments operate in the hospitality industry.

REVIEW OF BUSINESS

Total revenue for the Group during the year under review reached €50.3 million resulting in a year on year increase of €3.6 million (+7.8%). This incremental revenue reflected itself in an Earnings before Interest, Depreciation and Tax (EBIDTA) which continues to show a positive trajectory, factoring in at €21.6 million as against €19.8 million registered for 2017 (+8.8%). These results further consolidate the margin of profit or return on turnover generated at 43%, showing an improvement on the 2017 comparative ratio at 42.5%. The Group continues to witness an increase across all its revenue streams, particularly in the hospitality and leisure sector. The main driver within this segment of revenues is the improved yields on hotel accommodation. These numbers reflect another record year in terms of profitability for the Group.

This performance led to an improvement in net profit of €0.8 million, factoring in at €7.6 million against comparative for 2017 of €6.8 million. Net finance costs at €3.5 million were marginally up by €60,000 on 2017 comparatives as a direct result of the higher borrowing costs from the Group's finance arm, SD Finance plc.

The overall hotel portfolio occupancy continued on a strong footing, retaining the 81% on an annual level. The business spread across the entire 12 months of the year continues to gain strength and reflects trends being experienced over the past years.

The food and beverage and merchandise components also registered positive growth rates of 7.25% and 11.2%, despite having the Tunny Net complex closed for a full 4 months during the winter months as a result of a major refurbishment programme.

The Group's balance sheet totalled €230 million, an increase of €12.3 million over the previous year. This is primarily accounted for through an increase in current assets which factor in a €1.5 million movement in trade and other receivables and a €6.7 million positive movement in cash holdings. The Group's equity base witnessed a decrease of €2 million following the redemption of €9.6 million non-cumulative preference shares, to reach €64 million. The Group's gearing ratio, as a direct result of the redemption of the non-cumulative preference shares originally classified as part of equity, witnessed an upward movement and now stands at 50.1% as against 47.1% for 2017.

DIRECTORS' REPORT *continued*

REVIEW OF BUSINESS CONTINUED

Cash and cash equivalents, net of overdrafts stood at €8.5 million, a marked improvement of €6 million over 2017 comparatives. This is reflected in a net interest rate cover of 6.2 multiple against a 5.8 multiple. Existing bank borrowings as at 2017 were re-financed by the €65 million 4.35% bond issue which was successfully over-subscribed. This unsecured bond was issued by the Group's finance arm, SD Finance plc, in April 2017. This bond is repayable in 2027 and hence gave financial stability in the capital management of the present operations.

Given the size of the group and its dependence on the local economy, the group recognises that the main risks and uncertainty to its business is the potential downturn in the local economy with particular reference to the tourism and services industry.

OUTLOOK FOR THE FINANCIAL YEAR ENDING 2019

The outlook for 2019 is again a positive one and early results for the year are extremely encouraging showing further improvement in business results for the Group. The hospitality and leisure industry continues to thrive on strong tourism numbers. One of the Group's main eatery complexes in Għadira, namely the Tunny Net complex (now restyled as Adeera), underwent a major refurbishment programme to the tune of circa €3 million, fully funded from the Group's cash-flows. This is now back in full operation with new concepts and indications from the first months results are upbeat.

Another major investment by the Group which has now been officially launched is the completion of the €4 million state of the art kitchen at Saint Vincent de Paule Residence, which will increase and better serve the Group's operational ability in terms of flexibility to serve one of its major clients in this sector. This investment is made through the healthcare associate of the Group.

Negotiations on a revised business concept in the airline industry were also successfully concluded with Air Malta p.l.c.

The Group's next business milestone is the development of the City Centre in St George's Bay, St Julians. This development is still subject to Planning Authority review and its outcome will define the Group's way forward over the next couple of years.

FINANCIAL RISK MANAGEMENT

The group's and company's activities expose them to a variety of financial risks, including market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. Refer to Note 2 in these financial statements.

DIRECTORS' REPORT *continued*

RESULTS AND DIVIDENDS

The consolidated financial results are set out on page 106. The directors do not recommend the payment of a dividend.

Retained earnings carried forward at the end of the financial reporting period for the group amounted to €24,254,767 (2017: €26,216,596). As at 31 March 2018, the parent company had accumulated losses of €38,288 (2017: €19,910).

DIRECTORS

The directors of the company who held office during the year were:

Silvio Debono
Arthur Gauci
Robert Debono
Victoria Debono
Vincent Degiorgio
Jesmond Vella

The company's Articles of Association do not require the directors to retire.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are required by the Maltese Companies Act (Cap.386) to prepare financial statements which give a true and fair view of the state of affairs of the group and the parent company as at the end of each financial period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business as a going concern.

DIRECTORS' REPORT *continued*

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS *continued*

The directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap.386). They are also responsible for safeguarding the assets of the group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of SD Holdings Limited for the year ended 31 March 2018 are included in the Annual Report and Consolidated Financial Statements 2018, which is published in hard-copy printed form and made available on the group's website. The directors of the entities constituting the db Group are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

AUDITORS

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

ARTHUR GAUCI
Director

ROBERT DEBONO
Director

Registered office:
Seabank Hotel
Marfa Road
Għadira, Malta

26 July 2018

Independent auditor's report

To the Shareholders of SD Holdings Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- SD Holdings Limited's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group and the Parent Company's financial position as at 31 March 2018, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and

- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

SD Holdings Limited's financial statements, set out on pages 104 to 162, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 March 2018;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

pwc

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Other information

The directors are responsible for the other information. The other information comprises of the Directors' report and the db Group Annual report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Stefan Bonello
Partner

26 July 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH

		GROUP		COMPANY	
		2018	2017	**2018**	2017
	Notes	**€**	€	**€**	€
ASSETS					
Non-current assets					
Property, plant and equipment	4	**132,847,964**	133,715,719	**-**	-
Investment property	5	**65,500,697**	60,140,267	**-**	-
Intangible assets	6	**486,060**	727,826	**-**	-
Investments in subsidiaries	7	**-**	-	**17,022,572**	16,522,812
Investments in associates	8	**6,163,760**	5,251,745	**900**	900
Deferred tax assets	9	**4,024,124**	5,101,464	**-**	-
Trade and other receivables	10	**-**	97,393	**-**	-
Total non-current assets		**209,022,605**	205,034,414	**17,023,472**	16,523,712
Current assets					
Inventories	11	**1,207,104**	1,165,391	**-**	-
Trade and other receivables	10	**10,050,652**	8,502,370	**8,930,707**	1,558,819
Cash and cash equivalents	12	**9,602,044**	2,896,329	**1,955,735**	2,026,198
Total current assets		**20,859,800**	12,564,090	**10,886,442**	3,585,017
Total assets		**229,882,405**	217,598,504	**27,909,914**	20,108,729

STATEMENTS OF FINANCIAL POSITION *continued*

AS AT 31 MARCH

		GROUP		COMPANY	
		2018	2017	**2018**	2017
	Notes	**€**	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	13	**4,000,000**	4,000,000	**4,000,000**	4,000,000
Revaluation reserve	14	**22,585,765**	22,585,765	**-**	-
Hedging reserve	15	**-**	(34,727)	**-**	-
Other reserves	16	**12,930,164**	3,377,359	**-**	-
Retained earnings/(accumulated losses)		**24,254,767**	26,216,596	**(38,288)**	(19,910)
		63,770,696	56,144,993	**3,961,712**	3,980,090
Non-controlling interest	17	**-**	9,552,805	**-**	-
Total equity		**63,770,696**	65,697,798	**3,961,712**	3,980,090
Non-current liabilities					
Trade and other payables	18	**58,598,213**	56,366,235	**-**	-
Borrowings	19	**72,456,082**	43,611,030	**1,488,101**	1,218,851
Deferred Government grants	20	**14,462**	23,283	**-**	-
Deferred tax liabilities	9	**6,633,267**	4,213,646	**-**	-
Total non-current liabilities		**137,702,024**	104,214,194	**1,488,101**	1,218,851
Current liabilities					
Trade and other payables	18	**26,616,355**	27,605,994	**22,460,101**	14,603,557
Current tax liabilities		**181,178**	285,073	**-**	-
Borrowings	19	**1,293,283**	19,002,266	**-**	306,231
Deferred Government grants	20	**8,821**	8,821	**-**	-
Derivative financial instruments	21	**-**	53,426	**-**	-
Other loans	22	**310,048**	730,932	**-**	-
Total current liabilities		**28,409,685**	47,686,512	**22,460,101**	14,909,788
Total liabilities		**166,111,709**	151,900,706	**23,948,202**	16,128,639
Total equity and liabilities		**229,882,405**	217,598,504	**27,909,914**	20,108,729

The notes on pages 112 to 162 are an integral part of these financial statements.

The financial statements on pages 104 to 162 were authorised for issue and signed by the board of directors on 26 July 2018 and were signed on its behalf by:

ARTHUR GAUCI
Director

ROBERT DEBONO
Director

INCOME STATEMENTS

		YEAR ENDED 31 MARCH			
		GROUP		COMPANY	
	Notes	**2018**	2017	**2018**	2017
		€	€	**€**	€
Revenue	23	**50,258,683**	46,623,500	**1,955**	2,458
Cost of sales	24	**(33,609,107)**	(32,119,532)	**-**	-
Gross profit		**16,649,576**	14,503,968	**1,955**	2,458
Selling expenses	24	**(324,958)**	(340,679)	**-**	-
Administrative expenses	24	**(2,684,412)**	(2,208,616)	**(16,677)**	(21,813)
Other operating income	26	**316,600**	314,147	**-**	-
Operating profit/(loss)		**13,956,806**	12,268,820	**(14,722)**	(19,355)
Finance income	27	**6,140**	3,241	**73,173**	71,896
Finance costs	27	**(3,494,098)**	(3,431,092)	**(73,413)**	(71,896)
Share of results of associates	8	**912,015**	1,145,574	**-**	-
Profit/(loss) before tax		**11,380,863**	9,986,543	**(14,962)**	(19,355)
Tax expense	28	**(3,789,887)**	(3,231,830)	**(201)**	-
Profit/(loss) for the year		**7,590,976**	6,754,713	**(15,163)**	(19,355)
Profit/(loss) attributable to:					
Owners of the parent		**7,590,976**	6,709,344	**(15,163)**	(19,355)
Non-controlling interest	17	**-**	45,369	**-**	-
		7,590,976	6,754,713	**(15,163)**	(19,355)

The notes on pages 112 to 162 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH

	Notes	GROUP		COMPANY	
		2018	2017	**2018**	2017
		€	€	**€**	€
Profit/(loss) for the year		**7,590,976**	6,754,713	**(15,163)**	(19,355)
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Cash flow hedges, net of deferred tax	15	**34,727**	143,179	**-**	-
Total other comprehensive income		**34,727**	143,179	**-**	-
Total comprehensive income for the year		**7,625,703**	6,897,892	**(15,163)**	(19,355)
Total comprehensive income attributable to:					
Owners of the parent		**7,625,703**	6,852,523	**(15,163)**	(19,355)
Non-controlling interest	17	**-**	45,369	**-**	-
		7,625,703	6,897,892	**(15,163)**	(19,355)

The notes on pages 112 to 162 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

GROUP

	Notes	Share capital	Revaluation reserve	Hedging reserve	Other reserves	Retained earnings	Non-controlling interest	Total
		ATTRIBUTABLE TO OWNERS OF THE PARENT						
		€	€	€	€	€	€	€
Balance at 1 April 2016		520,000	22,585,765	(177,906)	2,000,700	20,720,873	11,047,133	56,696,565
Comprehensive income								
Profit for the year		-	-	-	-	6,709,344	45,369	6,754,713
Other comprehensive income:								
Cash flow hedges, net of deferred tax	15	-	-	143,179	-	-	-	143,179
Total comprehensive income		-	-	143,179	-	6,709,344	45,369	6,897,892
Transactions with owners								
Issue of shares	13	3,480,000	-	-	-	-	-	3,480,000
Redemption of redeemable non-cumulative preference shares of a subsidiary attributable to non-controlling interest	17	-	-	-	-	-	(1,376,659)	(1,376,659)
Transfer to capital redemption reserve	17	-	-	-	1,376,659	(1,376,659)	-	-
Acquisition of non-controlling interest - excess of carrying amount recognised in equity	17	-	-	-	-	163,038	(163,038)	-
Total transactions with owners		3,480,000	-	-	1,376,659	(1,213,621)	(1,539,697)	2,103,341
Balance at 31 March 2017		**4,000,000**	**22,585,765**	**(34,727)**	**3,377,359**	**26,216,596**	**9,552,805**	**65,697,798**

STATEMENTS OF CHANGES IN EQUITY *continued*

GROUP — **ATTRIBUTABLE TO OWNERS OF THE PARENT**

	Notes	Share capital	Revaluation reserve	Hedging reserve	Other reserves	Retained earnings	Non-controlling interest	Total
		€	€	€	€	€	€	€
Balance at 1 April 2017		4,000,000	22,585,765	(34,727)	3,377,359	26,216,596	9,552,805	65,697,798
Comprehensive income								
Profit for the year		-	-	-	-	7,590,976	-	7,590,976
Other comprehensive income:								
Cash flow hedges, net of deferred tax	15	-	-	34,727	-	-	-	34,727
Total comprehensive income		-	-	34,727	-	7,590,976	-	7,625,703
Transactions with owners								
Redemption of redeemable non-cumulative preference shares of a subsidiary attributable to non-controlling interest	17	-	-	-	-	-	(9,552,805)	(9,552,805)
Transfer to capital redemption reserve	17	-	-	-	9,552,805	(9,552,805)	-	-
Total transactions with owners		-	-	-	9,552,805	(9,552,805)	(9,552,805)	(9,552,805)
Balance at 31 March 2018		**4,000,000**	**22,585,765**	**-**	**12,930,164**	**24,254,767**	**-**	**63,770,696**

STATEMENTS OF CHANGES IN EQUITY *continued*

COMPANY

	Notes	Share capital €	Accumulated losses €	Total €
Balance at 1 April 2016		520,000	(555)	519,445
Comprehensive income				
Loss for the year - total comprehensive income		-	(19,355)	(19,355)
Transactions with owners				
Issue of shares	13	3,480,000	-	3,480,000
Balance at 31 March 2017		4,000,000	(19,910)	3,980,090
Comprehensive income				
Loss for the year		-	(15,163)	(15,163)
Other comprehensive income:				
Adjustment arising upon merger	7	-	(3,215)	(3,215)
Total comprehensive income		-	(18,378)	(18,378)
Balance at 31 March 2018		**4,000,000**	**(38,288)**	**3,961,712**

The notes on pages 112 to 162 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

YEAR ENDED 31 MARCH

	Notes	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
		€	€	**€**	€
Cash flows from operating activities					
Cash generated from operations	30	**19,455,086**	25,261,026	**466,839**	1,361,351
Dividends received	8	**-**	250,000	**-**	-
Net interest paid		**(3,411,610)**	(3,427,851)	**(240)**	(1,091)
Tax paid		**(415,520)**	(191,544)	**(201)**	-
Net cash generated from operating activities		**15,627,956**	21,891,631	**466,398**	1,360,260
Cash flows from investing activities					
Purchase of property, plant and equipment		**(5,118,727)**	(7,145,268)	**-**	-
Proceeds from disposal of property, plant and equipment		**50,000**	11,000	**-**	-
Payments for investment property		**(5,360,430)**	(9,808,990)	**-**	-
Consideration paid for investments in subsidiaries		**-**	(4,000,000)	**(500,000)**	(251,200)
Net cash used in investing activities		**(10,429,157)**	(20,943,258)	**(500,000)**	(251,200)
Cash flows from financing activities					
Proceeds from the issuance of bonds	19	**65,000,000**	-	**-**	-
Payments for bond issue costs	19	**(924,036)**	-	**-**	-
Proceeds from bank borrowings	19	**8,447,702**	10,766,237	**-**	1,000,000
Repayments of bank borrowings	19	**(62,174,040)**	(7,713,933)	**(1,525,082)**	(193,697)
Payments in respect of redeemable non-cumulative preference shares		**(9,552,805)**	-	**-**	-
Proceeds from advances from subsidiary	19	**-**	-	**1,488,101**	-
Net cash generated from/(used in) financing activities		**796,821**	3,052,304	**(36,981)**	806,303
Net movements in cash and cash equivalents		**5,995,620**	4,000,677	**(70,583)**	1,915,363
Cash and cash equivalents acquired upon merger	7	**-**	-	**120**	-
Cash and cash equivalents at beginning of year		**2,457,073**	(1,543,604)	**2,026,198**	110,835
Cash and cash equivalents at end of year	12	**8,452,693**	2,457,073	**1,955,735**	2,026,198

The notes on pages 112 to 162 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 BASIS OF PREPARATION

These consolidated financial statements include the financial statements of SD Holdings Limited and its subsidiary undertakings. These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention, as modified by the fair valuation of the land and buildings category of property, plant and equipment.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the directors to exercise this judgment in the process of applying the group's accounting policies (see Note 3 - Critical accounting estimates and judgements).

As at 31 March 2018, the group's current liabilities exceeded its current assets by €1,503,976 after adjusting for non-cash items amounting to €6,045,909 in aggregate, which include advance deposits from tour operators, loans to be set-off against suppliers discounts and deferred Government grants. As at 31 March 2018, also the company's current liabilities exceed its current assets by €11,573,659. In this respect, related parties have undertaken not to request repayment of amounts due to them until alternative financing is available. Furthermore, after also considering the financing options available (refer to Note 2.1(c)), the group's shareholder has undertaken to continue to support the group and to provide the necessary finance and guarantees to enable the group to meet any obligations in full.

Standards, interpretations and amendments to published standards effective during the current financial year

During the current financial year, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 April 2017. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the group's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1 April 2017. The group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application, except for IFRS 9 'Financial instruments', IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases'.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

1.1 BASIS OF PREPARATION *continued*

IFRS 9, ‘Financial instruments’

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in July 2014 and for the group it is effective as from the accounting period commencing on 1 April 2018.

IFRS 9 replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. Under IAS 39, all the group’s financial assets – which comprise trade and other receivables and cash and cash equivalents – are classified within the loans and receivables category of financial assets. The group has determined that these financial assets meet the conditions set out in IFRS 9 to continue to be measured at amortised cost. Other than a mandatory reclassification from loans and receivables to financial assets held in ‘hold to collect’ business model, the adoption of IFRS 9 will have no impact on the group’s classification and measurement model for financial assets.

There will be no impact on the group’s accounting for financial liabilities, as the new requirements only affect the accounting for issued financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 and have not been changed. The adoption of IFRS 9 will accordingly have no impact on the group’s financial liabilities.

The standard also introduces a new expected credit losses model for financial assets that replaces the incurred loss impairment model used in IAS 39. This generally results in accelerating provisions for impairment as compared to IAS 39.

IFRS 9 introduces a three-stage impairment model (“the general model”). The first step of the general model is to determine which impairment ‘stage’ a financial asset sits within. At initial recognition, loans are generally within ‘stage 1’, which requires a 12-month expected credit loss to be calculated for each balance. The model then requires monitoring of the credit risk associated with the loan to consider if there has been a significant increase since initial recognition. If there has been a significant increase in credit risk the financial asset is moved to ‘stage 2’. Financial assets are moved to ‘stage 3’ when they become credit impaired. As allowance that is reflective of lifetime expected credit loss is recognized for financial assets in stages 2 and 3.

Notwithstanding this change in recognising impairment, the group qualifies for certain simplifications afforded in IFRS 9 in recognising impairment losses. The group’s trade receivables do not contain significant financing components, and accordingly the group is required under IFRS 9 to provide for lifetime expected credit loss for all trade receivables, irrespective of whether these have demonstrated a significant increase in credit risk; the group will estimate the lifetime expected credit loss using a provisions matrix. Under IAS 39, the group has already recognised specific impairment provisions on those counterparties which have demonstrated objective evidence of being impaired (see note 2.1(b)), and the adoption of IFRS 9 is not expected to have a significant impact on the measurement of these receivables.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

1.1 BASIS OF PREPARATION *continued*

With respect to other receivables, the group will apply the general model in IFRS 9. In determining whether a significant increase in credit risk has occurred, the group takes into account the counterparties' performance and financial position, as well as expected future cash. With respect to these assets, the group is in the process of assessing and evaluating the impact of IFRS 9.

The group's cash and cash equivalents are held with local financial institutions with high quality standing or rating. The group will apply the low credit risk simplification allowed by IFRS 9, through which such balances will be classified within 'stage 1' without the requirement to carry out an assessment of whether there has been a significant increase in credit risk. Under the practical expedient, the group will estimate the 12-month expected credit loss. The directors have however determined that the high quality of the financial institutions is such that the adoption of IFRS 9 will not have a material impact on the net carrying amount of these financial assets.

With respect to the group's receivables from associates and other related parties (including the finance lease which is ultimately receivable from the group's shareholder), the group will also apply the low credit risk simplification, as noted in more detail above, after taking cognisance of the related party relationship.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15, 'Revenue from contracts with customers'

IFRS 15, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when customer obtains control of good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for the Group as from the annual period beginning on 1 April 2018, and the directors intend to adopt the modified retrospective approach that is allowed by the standard. Under this approach, comparative information in the year of adoption will not be restated.

After taking cognisance of the terms of the group's contracts with customers, including their short-term nature, the lack of variability in the transaction price, the lack of material rights given to customers, and the lack of significant rights of return, the directors do not anticipate a significant impact on the group's results and financial position on adoption of IFRS 15.

IFRS 16, 'Leases'

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for period of time in exchange for consideration. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain leases whose term is of not more than one year, as well

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

1.1 BASIS OF PREPARATION *continued*

IFRS 16, 'Leases' *continued*

as leases of low-value assets. The standard is effective for annual periods beginning on or after 1 January 2019 and although earlier application is permitted, the group does not intend to adopt the standard earlier than its mandatory effective date. As at the reporting date, the group has non-cancellable operating lease commitments as disclosed in Note 31 of the Annual Report. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. At this stage, the group is still in the process of assessing and evaluating the impact of IFRS 16 on the group's operating leases where the group is the lessee.

1.2 CONSOLIDATION

(a) Subsidiaries

Subsidiary undertakings are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

1.2 CONSOLIDATION *continued*

(a) Subsidiaries *continued*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

In the company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting. Provisions are recorded where, in the opinion of the directors, there is a long-term impairment in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

(b) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition (refer to accounting policy note 1.6[a] – Intangible assets).

The group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

1.2 CONSOLIDATION *continued*

(b) Associates *continued*

In the company's separate financial statements, investments in associates are accounted for by the cost method of accounting. Provisions are recorded where, in the opinion of the directors, there is a long-term impairment in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of associates are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1.3 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The euro is the group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1.4 PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is initially recorded at historical cost. Land and buildings are subsequently shown at fair value, based on periodic valuations by professional valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is subsequently stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost (Note 1.23).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

1.4 PROPERTY, PLANT AND EQUIPMENT *continued*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost, net of any related deferred income taxes, is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets to their residual values over their estimated useful lives, as follows:

	%
Buildings	1 - 3
Computer equipment	20 - 33.33
Furniture, fixtures and fittings	6.67 - 10
Motor vehicles	20
Plant, machinery and operational equipment	6.67 - 15
Audio visual equipment	10 - 50

Freehold land is not depreciated as it is deemed to have an indefinite life. Leasehold land is amortised on a straight-line basis over the period of the lease.

Assets in the course of construction and payments on account are not depreciated. Depreciation will commence once the respective assets are commissioned for their intended use.

No depreciation is charged on linen, crockery, cutlery and glassware. Normal replacements are charged to profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.7).

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in profit or loss. When revalued assets are disposed of, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

1.5 INVESTMENT PROPERTY

Investment property comprises leasehold property acquired during the year.

The group adopts the cost model under IAS 40, 'Investment property', whereby investment property is stated in the statement of financial position at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property consists of land which is not depreciated as it is deemed to have an indefinite life. Useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

A property's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.7).

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its cost and accumulated amortisation at the date of the reclassification becomes its cost and accumulated depreciation for subsequent accounting purposes. When the group decides to dispose of an investment property without development, the group continues to treat the property as an investment property. Similarly, if the group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

If an item of property, plant and equipment becomes an investment property because its use has changed, its cost and accumulated depreciation at the date of the reclassification becomes its cost and accumulated amortisation for subsequent accounting purposes.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its carrying amount at the date of change in use.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

1.6 INTANGIBLE ASSETS

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'Intangible assets'. Goodwill on acquisitions of associates is included in 'Investments in associates'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. The recoverable amount is the higher of fair value less costs to sell and value in use.

(b) Franchise rights

Franchise rights are shown at historical cost. Franchise rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of franchise rights over their estimated useful lives (20 years).

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject for amortisation and are tested annually for impairment. Assets that are subject for amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment is reviewed for possible reversal of the impairment at the end of each reporting period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

1.8 FINANCIAL ASSETS

Classification

The group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise loans and advances, trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.9, 1.11 and 1.12).

Recognition and measurement

The group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets classified within the loans and receivables category are recognised on settlement date, which is the date on which an asset is delivered to or by the group. Loans and receivables are initially recognised at fair value plus transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The group first assesses whether objective evidence of impairment exists.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

1.8 FINANCIAL ASSETS *continued*

Impairment *continued*

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of receivables is described in Note 1.11.

1.9 LOANS AND ADVANCES

Under the requirements of IAS 39, the group's loans and advances, are classified as loans and receivables, unless the group has the intention of trading the asset immediately or in the short-term, in which case the loans and advances are categorised as instruments held-for-trading.

All loans and advances are recognised when cash is advanced to the borrowers. Loans and advances are initially recognised at the fair value of cash consideration given or proceeds advanced, plus transaction costs. These financial assets are subsequently carried at amortised cost, which is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts, using the effective interest method. The group assesses at each reporting date whether there is objective evidence that a financial asset is impaired.

1.10 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average cost method. Cost is the invoiced value of goods and, in general, includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

1.11 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

1.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.13 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.14 FINANCIAL LIABILITIES

The group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

1.15 TRADE AND OTHER PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.16 BORROWINGS

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

1.17 DEFERRED GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants related to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants related to assets, i.e. in respect of the purchase of property, plant and equipment, are included in liabilities as deferred government grants, and are credited to profit or loss on a straight-line basis over the expected lives of the related assets, presented within 'Other operating income'.

Grants related to income are presented as a deduction in reporting the related expense.

1.18 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

1.19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Derivative financial instruments include interest rate swap agreements and are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. That portion of hedging derivatives which is expected to be realised within 12 months of the reporting date is presented as current; the remainder of the derivative is presented as non-current. The company does not hold any trading derivatives.

1.20 CURRENT AND DEFERRED TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax on the fair valuation of property, plant and equipment is charged or credited directly to the revaluation reserve. Deferred tax on the difference between the actual depreciation on the asset and the equivalent depreciation based on the historical cost of the asset is realised through profit or loss.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

1.21 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Sales are recognised upon delivery of products or performance of services, net of sales taxes, returns, rebates and discounts. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below.

(a) Sales of goods

Sales of goods are recognised when the group has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products.

(b) Sales of services

Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed. Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

1.22 OPERATING AND FINANCE LEASES

(a) Operating leases – where a group undertaking is the lessee

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(b) Operating leases – where a group undertaking is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position and are accounted for in accordance with accounting policy 1.4. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term and is presented within 'Other operating income'.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

1.22 OPERATING AND FINANCE LEASES *continued*

(c) Finance leases – where a group undertaking is the lessor

When assets are leased out under a finance lease, the lower of the fair value of the leased asset and the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method which reflects a constant periodic rate of return.

1.23 BORROWING COSTS

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment and investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of the group's interest-bearing borrowings. Such instruments matured during the current year.

1.24 DIVIDEND DISTRIBUTION

Dividend distribution to the parent company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

2. FINANCIAL RISK MANAGEMENT

2.1 FINANCIAL RISK FACTORS

The group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The group's overall risk management, covering risk exposures for all subsidiaries, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The parent company's directors provide principles for overall group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. In order to manage exposures attributable to risks arising from fluctuations in interest rates, a group undertaking made use of derivative financial instruments during the current and preceding financial years, by entering into an interest rate swap agreement with a major local banking institution. Such instruments matured during the current year.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. A portion of a group undertaking's purchases are denominated in US dollar. Balances denominated in foreign currencies are settled within very short periods in accordance with the negotiated credit terms. Also, foreign exchange risk attributable to future transactions is not deemed to be material since the group undertaking manages the related risk by reflecting, as far as is practicable, the impact of exchange rate movements registered with respect to purchases in the respective sales prices.

The group's revenues, purchases and other expenditure, financial assets and liabilities, including financing, are mainly denominated in euro except as outlined above. Management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions denominated in US dollar to be significant. Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the balance sheet date is not deemed necessary.

(ii) Fair value interest rate risk

The group's significant instruments which are subject to fixed interest rates represent, the bonds issued to the general public (Note 19). The company's fixed interest instrument also comprise the loan from subsidiary (Note 19). In this respect, the group and the company are potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

2. FINANCIAL RISK MANAGEMENT *continued*

2.1 FINANCIAL RISK FACTORS *continued*

(a) Market risk *continued*

(iii) Cash flow interest rate risk

For the company the cash flow interest rate risk principally arises from bank borrowings issued at variable rates (Note 19) and amounts owed by subsidiary also subject to variable rates (refer to Note 18). The interest expense arising from the borrowings is on the same lines of the interest income from the receivables. Accordingly, the company is not exposed to cash flow interest rate risk.

The group's interest rate risk principally arises from bank borrowings issued at variable rates (Note 19) which expose the group to cash flow interest rate risk. In prior years, a group undertaking entered into a swap agreement to manage exposures arising from variable interest rates on a particular bank loan which agreement matured during the current year. Management monitors the impact of changes in market interest rates on borrowing costs in respect of these liabilities. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the balance sheet date to be immaterial and accordingly the level of interest rate risk is contained. The group's operating cash flows are substantially independent of changes in market interest rates.

(b) Credit risk

Credit risk arises from cash and cash equivalents and credit exposures to customers, including outstanding debtors and committed transactions. The group's exposures to credit risk as at the end of the reporting periods are analysed as follows:

		GROUP		COMPANY	
	Notes	**2018**	2017	**2018**	2017
		€	€	**€**	€
Loans and receivables category:					
Trade and other receivables	10	**10,050,652**	8,599,763	**8,930,708**	1,558,819
Cash and cash equivalents	12	**9,602,044**	2,896,329	**1,953,735**	2,026,198
		19,652,696	11,496,092	**10,884,443**	3,585,017

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The group does not hold any collateral as security in this respect.

The group banks only with local financial institutions with high quality standing or rating.

2. FINANCIAL RISK MANAGEMENT *continued*

2.1 FINANCIAL RISK FACTORS *continued*

(b) Credit risk *continued*

The group assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of goods and services are effected to customers with an appropriate credit history. The group monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the group's debtors, taking into account historical experience in collection of accounts receivable.

In view of the nature of the group's activities and the market in which it operates, a limited number of customers account for a certain percentage of the group's trade receivables. Whilst no individual customer or group of dependent customers is considered by management as a significant concentration of credit risk with respect to trade debts, these exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the respective group undertaking and are deemed by management to have excellent credit standing, usually taking cognisance of the performance history without defaults.

The group manages credit limits and exposures actively in a practicable manner such that there are no material past due amounts receivable from customers as at the reporting date. The group's trade and other receivables, which are not impaired financial assets, are principally debts in respect of transactions with customers for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers.

A portion of the group's receivables are amounts owed by associates and other related parties, whilst a significant amount of the company's receivables is due from subsidiaries. The group's treasury monitors related party credit exposures on a regular basis and ensures timely performance of these assets in the context of overall liquidity management. The group assesses the credit quality of these related parties taking into account financial position, performance and other factors. The group takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

As at 31 March 2018, the group's trade receivables of €216,981 were impaired. Provisions for impairment in this respect are equivalent to the amounts disclosed. The individually impaired receivables mainly relate to a number of independent customers which are in unexpectedly difficult economic situations. The group does not hold any collateral as security in respect of the impaired assets. The movements in provisions for impairment of trade receivables are disclosed in Note 24 to these financial statements. As at 31 March 2017 no significant trade receivables were considered to be impaired.

At 31 March 2018, trade receivables amounting to €3,056,991 (2017: €1,678,166) were past due but not impaired. The group's receivables, which are not impaired financial assets, are principally in respect of transactions with customers from whom there is no recent history of default. Management does not expect any losses from non-performance by these customers. The ageing analysis of these past due trade receivables is over 3 months.

2. FINANCIAL RISK MANAGEMENT *continued*

2.1 FINANCIAL RISK FACTORS *continued*

(c) Liquidity risk

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally the bonds issued to the general public (Note 19), other interest-bearing borrowings (Note 19) and trade and other payables (Note 18). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the group's obligations.

Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. This is also performed at a central treasury function which controls the overall liquidity requirements of the group within certain parameters. The group's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the group's committed bank borrowing facilities and other intra-group financing that it can access to meet liquidity needs. In this respect management does not consider liquidity risk to the group as significant taking into account the liquidity management process referred to above.

At the end of the reporting period, the group and the company reported a net current liability position of €1,503,976 (after adjusting for non-cash items amounting to €6,045,909) and €11,573,659 respectively. Considering the strong EBITDA generated by the group's principal operations of €21.6 million for 31 March 2018, which is expected to be enhanced in the forthcoming years, such creditors should be paid from the cash generated from operating activities of the forthcoming year. After considering the financing options available (disclosed in Note 19) and the support from related parties and the shareholder, the directors are confident that the group and the company are in a position to meet commitments as and when they fall due.

The following table analyses the group's and the company's financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining repayment period at the end of the financial reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

2. FINANCIAL RISK MANAGEMENT *continued*

2.1 FINANCIAL RISK FACTORS *continued*

(c) Liquidity risk *continued*

	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	€	€	€	€	€
GROUP					
At 31 March 2018					
Bank borrowings	1,501,156	332,151	2,590,776	8,370,200	12,794,283
Bonds	2,827,500	2,827,500	8,482,500	79,137,500	93,275,000
Due to Government in relation to purchase of land	1,429,571	1,429,571	7,441,732	168,666,445	178,937,319
Trade and other payables	16,818,162	-	-	-	16,818,162
At 31 March 2017					
Bank borrowings	20,713,787	9,508,166	23,991,105	14,397,784	68,610,842
Due to Government in relation to purchase of land	1,429,571	1,429,571	5,850,223	171,657,525	180,366,890
Trade and other payables	19,794,758	-	-	-	19,794,758
COMPANY					
At 31 March 2018					
Loan advanced from subsidiary	1,569	67,709	203,126	1,826,644	2,099,047
Trade and other payables	22,460,101	-	-	-	22,460,101
At 31 March 2017					
Bank borrowings	388,626	388,626	956,994	-	1,734,246
Trade and other payables	13,329,849	-	-	-	13,329,849

With respect to the group's derivative financial liabilities as at 31 March 2017, disclosed in Note 21, the balances due within twelve months equal their carrying amounts as the impact of discounting is not significant.

2. FINANCIAL RISK MANAGEMENT *continued*

2.2 CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the parent company may issue new shares or adjust the amount of dividends paid to shareholders.

The group also monitors the level of capital on the basis of the ratio of aggregated net debt to total capital. Net debt is calculated as total borrowings, as shown in the consolidated statement of financial position, less cash at bank and in hand. Total capital is calculated as total equity, as described below, plus net debt. The aggregated figures in respect of the group are reflected in the following table:

	GROUP	
	2018	2017
	€	€
Total external borrowings	**73,749,365**	62,613,296
Less: cash at bank and in hand	**(9,602,044)**	(2,896,329)
Net debt	**64,147,321**	59,716,967
Equity – as shown in the consolidated statement of financial position	**63,770,696**	65,697,798
Net amounts owed to ultimate shareholder	**241,461**	1,482,165
Total equity	**64,012,157**	67,179,963
Total capital	**128,159,478**	126,896,930
Net debt/total capital	**50.1%**	47.1%

The level of capital of SD Holdings Limited as reflected in the consolidated statement of financial position is maintained by reference to its respective financial obligations and commitments arising from operational requirements. In view of the nature of the group's activities and the extent of borrowings or debt, the capital level as at the end of the reporting period determined by reference to the consolidated financial statements is deemed adequate by the directors.

2. FINANCIAL RISK MANAGEMENT *continued*

2.3 FAIR VALUES OF FINANCIAL INSTRUMENTS

2.3.1 Financial instruments carried at fair value

The group's financial instruments which are carried at fair value include derivative financial instruments designated as hedging instruments (Note 21).

The group is required to disclose fair value measurements by level of the following fair value measurement hierarchy.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices), or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 March 2017, the group's interest rate swap agreement (refer to Note 21), was fair valued on the basis of valuation techniques by reference to interest rates at the end of the financial reporting period. Accordingly, these derivative financial instruments are categorised as level 2 instruments since initial recognition.

2.3.2 Financial instruments not carried at fair value

At 31 March 2018 and 2017 the carrying amounts of cash and cash equivalents, receivables, payables, accrued expenses, short-term borrowings and other short-term loans, reflected in the financial statements, are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of balances with related parties which are short-term or repayable on demand is equivalent to their carrying amount.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of the group's non-current payables and bank borrowings at floating interest rates as at the reporting date is not significantly different from the carrying amounts.

The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2 within the fair value measurement hierarchy required by IFRS 7, ' Financial instruments: Disclosures'. Information on the fair value of the company's bonds issued to the general public is disclosed in Note 19 to the financial statements. The fair value estimate in this respect is deemed Level 1 as it constitutes a quoted price in an active market.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

As referred to in Note 4 to the financial statements, the group's land and buildings category of property, plant and equipment is fair valued periodically by the directors on 31 December on the basis of professional advice, which considers current market prices in an active market for all properties.

4. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land & buildings	Assets in course of construction & payments on account	Computer equipment	Furniture, fixtures & fittings	Motor vehicles	Plant, machinery & operational equipment	Audio visual equipment	Total
	€	€	€	€	€	€	€	€
At 31 March 2016								
Cost or valuation	89,871,856	2,150,908	293,528	47,935,235	579,226	11,101,942	78,803	152,011,498
Accumulated depreciation	-	-	(276,218)	(10,850,361)	(365,475)	(3,783,920)	(68,991)	(15,344,965)
Net book amount	89,871,856	2,150,908	17,310	37,084,874	213,751	7,318,022	9,812	136,666,533
Year ended 31 March 2017								
Opening net book amount	89,871,856	2,150,908	17,310	37,084,874	213,751	7,318,022	9,812	136,666,533
Additions	628,592	134,173	20,859	1,745,104	135,268	1,132,007	-	3,796,003
Reclassification to investment property (Note 5)	-	(540,847)	-	-	-	-	-	(540,847)
Commissioned assets	21,500	(1,018,153)	-	996,653	-	-	-	-
Disposals	-	-	-	-	(20,000)	-	-	(20,000)
Depreciation charge	(525,911)	-	(35,126)	(4,655,256)	(87,662)	(889,071)	(4,944)	(6,197,970)
Depreciation release on disposals	-	-	-	-	12,000	-	-	12,000
Closing net book amount	**89,996,037**	**726,081**	**3,043**	**35,171,375**	**253,357**	**7,560,958**	**4,868**	**133,715,719**
At 31 March 2017								
Cost or valuation	90,521,948	726,081	314,387	50,676,992	694,494	12,233,949	78,803	155,246,654
Accumulated depreciation	(525,911)	-	(311,344)	(15,505,617)	(441,137)	(4,672,991)	(73,935)	(21,530,935)
Net book amount	89,996,037	726,081	3,043	35,171,375	253,357	7,560,958	4,868	133,715,719
Year ended 31 March 2018								
Opening net book amount	89,996,037	726,081	3,043	35,171,375	253,357	7,560,958	4,868	133,715,719
Additions	318,229	1,845,050	16,105	2,096,468	108,839	1,268,895	-	5,653,586
Commissioned assets	-	(271,201)	-	271,201	-	-	-	-
Disposals	-	-	-	-	(117,073)	-	-	(117,073)
Depreciation charge	(526,894)	-	(10,129)	(4,866,864)	(97,261)	(994,308)	(2,033)	(6,497,489)
Depreciation release on disposals	-	-	-	-	93,221	-	-	93,221
Closing net book amount	**89,787,372**	**2,299,930**	**9,019**	**32,672,180**	**241,083**	**7,835,545**	**2,835**	**132,847,964**
At 31 March 2018								
Cost or valuation	90,840,177	2,299,930	330,492	53,044,661	686,260	13,502,844	78,803	160,783,167
Accumulated depreciation	(1,052,805)	-	(321,473)	(20,372,481)	(445,177)	(5,667,299)	(75,968)	(27,935,203)
Net book amount	**89,787,372**	**2,299,930**	**9,019**	**32,672,180**	**241,083**	**7,835,545**	**2,835**	**132,847,964**

4. PROPERTY, PLANT AND EQUIPMENT *continued*

The reclassification from property, plant and equipment to investment property amounting to €540,847 in the preceding financial year, relates to expenditure incurred in prior years in respect of the acquisition of the property title disclosed in Note 5.

Bank borrowings in the name of group undertakings are secured on the group's land and buildings (refer to Note 19).

Fair valuation of property

The principal elements of the group's land and buildings, within property, plant and equipment were last revalued on 31 March 2016 by independent professionally qualified valuers. The book value of the properties had been adjusted to the revaluation and the resultant surplus, net of applicable deferred income taxes, had been credited to the revaluation reserve in shareholders' equity (Note 14).

As at 31 March 2018 and 2017, the directors have reviewed the carrying amount of the properties referred to above and no adjustments to the carrying amounts were deemed necessary as at the end of the reporting period. Any remaining property has not been revalued since acquisition or initial recognition and following an assessment by the directors on the fair value of these properties at 31 March 2018 and 2017, the fair values were deemed to fairly approximate the carrying amounts.

The group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

The group's revalued land and buildings, consist principally of the db Seabank Resort & SPA and the db San Antonio Hotel & SPA, being operational property that is owned and managed by the respective group undertakings. The recurring property fair value measurements at the end of each financial period presented use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the current and preceding financial year.

A reconciliation from the opening balance to the closing balance of property for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, for the current and preceding financial year, is reflected in the table above.

4. PROPERTY, PLANT AND EQUIPMENT *continued*

Valuation processes

The valuation of the property is performed regularly on the basis of valuation reports prepared by third party qualified valuers. These reports are based on both:

- information provided by the group which is derived from the respective group undertaking's financial systems and is subject to the entity's overall control environment; and
- assumptions and valuation models used by the valuers; with assumptions being typically market related and based on professional judgement and market observation.

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by designated officers within the group. This includes a review of fair value movements over the period. When the designated officers consider that the valuation report is appropriate, the valuation report is recommended to the respective group undertaking's Board of directors. The Board then considers the valuation report as part of its overall responsibilities.

At the end of every reporting period, the designated officers assess whether any significant changes or developments have been experienced since the last external valuation. This analysis is usually supported by an assessment performed by the third party property valuers. The officers report to the Board on the outcome of this assessment.

Valuation techniques

The external valuations of the Level 3 property as at 31 March 2016 have been performed using the discounted cash flow, being the valuation technique considered by the external valuers to be the most appropriate for the group's properties. In view of a limited number of similar or comparable properties and property transactions, comprising sales or rentals, in the local market, the valuations have been performed using unobservable inputs. The significant inputs used are generally those described below:

- Discounted cash flow ("DCF") approach: considers the free cash flows arising from the projected income streams expected to be derived from the operation of the property, discounted to present value using an estimate of the weighted average cost of capital that would be available to finance such an operation.

The significant unobservable inputs utilised with this technique include:

Earnings before interest, tax, depreciation and amortisation (EBITDA)
based on projected income streams less operating expenditure necessary to operate the hotels, but prior to depreciation and financing charges.

Growth rate based on management's estimated average growth of the respective company's EBITDA levels, mainly determined by projected growth in income streams.

Discount rate reflecting the current market assessment of the uncertainty in the amount and timing of projected cash flows. The discount rate reflects the estimated weighted average cost of capital that would be available for financing such an operation. The discount rate is based on an assumed debt to equity ratio; estimation of cost of equity is based on risk free interest rates adjusted for country risk and equity risk premium adjusted for entity-specific risk factor; estimation of cost of debt is based on risk free interest rates adjusted for country risk and assumed credit spread.

4. PROPERTY, PLANT AND EQUIPMENT *continued*

Information about fair value measurements using significant unobservable inputs (Level 3), as at 31 March 2018 and 2017

Description by class based on highest and best use	Fair value as at year end €000	Valuation technique	Significant unobservable input	Range of unobservable inputs
Current use as commercial premises (hotel operations)	**88,600**	DCF approach	EBITDA	€6,700,000 to €9,500,000
			Growth rate	2% to 2.25% per annum
			Discount rate	7.9% to 10.8% (post-tax)

With respect to the DCF approach, an increase in the projected levels of EBITDA and growth rate would result in an increased fair value of the property, whereas a higher discount rate would give rise to a lower fair value.

At 31 March 2018 and 2017, the directors consider the current use of the properties to be equivalent to the highest and best use.

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2018	2017
	€	€
Cost	**68,027,912**	67,709,683
Accumulated depreciation	**(3,625,419)**	(3,098,525)
Net book amount	**64,402,493**	64,611,158

5. INVESTMENT PROPERTY

	GROUP	
	2018	2017
	€	€
Year ended 31 March		
Opening cost and carrying amount	**60,140,267**	-
Additions of newly acquired property	**-**	60,140,267
Additions resulting from subsequent expenditure	**5,360,430**	-
Closing cost and carrying amount	**65,500,697**	60,140,267

5. INVESTMENT PROPERTY *continued*

The group's investment property represents property title in the name of DB San Gorg Property Limited, a wholly owned subsidiary of the parent company. DB San Gorg Property Limited entered into a 99 year concession agreement with the Government of Malta and the Government Property Department on 1 February 2017 for the acquisition of three portions of land having a total surface area of circa 23,975sqm. The said land is located in St Julian's. This property, subject to the securing of all necessary development permits, is earmarked as a mixed use development encompassing a five star hotel, residential tower, shopping mall, large underground car park and other amenities to complement the project. DB San Gorg Property Limited has submitted an application with the Planning Authority.

The contract of acquisition of the emphyteutical grant and related acquisition costs are payable over an extended period of time and was therefore discounted to its present value of €60.1 million at the date of purchase. The rate applied in discounting the future outflows to present value is 3.5%, based upon the current market interest rate that is available to the group.

During the current financial year, the said subsidiary continued incurring subsequent expenditure on the acquired land and related project. The additions disclosed for 2018, disclosed in the table above, also include capitalised borrowings costs of €1,717,770 (2017: €Nil) representing the imputed interest component on the amounts due to the Government (refer to Note 18). A capitalisation rate of 3.5% (2017: Nil%) was utilised in this respect.

As at 31 March 2018 and 2017, following an assessment by the directors, the fair value of the property is deemed to fairly approximate its carrying amount.

6. INTANGIBLE ASSETS

	GROUP	
	2018	2017
Franchise license rights	**€**	€
Year ended 31 March		
Opening net book amount	**727,826**	969,582
Amortisation charge	**(241,766)**	(241,756)
Closing net book amount	**486,060**	727,826
At 31 March		
Cost	**2,965,266**	2,965,266
Accumulated amortisation	**(2,479,206)**	(2,237,440)
Net book amount	**486,060**	727,826

The intangible assets represent the value of franchise license rights and related brand costs, covering a period of twenty years, to use the *Hard Rock Café* brand name and certain other trade names, service marks, logos and commercial symbols related to the operation of restaurant/bar establishments and sale of merchandise in accordance with the franchise agreement.

7. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2018	2017
	€	€
Year ended 31 March		
Opening cost and carrying amount	**16,522,812**	16,271,612
Additions	**500,000**	251,200
Derecognition upon merger	**(240)**	-
Closing cost and carrying amount	**17,022,572**	16,522,812

The principal subsidiaries at 31 March, whose results and financial position affected the figures of the group, are shown below:

	Registered Office	**Class of shares held**	**Percentages of shares held 2018**	**2017**
DB Catering & Events Ltd *(in dissolution)*	San Antonio Hotel and Spa Triq it-Turisti, St Paul's Bay, Malta	Ordinary shares	**100%**	100%
DB San Gorg Property Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	100%
Evergreen Travel Limited	Akara Building 24 De Castro Street, Wickhams Cay, Road Town, Tortola British Virgin Islands	Ordinary shares	**100%**	100%
Hotel San Antonio Limited	San Antonio Hotel and Spa Triq it-Turisti St Paul's Bay, Malta	Ordinary shares Preference A shares Preference B shares	**100%** **100%** **100%**	100% 100% 100%
J.D. Catering Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	100%
SA Marketing Company Limited	Grand Hotel Mercure San Antonio Tourists Street, St Paul's Bay, Malta	Ordinary shares	**100%**	100%

7. INVESTMENTS IN SUBSIDIARIES *continued*

	Registered Office	Class of shares held	Percentages of shares held 2018	2017
SD Finance plc	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	100%
S.R.G.N. Company Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	100%
Sea Port Franchising Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	100%
Seabank Hotel and Catering Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares Preference shares (refer to Note 17)	**100%** **100%**	100% 32.8%
Silverstars Boat Chartering Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	100%
TN Holdings Limited *(struck off following merger)*	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**-**	100%
Debar Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	-

The shareholdings in DB Catering & Events Ltd, Seabank Hotel and Catering Limited, Silverstars Boat Chartering Limited and TN Holdings Limited are held directly by SD Holdings Limited. The shareholding in Hotel San Antonio Limited is held equally between SD Holdings Limited and Seabank Hotel and Catering Limited. The shareholdings in J.D. Catering Limited, S.R.G.N. Company Limited and Sea Port Franchising Limited are held through Seabank Hotel and Catering Limited, whilst the shareholdings in Evergreen Travel Limited and SA Marketing Company Limited are held through Hotel San Antonio Limited.

The additions during the current financial year represent an amount of €498,800 as additional share capital allotted in DB San Gorg Property Limited and €1,200 invested in the newly incorporated Debar Limited.

7. INVESTMENTS IN SUBSIDIARIES *continued*

The impacts of the merger of TN Holdings Limited into its parent company, on the financial position of SD Holdings Limited were not significant and accordingly no further disclosures were deemed necessary.

During the preceding financial year, the parent company acquired the remaining 1.2% of the issued share capital of Seabank Hotel and Catering Limited. Furthermore, Seabank Hotel and Catering Limited also acquired the remaining 5% of the issued share capital of Seaport Franchising Limited. Accordingly, all the subsidiaries listed above are now wholly owned by SD Holdings Limited. The considerations for these acquisitions have been forfeited.

8. INVESTMENTS IN ASSOCIATES

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	€	€	**€**	€
Year ended 31 March				
Opening carrying amount	**5,251,745**	4,356,171	**900**	900
Share of results	**912,015**	1,145,574	**-**	-
Dividends received	**-**	(250,000)	**-**	-
Closing carrying amount	**6,163,760**	5,251,745	**900**	900
At 31 March				
Cost	**1,675,763**	1,675,763	**900**	900
Share of results and reserves	**4,487,997**	3,575,982	**-**	-
Closing carrying amount	**6,163,760**	5,251,745	**900**	900

8. INVESTMENTS IN ASSOCIATES *continued*

The group's share of results of the associates, disclosed above and in profit or loss, is after tax and non-controlling interest in the associates. The principal associates at 31 March, whose results and financial position affected the figures of the group, are shown below:

	Registered Office	Class of shares held	Percentages of shares held 2018	2017
DP Road Construction Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary A shares	**45%**	45%
Malta Healthcare Caterers Limited	BLB 009Y, Bulebel, Industrial Estate, Żejtun, Malta	Ordinary shares	**50%**	50%
Porto Azzurro Limited	Ridott Street, Xemxija Hill, St Paul's Bay, Malta	Ordinary shares	**33.3%**	33.3%
Porto Azzurro Resort Club Limited	Porto Azurro Limited, Ridott Street, Xemxija Hill, St Paul's Bay,Malta	Ordinary shares	**33.3%**	33.3%
Sky Gourmet Malta Inflight Services Limited	James Confectionery, Velleran Street, Fgura, Malta	Ordinary shares	**30%**	30%
Sky Gourmet Malta Limited	James Confectionery, Velleran Street, Fgura, Malta	Ordinary shares	**30%**	30%

The shareholding in DP Road Construction Limited is held directly by SD Holdings Limited, whilst all the other investments are held through Seabank Hotel and Catering Limited.

8. INVESTMENTS IN ASSOCIATES *continued*

Disclosure requirements emanating from IFRS 12 'Disclosure of interests in other entities'

The principal activities of the Malta Healthcare Caterers Limited Group, is the provision of catering services to hospitals and retirement homes, together with the provision of nursing, medical and clinical services; whilst Sky Gourmet Malta Limited's principal activity is the provision of catering and commissary services to airlines operating from Malta. These investments provide strategic partnerships for the group within business sectors which are targeted by the group for diversification or consolidation purposes. The principal places of business for both associates are based in Malta.

Associates are measured using the equity method in accordance with the group's accounting policy and there are no contingent liabilities relating to the group's interest in the associates.

The statutory financial year end for the Malta Healthcare Caterers Limited Group is 31 December and accordingly the financial information made available to shareholders relates to the financial year ended 31 December 2017. Accordingly, the consolidated financial statements of Malta Healthcare Caterers Limited used in applying the equity method are attributable to the financial year ended 31 December 2017, which year end is different from that of the reporting entity.

Set out below are the summarised financial information of the group's principal associates, as presented in the respective financial statements.

Summarised balance sheets

	MALTA HEALTHCARE CATERERS LIMITED		SKY GOURMET MALTA LIMITED	
	As at 31 December		As at 31 March	
	2017	2016	**2018**	2017
	€	€	**€**	€
Non-current assets	**2,437,759**	1,996,653	**489,915**	636,154
Current assets	**23,627,744**	18,715,360	**2,834,476**	2,135,619
Non-current liabilities	**(77,812)**	(233,964)	**(67,261)**	(43,856)
Current liabilities	**(20,431,478)**	(16,266,129)	**(1,531,780)**	(1,601,068)
Net assets	**5,556,213**	4,211,920	**1,725,350**	1,126,849

The carrying amount of these investments is lower than the group's share of the net assets reflected above as a result of fair value adjustments made at the time of acquisition and the fact that the share of results for the year of acquisition was not a full financial year.

8. INVESTMENTS IN ASSOCIATES *continued*

Summarised statements of comprehensive income

	MALTA HEALTHCARE CATERERS LIMITED		SKY GOURMET MALTA LIMITED	
	Year ended 31 December		Year ended 31 March	
	2017	2016	**2018**	2017
	€	€	**€**	€
Revenue	**42,353,932**	34,241,628	**7,220,849**	5,620,384
Profit/(loss) for the year				
- total comprehensive income	**1,344,293**	1,765,023	**598,501**	261,649

The other associates of the group are not deemed material, individually and in aggregate, to the group as a reporting entity taking cognisance of the group's financial position and aggregate assets. Accordingly, the disclosure requirements emanating from IFRS 12 were not deemed necessary for the user's understanding of the financial results and the financial position of the group.

The group's share of the results of the other associates and its share of the assets and liabilities are as follows:

	Assets	**Liabilities**	**Revenues**	**Profit**
	€	**€**	**€**	**€**
2018				
Porto Azzurro Limited	956,020	(653,625)	468,601	54,732
Sky Gourmet Malta Inflight Services Limited	125,819	(2,342)	474,707	5,586
2017				
Porto Azzurro Limited	797,445	(549,781)	418,213	127,852
Sky Gourmet Malta Inflight Services Limited	120,260	(2,369)	482,261	5,792

Porto Azzurro Resort Club Limited is considered by the directors to be a non-operating company.
With respect to DP Road Construction Limited, operations are not deemed to be material.
For these entities no recent financial information was available.

9. DEFERRED TAXATION

Deferred income taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35%, with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property, i.e. tax effect of 10%.

	GROUP	
	2018	2017
	€	€
Year ended 31 March		
At beginning of year	**887,818**	3,900,747
Credited/(charged) to profit or loss (Note 28):		
Utilised tax credits	**(3,086,616)**	(2,461,765)
Temporary differences on intra-group transactions	**9,266**	9,266
Temporary differences on property, plant and equipment and provisions for impairment of trade receivables	**(400,912)**	(483,333)
Charged to other comprehensive income (Note 15):		
Tax effect of re-measurement of derivatives	**(18,699)**	(77,097)
At end of year	**(2,609,143)**	887,818

Deferred taxation is principally composed of deferred tax assets and liabilities which are expected to be recovered and settled after more than 12 months. Deferred tax assets have been recognised in the financial statements on the basis that the directors of the respective companies are of the opinion that it is probable that future taxable profits will be available to utilise such assets.

The balance at 31 March represents:

	GROUP	
	2018	2017
	€	€
Unutilised tax credits arising from:		
Unabsorbed capital allowances	**316,313**	1,395,776
Unabsorbed tax losses	**791,852**	791,852
Investment tax credits	**5,530,655**	7,537,808
Taxable temporary differences arising from depreciation of property, plant and equipment	**(5,456,386)**	(4,981,138)
Taxable temporary differences arising from revaluation of property, plant and equipment	**(2,799,114)**	(2,799,114)
Taxable temporary differences arising from intra-group transactions	**(118,023)**	(127,289)
Deductible temporary differences arising from derivative instruments	**-**	18,699
Deductible temporary differences on provisions for impairment of trade receivables	**75,944**	1,608
Deferred taxation arising on transfer of property on acquisition of subsidiary	**(950,384)**	(950,384)
	(2,609,143)	887,818
Disclosed as follows:		
Deferred tax assets	**4,024,124**	5,101,464
Deferred tax liabilities	**(6,633,267)**	(4,213,646)
	(2,609,143)	887,818

10. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	€	€	**€**	€
Non-current				
Finance lease receivable				
(net of unearned finance income)	**-**	97,393	**-**	-
Current				
Trade receivables	**6,655,755**	5,876,676	**-**	-
Less: provision for impairment	**(216,981)**	-	**-**	-
	6,438,774	5,876,676	**-**	-
Payments in advance to suppliers	**126,312**	285,022	**-**	-
Finance lease receivable				
(net of earned finance income)	**97,383**	230,418	**-**	-
Amounts owed by shareholder	**-**	-	**508,257**	-
Amounts owed by subsidiaries	**-**	-	**7,974,329**	1,311,717
Amounts owed by associates	**1,679,381**	709,570	**446,098**	175,000
Amounts owed by other related parties	**95,985**	121,919	**-**	-
Other receivables	**754,860**	694,146	**-**	-
Indirect taxation	**346,954**	112,480	**2,023**	206
Prepayments and accrued income	**511,003**	472,139	**-**	71,896
	10,050,652	8,502,370	**8,930,707**	1,558,819

Amounts owed by related parties are unsecured interest free and repayable on demand.

A group undertaking entered into a finance lease arrangement in prior years with the group's shareholder, whereby the contractual terms essentially transfer all risks and rewards incidental to ownership of the related asset. This arrangement does not include significant unguaranteed residual values accruing to the benefit of the lessor. The group's gross receivables from the finance lease at the end of the reporting period are analysed as follows:

	GROUP	
	2018	2017
Gross finance lease receivables:	**€**	€
Not later than one year	**97,383**	233,738
Later than one year and not later than five years	**-**	97,393
	97,383	331,131
Unearned future finance income	**-**	(3,320)
Net investment in finance leases	**97,383**	327,811

The net investment in finance leases is analysed as follows:

	2018	2017
	€	€
Not later than one year	**97,383**	230,418
Later than one year and not later than five years	**-**	97,393
	97,383	327,811

Amounts receivable from the lease debtor are subject to an effective interest rate of 1% (2017: 1%).

11. INVENTORIES

	GROUP	
	2018	2017
	€	€
Food and beverage	**579,264**	625,914
Merchandise	**472,325**	318,616
Other goods for resale	**20,821**	71,904
Consumables and other inventory	**134,694**	148,957
	1,207,104	1,165,391

12. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statements, the year-end cash and cash equivalents comprise the following:

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	€	€	**€**	€
Cash at bank and in hand	**9,602,044**	2,896,329	**1,953,735**	2,026,198
Bank overdrafts (Note 19)	**(1,149,351)**	(439,256)	**-**	-
	8,452,693	2,457,073	**1,953,735**	2,026,198

13. SHARE CAPITAL

	COMPANY	
	2018	2017
	€	€
Authorised		
5,000,000 Ordinary shares of €1 each	**5,000,000**	5,000,000
Issued and fully paid		
4,000,000 Ordinary shares of €1 each	**4,000,000**	4,000,000

During the preceding financial year, by virtue of a resolution dated 16 October 2016, the company's shareholder approved an increase in the authorised issued share capital to €5,000,000 divided into 5,000,000 ordinary shares having a nominal value of €1 each. Subsequently, the company's shareholder approved the issue and allotment of 3,480,000 fully paid up ordinary shares of €1 each for an aggregate value of €3,480,000. The shares issued were in consideration for the capitalisation of a shareholder's loan for an amount of €3,480,000.

14. REVALUATION RESERVE

	GROUP	
	2018	2017
	€	€
Surplus arising on fair valuation of property		
At beginning and end of year	**22,585,765**	22,585,765

The revaluation reserve is non-distributable.

15. HEDGING RESERVE

The fair values of cash flow hedges are recorded in the hedging reserve, in a separate category of equity, as shown below:

	GROUP	
Interest rate swaps	**2018**	2017
	€	€
At 1 April		
Gross amounts of losses	**53,426**	273,702
Deferred income tax	**(18,699)**	(95,796)
	34,727	177,906
Movements in year ended 31 March		
Net losses from changes in fair value	**(10)**	1,949
Deferred income tax	**3**	(682)
	(7)	1,267
Reclassified to profit or loss	**(53,416)**	(222,225)
Deferred income tax	**18,696**	77,779
	(34,720)	(144,446)
At 31 March		
Gross amounts of losses	**-**	53,426
Deferred income tax	**-**	(18,699)
	-	34,727

The tax impacts relating to this component of other comprehensive income are presented in the above table.

The net fair value losses as at 31 March 2018 and 2017 on open interest rate swap agreements which hedge anticipated future interest rate fluctuations will be reclassified from the hedging reserve to profit or loss as a reclassification adjustment when the forecast transactions occur, at various dates up to one year from the end of the reporting period.

16. OTHER RESERVES

	GROUP	
	2018	2017
	€	€
Capital redemption reserve	**11,628,279**	2,075,474
Incentives and benefits reserve	**1,301,885**	1,301,885
	12,930,164	3,377,359

The capital redemption reserve represents a sum equal to the nominal amount of the preference shares redeemed by a subsidiary in accordance with Article 115 of the Maltese Companies Act (Cap. 386). The capital redemption reserve may be applied in paying up unissued shares to be issued to members as fully paid bonus shares. These redemptions took place during the current and the preceding financial years are disclosed in Note 17, since the preference shares redeemed are attributable to non-controlling interest.

The incentives and benefits reserve represents transfers effected by a subsidiary for the net amount of profits subject to income tax at a reduced rate of tax, in accordance with Articles 24B and 36 of the Business Promotion Act. No transfers to the incentives and benefits reserve have been made during the current and the preceding financial years, as no income was subject to tax at reduced rates. Such profits are set aside for the exclusive purpose of financing the upgrading projects within the qualifying company as approved by Malta Enterprise Corporation in accordance with Article 6 of the Business Promotion Act. The incentives and benefits reserve is not distributable and will be retained for a period of eight years after which it can be distributed by means of a bonus issue.

17. NON-CONTROLLING INTEREST

	GROUP	
	2018	2017
	€	€
At beginning of year	**9,552,805**	11,047,133
Share of results of subsidiaries	**-**	45,369
Redemption of non-cumulative preference shares of a subsidiary attributable to non-controlling interest	**(9,552,805)**	(1,376,659)
Acquisition of non-controlling interest – excess of carrying amount recognised in equity	**-**	(163,038)
At end of year	**-**	9,552,805

During the preceding financial year, the parent company acquired the remaining 1.2% of the issued share capital of Seabank Hotel and Catering Limited. Furthermore, Seabank Hotel and Catering Limited also acquired the remaining 5% of the issued share capital of Seaport Franchising Limited. The considerations for these acquisitions have been forfeited. Accordingly, the excess of the carrying amount of the non-controlling interest was recognised in equity.

As at 31 March 2017, non-controlling interest represented only the carrying amount of non-cumulative redeemable preference shares of a subsidiary, which have been fully redeemed during 2018.

18. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	€	€	**€**	€
Non-current				
Due to Government in relation to purchase of land	**48,649,057**	48,360,859	**-**	-
Deferred income arising on long term rights of use sales	**9,949,156**	8,005,376	**-**	-
	58,598,213	56,366,235	**-**	-
Current				
Trade payables	**4,917,478**	7,096,251	**4,317**	-
Due to Government in relation to purchase of land	**1,429,571**	1,429,571	**-**	-
Payables and accruals with respect to capital expenditure	**2,052,653**	1,517,794	**-**	-
Advance deposits from tour operators and other third parties	**5,727,040**	6,381,665	**-**	974,215
Amounts owed to shareholder	**241,461**	1,482,165	**-**	299,493
Amounts owed to subsidiaries	**-**	-	**21,888,752**	13,074,201
Amounts owed to associates	**3,535,333**	3,142,191	**-**	-
Amounts owed to other related parties	**-**	1,683,840	**565,632**	254,392
Other payables	**608,172**	218,687	**100**	100
Indirect taxation and social security	**488,168**	561,147	**-**	-
Accrued interest payable to bond holders	**2,641,582**	-	**-**	-
Other accruals and deferred income	**4,974,897**	4,092,683	**1,300**	1,156
	26,616,355	27,605,994	**22,460,101**	14,603,557

The liability towards the Government of Malta in relation to the payment of groundrents and any penalty that may become due by db San Gorg Property Limited is secured by a special privilege on the site at St Julian's accorded to the dominus by law in favour of the Government of Malta.

The maturity of this liability is as follows:

	GROUP	
	2018	2017
	€	€
Due within 1 year	**1,429,571**	1,429,571
Due between 1 and 2 years	**1,429,571**	1,429,571
Due between 2 and 5 years	**7,411,732**	5,850,223
Due after more than 5 years	**168,666,445**	171,657,527
	178,937,319	180,366,892
Less: imputed interest component	**(128,858,692)**	(130,576,462)
	50,078,627	49,790,430

Amounts owed to subsidiaries represent financing obtained by the parent company from other group undertakings to finance various group projects including the acquisition of Hotel San Antonio Limited in prior years and subsequent developments at the same hotel. Such advances are unsecured and repayable on demand. However, the respective subsidiaries have undertaken not to request repayment of amounts due until alternative financing is available. Included in such advances are offsettable amounts of €1,488,101 (2017: €1,525,082) owed by a subsidiary to the parent company which are subject to interest at 4.7% (2017: 5.8%). All the other amounts are interest free.

19. BORROWINGS

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	€	€	**€**	€
Non-current				
Bank loans	**8,303,770**	43,611,030	**-**	1,218,851
Loan from subsidiary	**-**	-	**1,488,101**	-
650,000 4.35% Bonds 2017 - 2027	**64,152,312**	-	**-**	-
	72,456,082	43,611,030	**1,488,101**	1,218,851
Current				
Bank overdrafts	**1,149,351**	439,256	**-**	-
Bank loans	**143,932**	18,563,010	**-**	306,231
	1,293,283	19,002,266	**-**	306,231
Total borrowings	**73,749,365**	62,613,296	**1,488,101**	1,525,082

Bonds

By virtue of an offering memorandum dated 27 March 2017, SD Finance plc (the Issuer) issued €65,000,000 bonds with a face value of €100 each. The bonds have a coupon interest of 4.35% which is payable annually in arrears, on 25 April of each year. The bonds are redeemable at par and are due for redemption on 25 April 2027. The bonds are guaranteed by SD Holdings Limited, which has bound itself jointly and severally liable with the issuer, for the repayment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. The bonds were admitted on the Official List of the Malta Stock Exchange on 4 May 2017. The quoted market price as at 31 March 2018 for the bonds was €103, which in the opinion of the directors fairly represents the fair value of these financial liabilities. At the end of the reporting period, bonds with a face value of €500,000 were held by a company director.

In accordance with the provisions of the prospectus, the proceeds from the bond issue have been advanced by the Issuer to SD Holdings Limited (the company's parent undertaking and guarantor of the bonds) and to Hotel San Antonio Limited and Seabank Hotel and Catering Limited (both fellow subsidiaries of the Issuer). The principal purposes for these advances were the re-financing of existing banking facilities of the respective borrower, the financing of the redemption of the redeemable preference shares of Seabank Hotel and Catering Limited (Note 17), and for the general corporate funding purposes of the db Group.

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 yield method as follows:

	2018
	€
Original face value of bonds issued	**65,000,000**
Bond issue costs	**(924,036)**
Accumulated amortisation	**76,348**
Closing net book amount of bond issue costs	**(847,688)**
Amortised cost and closing carrying amount of the bonds	**64,152,312**

19. BORROWINGS *continued*

Bank borrowings

The group's and the company's banking facilities as at 31 March 2018 amounted to €86,093,431 (2017: €69,603,952) and €500,000 (2017: €2,500,000) respectively. The group's bank facilities are mainly secured by:

(a) special hypothecs over the group's property up to an amount of €85,100,000;

(b) general hypothecs over the group's present and future assets up to an amount of €85,950,000;

(c) guarantees given by the shareholder;

(d) pledges over specific insurance policies of group undertakings;

(e) pledges over the shareholder's life insurance policies;

(f) letters of undertaking.

The interest rate exposure of the bank borrowings is at floating rates.

The weighted average effective interest rates for bank borrowings as at the end of the financial reporting period are as follows:

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	€	€	**€**	€
Bank overdrafts	**4.2%**	4.5%	**-**	5.8%
Bank loans	**3.5%**	3.5%	**-**	5.8%

Maturity of non-current bank borrowings:

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	€	€	**€**	€
Between 1 and 2 years	**-**	8,218,856	**-**	328,821
Between 2 and 5 years	**1,660,754**	21,648,986	**-**	890,030
Over 5 years	**6,643,016**	13,743,188	**-**	-
	8,303,770	43,611,030	**-**	1,218,851

Loan from subsidiary

The company's non-current loans from subsidiary amounting to €1,488,101 consist of advances from SD Finance plc, out of the proceeds of the bonds issued by the same company. The proceeds of the bond issue have been advanced to SD Holdings Limited and other companies forming part of the db Group. SD Holdings Limited utilised these advances primarily for re-financing its existing banking facilities. These loans are subject to interest at a fixed interest rate of 4.55%, with an additional renewal fee, which shall be charged on the loans at a floating rate at the discretion of the directors of the Issuer. As at the end of the reporting period, the element of the floating rate interest was 0.19%. The loans are unsecured and repayable by not later than 10 April 2027.

20. DEFERRED GOVERNMENT GRANTS

	GROUP	
	2018	2017
	€	€
At beginning of the year	**32,104**	40,925
Credited to profit or loss:		
- Annual amortisation related to assets (Note 26)	**(8,821)**	(8,821)
At end of year	**23,283**	32,104
At 31 March		
Non-current	**14,462**	23,283
Current	**8,821**	8,821
At end of year	**23,283**	32,104

21. DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP	
	2018 Fair value liabilities	2017 Fair value liabilities
	€	€
At 31 March		
Interest rate derivative		
- interest rate swap	**-**	53,426

In prior years, a group undertaking entered into an interest rate swap derivative financial instrument to mitigate the variability of future floating interest payments based on the applicable three-month Euribor rate on the entity's borrowings. The fair value movement during the preceding financial year was recognised in the cash flow hedge reserve. Realised losses on the derivative have subsequently been transferred to profit or loss and presented within finance costs. The derivative matured during the current financial year.

The notional amount of the outstanding interest rate swap contract as at 31 March 2017 was €11.3 million.

The fair value of the derivative is included in the statement of financial position under the following classifications:

	GROUP	
	2018	2017
	€	€
Derivative financial liabilities		
Current	**-**	53,426

22. OTHER LOANS

Other loans amounting to €310,048 (2017: €730,932) represent advances from suppliers which are to be set-off against discounts allowed by the same suppliers on the basis of predetermined purchase levels.

23. REVENUE

The group's entire revenue is derived locally mainly from hospitality, leisure and ancillary activities.

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	€	€	**€**	€
By category				
Hospitality and ancillary services	**36,052,424**	33,449,307	**-**	-
Food and beverage	**9,313,767**	8,683,807	**-**	-
Merchandise and other retailing activities	**4,158,341**	3,739,783	**-**	-
Other revenue	**734,151**	750,603	**1,955**	2,458
	50,258,683	46,623,500	**1,955**	2,458

24. EXPENSES BY NATURE

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	€	€	**€**	€
Employee benefit expense (Note 25)	**10,296,465**	9,339,067	**-**	-
Amortisation of intangible assets (Note 6)	**241,766**	241,756	**-**	-
Depreciation of property, plant and equipment (Note 4)	**6,497,489**	6,197,970	**-**	-
Movement in provisions for impairment of trade receivables	**216,981**	-	**-**	-
Utilities and similar charges	**1,774,980**	1,721,392	**-**	-
Operating supplies and related expenses	**9,761,786**	9,553,403	**-**	-
Repairs and maintenance costs	**2,584,065**	2,245,372	**-**	-
Marketing, advertising costs and commissions	**1,045,394**	1,153,791	**-**	-
Franchise royalties	**442,262**	652,122	**-**	-
Operating lease rentals - property	**556,334**	494,191	**-**	-
Ground rents payable	**6,198**	6,198	**-**	-
Other expenses	**3,194,757**	3,063,565	**16,677**	21,813
Total cost of sales, selling and administrative expenses	**36,618,477**	34,668,827	**16,677**	21,813

24. EXPENSES BY NATURE *continued*

Auditor's fees

Fees charged by the auditor for services rendered during the current and the preceding financial years relate to the following:

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	€	€	**€**	€
Annual statutory audit				
- parent company auditors	**55,500**	50,050	**1,050**	750
- other auditors	**18,250**	14,250	**-**	-
Tax advisory and compliance services				
- parent company auditors	**4,275**	4,725	**365**	325
Other non-audit services				
- parent company auditors	**5,500**	5,750	**5,500**	750
- other auditors	**1,351**	6,135	**-**	-
	84,876	80,910	**6,915**	1,825

25. EMPLOYEE BENEFIT EXPENSE

	GROUP	
	2018	2017
	€	€
Wages and salaries (including directors' remuneration)	**9,396,925**	8,435,450
Social security costs	**813,908**	636,523
	10,210,833	9,071,973
Recharged from associates	**85,632**	267,094
	10,296,465	9,339,067

Average number of persons employed by the group during the year:

	GROUP	
	2018	2017
	€	€
Direct	**514**	507
Administration	**86**	70
	600	577

26. OTHER OPERATING INCOME

	GROUP	
	2018	2017
	€	€
Amortisation of deferred Government grants (Note 20)	**8,821**	8,821
Operating lease income	**247,983**	256,740
Other income	**59,796**	48,586
	316,600	314,147

27. FINANCE INCOME AND FINANCE COSTS

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	€	€	**€**	€
Finance income				
Interest on amounts owed by subsidiary	**-**	-	**73,173**	71,896
Finance income arising from finance lease arrangement	**3,320**	3,241	**-**	-
Finance income arising from short-term deposits	**2,820**	-	**-**	-
	6,140	3,241	**73,173**	71,896

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	€	€	**€**	€
Finance costs				
Bond interest expense	**2,717,930**	-	**-**	-
Interest on bank borrowings and other loans	**631,608**	3,350,612	**7,273**	71,896
Interest on loan from subsidiary	**-**	-	**66,140**	-
Other finance charges	**144,560**	80,480	**-**	-
	3,494,098	3,431,092	**73,413**	71,896

28. TAX EXPENSE

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	€	€	**€**	€
Current taxation	**311,625**	295,998	**201**	-
Deferred taxation (Note 9)	**3,478,262**	2,935,832	**-**	-
Tax expense	**3,789,887**	3,231,830	**201**	-

The tax on the profit/(loss) before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	€	€	**€**	€
Profit/(loss) before tax	**11,380,863**	9,986,543	**(14,962)**	(19,355)
Tax on profit/(loss) at 35%	**3,983,302**	3,495,290	**(5,237)**	(6,774)
Tax effect of:				
Share of results of associates	**(319,205)**	(400,951)	**-**	-
Expenses not deductible for tax purposes	**160,556**	168,894	**5,438**	6,774
Income not subject to tax	**(4,492)**	(3,568)	**-**	-
Movement in temporary differences	**(13,138)**	(29,680)	**-**	-
Investment tax credits claimed during the year	**8,675**	-	**-**	-
Other differences	**(25,811)**	1,845	**-**	-
Tax charge in the accounts	**3,789,887**	3,231,830	**201**	-

29. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	€	€	**€**	€
Salaries and other emoluments	**210,710**	254,627	**-**	-

30. CASH GENERATED FROM OPERATIONS

Reconciliation of operating profit/(loss) to cash generated from operations:

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	€	€	**€**	€
Operating profit/(loss)	**13,956,806**	12,268,820	**(14,722)**	(19,355)
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	**6,497,489**	6,197,970	**-**	-
Amortisation of intangible assets (Note 6)	**241,766**	241,756	**-**	-
Deferred Government grants (Note 20)	**(8,821)**	(8,821)	**-**	-
Gain on disposal of property, plant and equipment	**(26,148)**	(3,000)	**-**	-
Provision for impairment of trade receivables (Note 10)	**216,981**	-	**-**	-
Changes in working capital:				
Inventories	**(41,713)**	(248,748)	**-**	-
Trade and other receivables	**(1,667,870)**	515,213	**(7,371,888)**	(181,365)
Trade and other payables	**286,596**	6,297,836	**7,853,449**	1,562,071
Cash generated from operations	**19,455,086**	25,261,026	**466,839**	1,361,351

Net debt reconciliation

All the movements in the group's and the company's net debt related only to cash flow movements and disclosed as part of the financing activities in the statement of cash flows on page 111.

31. COMMITMENTS

Capital commitments

Commitments for capital expenditure not provided for in these financial statements are as follows:

	GROUP	
	2018	2017
	€	€
Authorised but not contracted for	**5,000,000**	-

Operating lease commitments – where group undertakings act as lessee

Future minimum lease payments payable under non-cancellable operating lease rentals are as follows:

	GROUP	
	2018	2017
	€	€
Less than one year	**106,737**	99,992
Between one and five years	**308,856**	193,942
More than five years	**2,408,353**	2,460,860
	2,823,946	2,754,794

Operating lease payments mainly represent rentals payable by group undertakings for property concessions.

Operating lease commitments – where a group undertaking is a lessor

A subsidiary undertaking had non-cancellable operating leases receivable, as follows:

	GROUP	
	2018	2017
	€	€
Less than one year	**247,983**	82,847
Between one and five years	**-**	99,541
More than five years	**-**	290,987
	247,983	473,375

Operating lease receivables relate to property concessions.

32. CONTINGENCIES

At 31 March 2018, the group's and the company's major contingent liabilities were:

(a) Undertakings given by the parent company to provide the necessary financial support to group undertakings and associates so as to enable these entities to meet their liabilities and any other obligations as they fall due and to continue as a going concern.

(b) Uncalled share capital amounting to €5,590 (2017: €5,590) relating to shares subscribed in associates by a group undertaking and uncalled share capital amounting to €960 (2017: €1,920) relating to shares subscribed in subsidiaries by the parent company.

(c) Guarantees of up to a maximum of €60,106 (2017: €60,106) issued by a group undertaking to various third parties for a beach concession.

(d) Guarantees of €118,650 (2017: €118,650) issued by the group's bankers, on behalf of group undertakings in favour of the Planning Authority, in the ordinary course of business.

(e) Guarantees given by the parent company in respect of bank facilities of group undertakings for an amount of €68,100,000 (2017: €56,750,000), together with other guarantees for an amount of €17,000,000 (2017: €Nil) given by the company jointly with other group undertakings in respect of bank facilities of a subsidiary.

(f) Guarantees given by a group undertaking in respect of bank facilities of an associate for an amount of €3,650,000 (2017: €3,650,000).

(g) Guarantees and performance bond amounting to €250,000 (2017: €250,000) given to the Commissioner of Land with respect to the acquisition of the land title.

At 31 March 2017, the group's other contingent liabilities were:

(a) A special hypothec granted by a group undertaking to a third party in respect of certain units allocated to timeshare amounting to € 10,000,000.

(b) Guarantees of €1,500,000 issued by the group's bankers, on behalf of the group undertakings in favour of Projects Malta Limited, in the ordinary course of business.

33. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party and exercise significant influence over the other party in making financial and operating policy decisions.

The entities constituting the db Group are ultimately owned by Mr Silvio Debono who is considered to be the group's ultimate controlling party. Accordingly, all entities owned or controlled by Silvio Debono, the associates of the group and the group's key management personnel are the principal related parties of the db Group.

In the ordinary course of their operations, group entities provide services to associates and other related parties mentioned above for trading services and in turn group entities also purchase services from such related parties. The group's related party transactions also include financing transactions, principally advances with associates and other related parties.

In the opinion of the directors, disclosure of related party transactions, which are generally carried out on commercial terms and conditions, is only necessary when the transactions effected have a material impact on the operating results and financial position of the group. The aggregate invoiced amounts in respect of a considerable number of transaction types carried out with related parties are not considered material and accordingly they do not have a significant effect on these financial statements.

Except for transactions disclosed or referred to previously, no further significant operating transactions have a material effect on the operating results and financial position of the group and the company.

Year-end balances with related parties are disclosed in Notes 10, 18 and 19 to these financial statements. Such balances are unsecured, interest free and repayable on demand unless otherwise stated in the respective notes.

Key management personnel comprise the directors of the parent company and the directors of the other group undertakings. Key management personnel compensation, consisting of the parent directors' remuneration has been disclosed in Note 29.

34. EVENTS AFTER REPORTING PERIOD

In April 2018, DB San Gorg Property Limited (a subsidiary of SD Holdings Limited) entered into a promise of temporary emphyteutical concession agreement with an associate of the db Group, with respect to the development of the shopping mall, the related car park spaces and related amenities that form part of the project described in more detail in Note 4 to the financial statements. Such agreement is in accordance with the obligations entered into with the Government of Malta in the 99 year concession agreement referred to in Note 4.

35. STATUTORY INFORMATION

SD Holdings Limited is a limited liability company and is incorporated in Malta.

36. COMPARATIVE INFORMATION

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.

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