SD FINANCE plc

Condensed Interim Financial Statements
30 September 2020

Company Registration Number: C 79193

	Pages
Interim directors' report	1 - 3
Condensed statement of financial position	4
Condensed statement of comprehensive income	5
Condensed statement of changes in equity	6
Condensed statement of cash flows	7
Notes to the interim financial statements	8 - 10

Interim directors' report

The directors present their report and the condensed interim financial statements in terms of Chapter 5 of the Listing Rules of the Listing Authority – Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act, 2005. The condensed financial statements have been extracted from SD Finance plc's unaudited financial information as at 30 September 2020 and the six month period then ended, prepared in accordance with International Financial Reporting Standards as adopted for use in the EU for interim financial statements (International Accounting Standard 34, 'Interim Financial Reporting'). This half-yearly report has not been audited or reviewed by the company's independent auditors.

Trading performance

The Company

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

On 25 April 2020, the company paid out €2,827,500 (2019 €2,827,500) being 4.35% interest due to its bond holders. Interest and related income principally received from related parties during the period ended 30 September 2020 amounted to €1,507,779 (2019: € 1,506,756). Profit before taxation for the current six-month period amounted to €5,360 (2019: € 5,892). The directors are not anticipating any significant changes during the forthcoming six months.

The Group

By March 2020, the world was suffering from a widespread COVID-19 pandemic, resulting in disruptions to businesses worldwide. Several restrictions, both at a global and local level, which resulted in the forced closure of hotels, catering establishments and other places of entertainment, invariably had a negative impact on the Group, as it predominantly operates in the hospitality and leisure industry. The Maltese Government has responded with monetary and fiscal interventions to assist companies to overcome these unprecedented financial difficulties.

As a result of the pandemic and restrictions imposed by the Health Authorities, the hotels with catering establishments operated by the Group experienced a complete shutdown to its operations with effect from the third week of March 2020. However, at the beginning of summer both hotels and all their catering establishments were opened and while the results do not compare at all with previous years' figures, results have been encouraging. For the period April to September 2020, both hotels were registering turnover at 20% of the previous year's figures, whereas the gross operating profit stood at 10% and 8% of the prior year, for Seabank Hotel and Hotel San Antonio respectively. These results are not expected to continue during the next six months due to new measures put in place by the health authorities in Malta which has brought incoming tourism to an almost complete halt. Seabank Hotel is closing down for two months from the 16th November for some general upkeep, reopening again on 13 January 2021.

On the other hand, figures for the six months to September 2020 show that the leisure part of the group generally fared better than hotels. Turnover for SRGN was running at 61% and GOP at 69% when compared to previous year's figures. These results include the new restaurant that was opened in Valletta during February 2020. Our Hard Rock outlets are facing bigger challenges due to much lower incoming visitors, more so from the cruise industry. Turnover as at 30 September was running at 17% of last year's results. Starbucks outlets, now four in total, remained open throughout the months, albeit with a number of restrictions, and turnover actually increased by 25% during the first six months when compared to last year.

Interim directors' report - continued

Conversely, the pandemic had the opposite effect on the health care arm of the Group. An upswing in demand for the services offered by the Group within this sector was experienced which somehow mitigated to a lesser extent the negative effects experienced within the hospitality and leisure arm of the Group's business model. Moreover, the gradual opening in July 2020 of the 504-bed new wing at Saint Vincent de Paul Residence, which is being operated by an associated company of the Group, will further serve to cushion the negative impact experienced in other sectors within the Group.

The Group has prepared projections for the year ending 31 March 2021, based on actual results for the six months ended September 2020 and forecasts thereafter. Revenue is projected to decrease substantially by € 46.7 million to € 12.6 million while EBITDA is projected to decline from € 25.7 million to € 0.9 million. The group is not expecting material changes to depreciation, amortisation and net finance costs. After taking into consideration the expected share of results of associates, the Group is projecting a loss after tax of € 7.9 million compared to a profit after tax of € 12.2 million in the previous year.

Further details on these projections are available on the Financial Analysis Summary report issued in September 2020.

Notwithstanding the above matters, the Group has over the past years accumulated a substantial cash reserve of over €25 million. The Group also secured a €10 million loan under the MDB COVID-19 Guarantee scheme to mitigate against its working capital needs and at the same time cushioning the effect of any prolongment in its receivables cycle.

In view of the measures undertaken by the Group, the projections outlined above and the cash reserves accumulated by the Group in the past years, the directors are of the opinion that the Issuer will have the necessary funds to finance the interest falling due in April 2021 and going forward.

Dividends

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

Interim directors' report - continued

Director's statement pursuant to Listing Rule 5.75.3

We hereby confirm that to the best of our knowledge:

1. the condensed half-yearly report gives a true and fair view of the financial position of the company as at 30 September 2020, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34).

2. the interim directors' report includes a fair review of the information required in terms of Listing Rule 5.81.

Robert Debono
Director

Stephen Muscat
Director

Registered office:
Seabank Hotel,
Marfa Road,
Mellieha
MLH 9064
Malta

26 November 2020

Condensed statement of financial position

	Notes	As at 30 September 2020 € (unaudited)	As at 31 March 2020 € (audited)
ASSETS			
Non-current assets			
Loans receivable	3	**62,232,686**	62,232,686
Current assets		**3,668,481**	5,003,151
Total assets		**65,901,167**	67,235,837
EQUITY AND LIABILITIES			
Equity		**278,682**	275,198
Non-current liabilities			
Borrowings	2	**64,357,972**	64,314,699
Current liabilities		**1,264,513**	2,645,940
Total liabilities		**65,622,485**	66,960,639
Total equity and liabilities		**65,901,167**	67,235,837

The notes on pages 7 to 9 are an integral part of these condensed interim financial statements.

The condensed interim financial statements on pages 3 to 9 were authorised for issue by the board of directors on 26 November 2020 and were signed on its behalf by:

Robert Debono
Director

Stephen Muscat
Director

Condensed statement of comprehensive income

	6 months ended 30 September	
	2020	2019
	€	€
	(unaudited)	(unaudited)
Finance income	**1,507,779**	1,506,756
Finance costs	**(1,460,897)**	(1,459,050)
Net interest income	**46,882**	47,706
Administrative expenses	**(41,522)**	(41,814)
Profit before tax	**5,360**	5,892
Tax expense	**(1,876)**	(2,062)
Profit for the period – total comprehensive income	**3,484**	3,830

The notes on pages 7 to 9 are an integral part of these condensed financial statements.

Condensed statement of changes in equity

	Share capital €	Retained earnings €	Total €
Balance at 1 April 2019	250,000	20,384	270,384
Profit for the period - total comprehensive income	-	3,830	3,830
Balance at 30 September 2019	250,000	24,214	274,214
Balance at 1 April 2020	250,000	25,198	275,198
Profit for the period - total comprehensive income	-	3,484	3,484
Balance at 30 September 2020	**250,000**	**28,682**	**278,682**

The notes on pages 7 to 9 are an integral part of these condensed interim financial statements.

Condensed statement of cash flows

	6 months ended 30 September	
	2020	2019
	€	€
	(unaudited)	(unaudited)
Cash flows from operating activities	**128,278**	(2,482,796)
Net movement in cash and cash equivalents	**128,278**	(2,482,796)
Cash and cash equivalents at beginning of period	**2,199,611**	4,711,191
Cash and cash equivalents at end of period	**2,327,889**	2,228,395

The notes on pages 7 to 9 are an integral part of these condensed interim financial statements.

Notes to the condensed interim financial statements

1. Basis of preparation

This condensed interim financial information for the six month period ended 30 September 2020 has been prepared in accordance with IAS 34, 'Interim financial reporting'. They have been prepared under the historical cost convention. These financial statements have not been audited nor reviewed by the company's independent auditors. The condensed interim financial information does not include all the notes of the type normally included in the annual financial statements. Accordingly, this report should be read in conjunction with the annual financial statements for the period ended 31 March 2020, which have been prepared in accordance with IFRSs as adopted by the EU.

The accounting policies applied in the preparation of these condensed interim financial statements are consistent with those applied in the annual financial statements for the period ended 31 March 2020.

2. Borrowings

	30 September 2020 €	31 March 2020 €
Non-current		
650,000 4.35% bonds 2027	**64,357,972**	64,314,699

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

	30 September 2020 €	31 March 2020 €
Original face value of bonds issued	**65,000,000**	65,000,000
Bond issue costs	**(924,036)**	(924,036)
Accumulated amortisation	**282,008**	238,735
Closing net book amount of bond issue costs	**(642,028)**	(685,301)
Amortised cost and closing carrying amount of the bonds	**64,357,972**	64,314,699

2. **Borrowings** - continued

By virtue of an offering memorandum dated 27 March 2017, the company issued 650,000 bonds with a face value of €100 each, for an aggregate amount of €65,000,000. The bonds have a coupon interest of 4.35% which is payable annually in arrears on 25 April. The bonds are redeemable at par and are due for redemption on 25 April 2027 unless they are previously re-purchased and cancelled in accordance with the provisions of the offering memorandum. The bonds are guaranteed by SD Holdings Limited, which has bound itself jointly and severally liable for the payment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. The bonds have been admitted on the Official List of the Malta Stock Exchange on 4 May 2017. The quoted market price for the bonds as at 30 September 2020 was €99 (31 March 2020: €98). At the end of the reporting period, bonds with a face value of €535,000 (31 March 2020: €535,000) were held by a company director.

3. **Related party transactions**

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

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

	30 September 2020 €	31 March 2020 €
Loans receivable		
Loan to parent company	**1,488,101**	1,488,101
Loans to fellow subsidiaries	**60,744,585**	60,744,585
	62,232,686	62,232,686
Current amounts receivable		
Amounts receivable from parent company	**36,054**	67,038
Amounts receivable from fellow subsidiaries	**1,471,725**	2,736,502
	1,507,779	2,803,540

The loans receivable are subject to a fixed interest rate of 4.55% with an additional renewal fee which is chargeable on the loans at a floating rate at the discretion of the directors of the issuer. As at the end of the current interim reporting period the element of the floating interest rate was 0.33% (31 March 2020: 0.27%). The loans are unsecured and repayable by not later than 10 April 2027.

3. **Related party transactions** - continued

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

	6 months ended 30 September	
	2020	2019
	€	€
Finance income from loan advanced to parent company	**36,054**	36,029
Finance income from loans advanced to fellow subsidiaries	**1,471,725**	1,470,727
	1,507,779	1,506,756