

SD FINANCE plc

Condensed Interim Financial Statements
30 September 2022

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Interim directors' report

The directors present their report and the condensed interim financial statements in terms of Chapter 5 of the Capital Markets of the Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act, 2005. The condensed financial statements have been extracted from SD Finance plc's unaudited financial information as at 30 September 2022 and the six month period then ended, prepared in accordance with International Financial Reporting Standards as adopted for use in the EU for interim financial statements (International Accounting Standard 34, 'Interim Financial Reporting'). This half-yearly report has not been audited or reviewed by the company's independent auditors.

Trading performance

The Company

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

In April 2022, the company paid out €2,827,500 (2021: €2,827,500) being 4.35% interest due to its bondholders. Interest and related income principally receivable from related parties during the period ended 30 September 2022 amounted to €1,528,733 (2021: € 1,508,658). Profit before taxation for the current six-month period amounted to €5,087 (2021: € 5,071). The directors are not anticipating any significant changes during the forthcoming six months.

The Group

During the first six months, the Group has continued to register a significant upturn in its results following a period of recovery from the negative effects of the global COVID-19 pandemic during the previous financial year. The Group's management team continued monitoring the situation to make sure that the financial wellbeing of the group is secure, while at the same time continuing its expansion in the leisure sector.

For the period April to September 2022, db Seabank Resort & Spa registered a turnover of 92% of the pre-COVID-19 2019 figures, with revenues of €15 million compared to €16.45 million in 2019. Whereas db Hotel San Antonio Resort & Spa registered a turnover of 94% of the 2019 figures at €12.1 million in 2022 compared to €13 million in 2019.

The leisure arm of the Group continued expanding with several new outlets opening during the first six months of the year ending 30 September 2022. Turnover for SRGN for the period ending 30 September 2022 stood at €9.1 million, compared with €4.1 million during the same period in the previous year and compared to pre-Covid-19 2019 revenues of €5.1 million. These results include the new outlets of Sonora and LOA in Bugibba and Amami Food Bar at the University Campus.

Seaport Franchising Limited is still operating with two outlets and turnover for the period to September 2022 stands at €2.8 million. These are very encouraging results when compared to September 2019 revenues of €4.2 million, considering that it is operating with one less outlet.

Starbucks outlets, now thirteen in total, continue to grow with turnover for the first 6 months of the current financial year increasing by 138% when compared to the previous year at €3 million. Three more outlets are expected to open by the end of the financial year.

Interim directors' report - continued

The health care arm of the Group continues improving its results on a year on year basis. An upswing in demand for the services offered by the Group within this sector was experienced with the opening of the 504-bed wing at the Saint Vincent de Paul Residence which is run and managed by one of the Group's associated companies.

The Group has prepared projections for the year ending 31 March 2023, based on actual results for the six months ended 30 September 2022 and forecasts thereafter. Revenue is projected to increase substantially from the prior year to €62 million (2022: €40 million), primarily on account of an almost complete recovery in the hospitality industry and a positive performance from the operations of Adeera Complex, Nine Lives Beach Club, AKI, Sonora and LOA. The Group is not expecting material changes to depreciation, amortisation and net finance costs. As for share of results of associates, the Group is projecting similar results primarily because of the expected earnings to be generated by Malta Healthcare Caterers Limited.

Further details on these projections are available in the Financial Analysis Summary report issued in September 2022.

In view of the Group's financial discipline, together with its excellent results, cash balances increased to €40 million as at 31 March 2022. The Ukraine-Russia conflict is not expected to affect the results of the group as its exposure of business from these two countries is minimal. However, whilst the group has no direct business linkages with these two countries, it is monitoring the effect that this conflict may have. The increase in the price of goods and services is another challenge the group is facing, but notwithstanding this the projections show further strengthening of its cash balances to around €52million by March 2023.

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 2023 and going forward.

Dividends

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

Interim directors' report - continued

Directors' statement pursuant to Capital Markets Rule 5.75.3

We hereby confirm that to the best of our knowledge:

1. the condensed half-yearly report gives a true and fair view of the financial position of the company as at 30 September 2022, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34).
2. the interim directors' report includes a fair review of the information required in terms of Capital Markets Rule 5.81.



Robert Debono
Director



Stephen Muscat
Director

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Malta

28 November 2022

Condensed statement of financial position

	Notes	As at 30 September 2022 € (unaudited)	As at 31 March 2022 € (audited)
ASSETS			
Non-current assets			
Loans receivable	3	64,332,686	64,332,686
Current assets			
		1,776,972	3,111,015
Total assets		66,109,658	67,443,701
EQUITY AND LIABILITIES			
Equity			
		288,314	285,007
Non-current liabilities			
Borrowings	2	64,537,755	64,490,922
Current liabilities			
		1,283,589	2,667,772
Total liabilities		65,821,344	67,158,694
Total equity and liabilities		66,109,658	67,443,701

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

The condensed interim financial statements on pages 4 to 10 were authorised for issue by the board of directors on 28 November 2022 and were signed on its behalf by:



Robert Debono
Director



Stephen Muscat
Director

Condensed statement of comprehensive income

	6 months ended 30 September	
	2022 € (unaudited)	2021 € (unaudited)
Finance income	1,528,733	1,508,658
Finance costs	(1,464,456)	(1,462,580)
Net interest income	64,277	46,078
Administrative expenses	(59,190)	(41,007)
Profit before tax	5,087	5,071
Tax expense	(1,780)	(1,775)
Profit for the period	3,307	3,296
– total comprehensive income	3,307	3,296

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

Condensed statement of changes in equity

	Share capital €	Retained earnings €	Total €
Balance at 1 April 2021	250,000	30,137	280,137
Profit for the period - total comprehensive income	-	3,296	3,296
Balance at 30 September 2021	250,000	33,433	283,433
Balance at 1 April 2022	250,000	35,007	285,007
Profit for the period - total comprehensive income	-	3,307	3,307
Balance at 30 September 2021	250,000	38,314	288,314

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

Condensed statement of cash flows

	6 months ended 30 September	
	2022 € (unaudited)	2021 € (unaudited)
Cash flows from operating activities	(1,464,286)	1,404,335
Cash flows used in investing activities	-	(2,100,000)
Net movement in cash and cash equivalents	(1,464,286)	(695,665)
Cash and cash equivalents at beginning of period	3,018,511	2,293,486
Cash and cash equivalents at end of period	1,554,225	1,597,821

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

Notes to the condensed interim financial statements

1. Basis of preparation

This condensed interim financial information for the six month period ended 30 September 2022 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 2022, 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 2022.

2. Borrowings

	30 September 2022	31 March 2022
	€	€
Non-current		
650,000 4.35% bonds 2027	64,537,755	64,490,922

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 2022	31 March 2022
	€	€
Original face value of bonds issued	65,000,000	65,000,000
Bond issue costs	(924,036)	(924,036)
Accumulated amortisation	461,791	414,958
Closing net book amount of bond issue costs	(462,245)	(509,078)
Amortised cost and closing carrying amount of the bonds	64,537,755	64,490,922

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 2022 was €102.00 (31 March 2022: €100.25). At the end of the reporting period, bonds with a face value of €537,327 (31 March 2022: €537,327) 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 2022 €	31 March 2022 €
Loans receivable		
Loan to parent company	1,488,101	1,488,101
Loans to fellow subsidiaries	62,844,585	62,844,585
	64,332,686	64,332,686
Current amounts receivable		
Amounts receivable from parent company	1,462	2,178
Amounts receivable from fellow subsidiaries	59,693	89,149
Accrued interest receivable from related parties	186,429	44,743
	247,584	136,070

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 0.2% (31 March 2022: 0.15%). 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	
	2022	2021
	€	€
Finance income from loan advanced to parent company	35,409	35,018
Finance income from loans advanced to fellow subsidiaries	1,493,324	1,473,640
	1,528,733	1,508,658