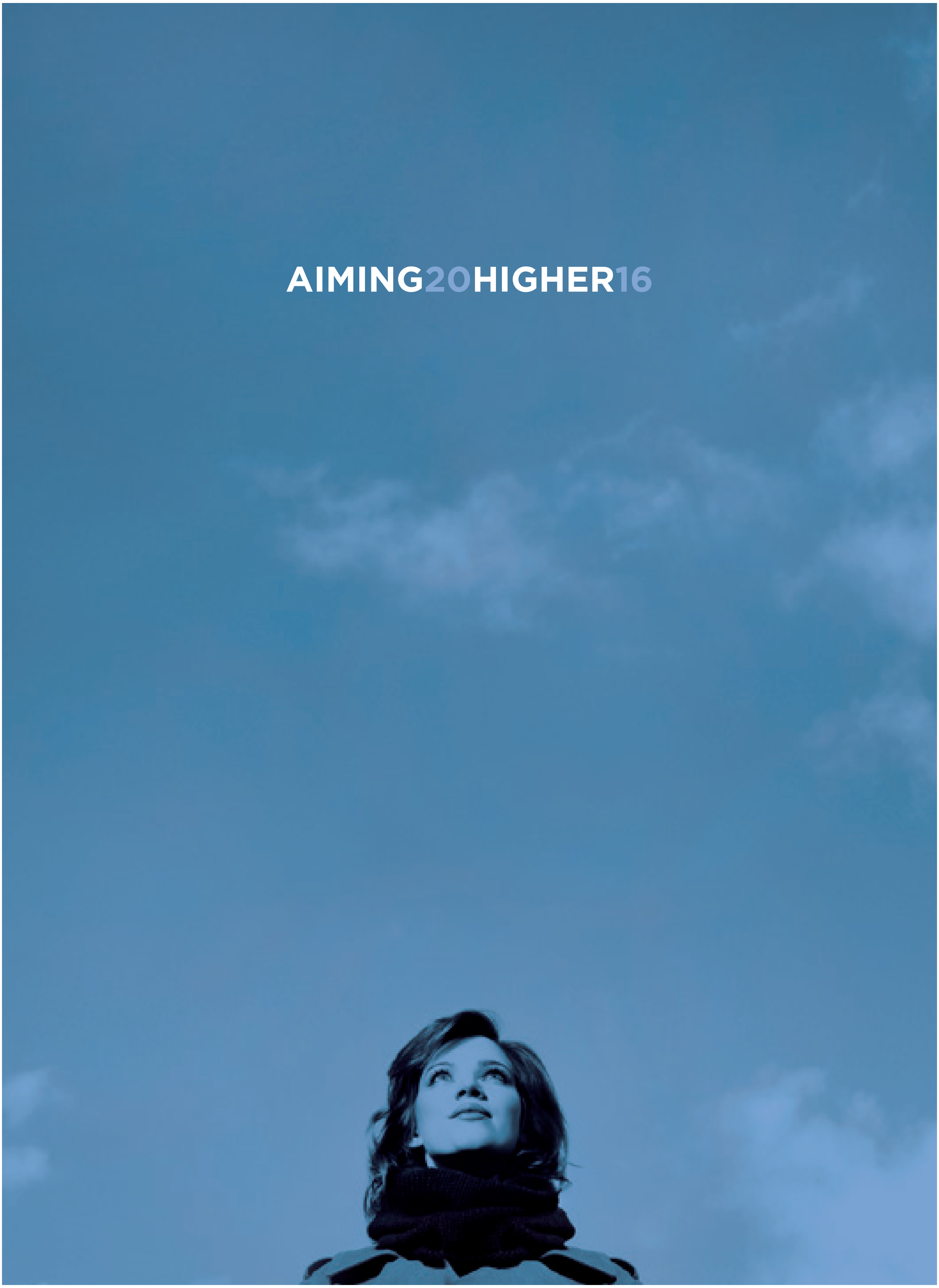



SEABANK GROUP | 2016 CORPORATE PROFILE & FINANCIALS

# VISION

"WE ARE WHAT WE REPEATEDLY DO.
EXCELLENCE, THEN, IS NOT AN ACT,
BUT A HABIT."

ARISTOTLE

# OUR MISSION

ONE WORD...

Which captures the essence of success on our business.
Which always reminds us of how we got here.
Which has guided us for three decades.
Which inspires all our new ventures.
Which distinguishes us from others.
Which explains our staying power.
Which defines who we are.
Which is our future.

## EXCELLENCE

SEABANK GROUP

# CONTENTS

# CHAIRMAN'S INTRODUCTION

## It is all about movement...

For various reasons, from technological to social, from global to political, change is the only thing that is permanent in the business world we live in today. This is no longer a cliché or a philosophical principle. It has become the way of life for business, from the decisions taken in the boardroom, all the way through the entire management structure.

It is not just that the pace of change has quickened at an unprecedented rate. More acutely, its sheer depth is creating a world which was unimaginable even just a few years ago.

For today's success to be repeated tomorrow, it is no longer enough to do what we used to do better, faster and more efficiently. One has to rethink the basics and question the obvious every single day. It is not accidental that almost everywhere you turn, you hear whispers of 'disruption' in the wind.

In this context, our Group's expansion has been a carefully prepared mix of planning and risk taking, flitting our eyes between the past, the present and the future. We invest through prudent financial structures and management as well as a conservative plough back policy, supporting new investment and growth with our profits. We select our growth areas judiciously and never invest capital in projects which do not pay for themselves within a reasonably short time span.

Furthermore, our new projects are expected to start yielding positive results within 18-24 months of inception. The results published in this report give ample evidence that we are steering the ship in the right direction.

The Group's decision to invest €80m in Malta at the height of the 2009 and 2010 global financial crisis was bold, courageous and risky. Yet it proved to be a wise one and is bearing the desired fruits.

Last year, we invested another €32 in the db San Antonio to make it the Maltese hotel with the 2nd largest number of rooms. We have also acquired a private health service firm, a move which makes us the largest in the sector. The last few months have also seen us make substantial progress in our endeavor to build and operate the City Centre project, which includes an upmarket Hard Rock Hotel.

The facts show that the market is rewarding us for having full faith in the product, for our ability to deliver it with excellence and for our faith in this country.

> ***THE FACTS SHOW THAT THE MARKET IS REWARDING US FOR HAVING FULL FAITH IN THE PRODUCT, FOR OUR ABILITY TO DELIVER IT WITH EXCELLENCE AND FOR OUR FAITH IN THIS COUNTRY***

Today we continue to invest in quality products and services, constantly upgrading, improving and reconceptualising our offer according to our clients' needs and desires. We put our ears as well as our feet to the ground. Client feedback sharpens our focus and helps us zoom in on new trends, new possibilities and opportunities.

Apart from our financial success, I am also proud of our CSR policies, particularly the strong commitment to local communities. We see it as our duty to make this commitment because we are part of the community and our success would be meaningless without it. I am also elated by the fact that the we operate business which respect the environment at every possible turn.

The success of our business model and its capacity to sustain growth inspire us to explore other market sectors - locally and abroad - with more out of the box ideas. We are very excited about a number of projects in the pipeline, one of which is driven by a land reclamation vision.

As we look to the future, we are steadfast in the belief that change is the main driving force. Yet we are equally steadfast in our belief that, as we have done so far, we shall ride the waves with pride in a job well done.

SILVIO DEBONO
Chairman

# CEO REPORT

## Sustaining a strong business strategy

The past financial year has proved to be another milestone in our Group's performance. The ambitious goals and strategies consolidating our position as market leaders in the local hospitality and entertainment business continue to bear the desired fruit.

Incoming tourism has continued to grow, increasing by 6% and reaching the unprecedented 1.8 million mark. The Group's commitment to take its quality services a notch higher is widely acknowledged by industry leaders and evidenced by the various international awards won by the Group. This year's results continue to show a solid positive trajectory:

- Group Sales increased by 23%, reaching the €43 million mark
- EBIDTA registered a staggering increase of 46% coming in at €18 million
- Operational cash flows factored in at €16 million, an improvement of 58% over 2015.

On a sectorial level, the Group's mainstream operations registered healthy results as follows:

- Hospitality and Leisure – Gross Operating Profit per Available Room (GOPAR) factored in at €16,000 compared to the industry average of €12,500
- Health sector – EBIDTA increased by 100% as a result of new business factoring in at €1.5 million
- Restaurant business – EBIDTA increased by 11% factoring in at €2.1 million
- Contract catering – EBIDTA down by 12% to €3.2 million as a result of a renegotiated contract on the in-flight catering side of the business.

The human resource element is a pivotal element in the Group's continued success story. Raising the bar is synonymous with continued investment in the critical elements in the organisation. Staff is indeed the key element to success and in this respect the Group has now launched a number of initiatives to further improve the service quality standards it offers to its wide clientele base. We also welcome wholeheartedly the new office of Director of Hotels which will allow better focus on the Group's core business segment.

The past year has also been characterised by a key milestone in line with the Group's growth strategy. The Group was successful in its bid to secure the award of a prime stretch of land enveloped in Malta's mecca of 5-star properties and our own 'golden mile' - the site currently occupied by the Institute of Tourism Studies in St. George's bay, St. Julians. The site, which

> ***THE GROUP WAS SUCCESSFUL IN ITS BID TO SECURE THE AWARD OF A PRIME STRETCH OF LAND ENVELOPED IN MALTA'S MECCA OF 5-STAR PROPERTIES AND OUR OWN 'GOLDEN MILE'***

we are naming City Centre, is earmarked for a mixed-use development which will position it at the top end in luxury living and accommodation on the island - a unique cosmopolitan living experience, featuring high end outlets, services and facilities. The main components will be:

- A 450-room 5-star property of an internationally recognised brand
- Residential units in two high rise towers
- Office space
- Food and beverage plaza
- The largest shopping mall on the island
- State of the art facilities
- Large on-site parking

2015-16 has been another outstanding year. However, we will not rest on our laurels. Our underlying corporate mission statement continues to be captured by one word – Excellence. It is the key to the Group's continued success. We look back on the past year with a well-deserved sense of passion and satisfaction. Moving into the next fiscal year brings with it exciting new challenges and great opportunities. As always we are looking forward to an even brighter future.

ARTHUR GAUCI
Chief Executive Officer

# GROUP HIGHLIGHTS 2016

The Seabank Group was established over 30 years ago and has over the years grown from a family-run business into Malta's foremost corporate player in the tourism sector and beyond. Today, the Seabank Group is the leading name in the hospitality and leisure sector.

Over the years, the Group formed strategic partnerships with a number of global players including the Accor Hotel Group, RIU Hotels & Resorts and Hard Rock Café International. It has launched its own brand, db Hotels + Resorts, to operate its chain of hotels and resorts, a brand which the Group is looking to expand internationally going forward.

Over the years, the Seabank Group has won a number of prestigious global awards, which positioned it at the forefront of the Maltese hospitality and catering industry.

Apart from hospitality and leisure, the Seabank Group has substantial interests in contract catering, healthcare and property development.

All the results from the activities carried out within the Group are incorporated into SD Holdings Limited, the ultimate parent of the Group.

db Seabank RESORT + SPA
db San Antonio HOTEL + SPA
Hard Rock CAFE MALTA
Porto Azzurro
Tunnynet complex
Sky GOURMET Malta Ltd

## HOSPITALITY & LEISURE

- DB SEABANK RESORT & SPA
- DB SAN ANTONIO HOTEL & SPA
- HARD ROCK CAFÉ MALTA
- PORTO AZZURRO
- TUNNY NET COMPLEX

## PROPERTY DEVELOPMENT

- KIKA CONSTRUCTION COMPANY LIMITED
- KIKA DEVELOPMENTS COMPANY LIMITED
- SIAR PROPERTY INVESTMENTS LIMITED
- GĦADIRA PROPERTY INVESTMENTS LIMITED

## CONTRACT CATERING

- SKY GOURMET MALTA LIMITED
- MALTA HEALTHCARE CATERERS LIMITED

## HEALTHCARE

- HEALTHMARK
- HEALTH SERVICES GROUP LIMITED
- SUPPORT SERVICES LIMITED

Malta Healthcare Caterers LIMITED

PROPERTY DEVELOPMENT

GĦADIRA PROPERTY
INVESTMENTS LIMITED

Healthmark

KIKA CONSTRUCTION
COMPANY LIMITED

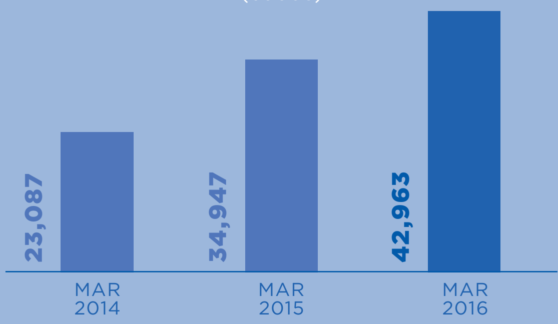
SIAR PROPERTY
INVESTMENTS LIMITED

**3,500 BEDS**
LARGEST HOTEL OPERATOR IN MALTA

STAFF COMPLEMENT OF CIRCA
**2,700**

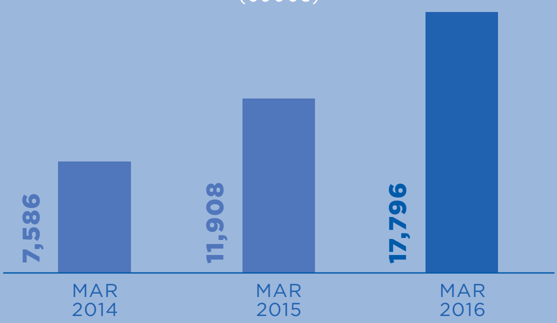
ESTIMATED IMPLIED VALUE
**€157 million**
AS AT 31 MARCH 2016

## REVENUE
(€000S)



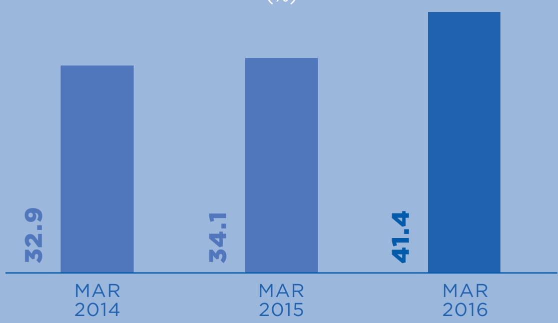

% CHANGE
FY2015/FY2016 **+22.9%**

## EBITDA
(€000S)



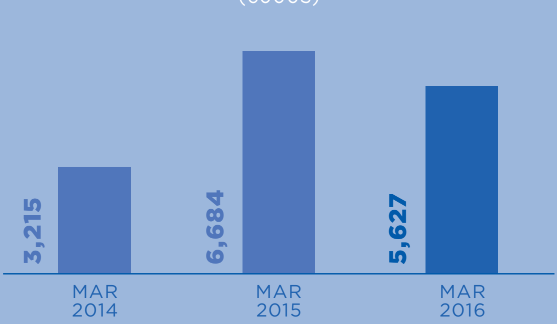

% CHANGE
FY2015/FY2016 **+49.4%**

## EBITDA Margin
(%)



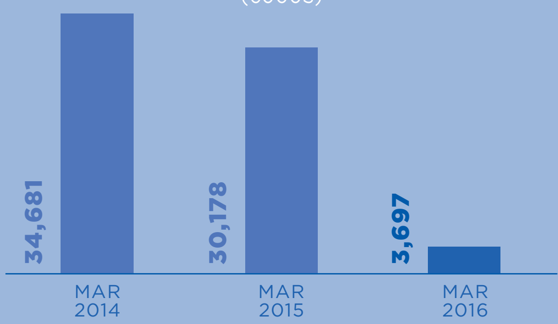

% CHANGE
FY2015/FY2016 **+21.6%**

## PROFIT AFTER TAX
(€000S)




% CHANGE
FY2015/FY2016 **-15.8%**

## CAPITAL EXPENDITURE
(€000S)



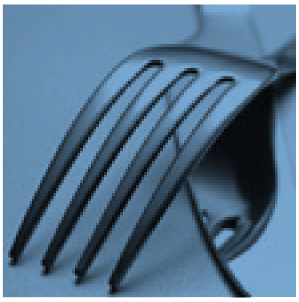

% CHANGE
FY2015/FY2016 **-87%**

# GROUP REVENUE BY SEGMENT FOR THE YEAR ENDED 31 MARCH 2016

HOSPITALITY & LEISURE

74%

CONTRACT CATERING

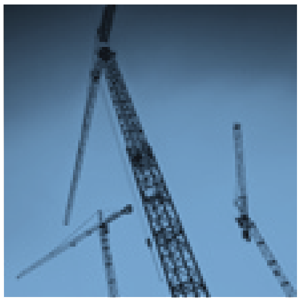


15%

HEALTHCARE

10%

PROPERTY DEVELOPMENT



1%

# ESTIMATED IMPLIED VALUE:

| **As at 31 March 2016** | **€000s** |
|---|---|
| Net asset value as at 31 March 2016 | 520 |
| Less: cost of investment in subsidiaries/associates | (16,273) |
| Net liabilities (excluding cost of investments) | (15,753) |
| Add: Fair value of subsidiaries/associates | |
| Seabank Hotel and Catering Limited (incl. value of subsidiaries and associates) | 139,000 |
| 50% shareholding in Hotel San Antonio Limited | 33,600 |
| **100% equity value** | **156,847** |

# MALTA

## COUNTRY PROFILE

# MALTA

At the centre of the Mediterranean Sea lies the island of Malta, a three islands archipelago made up of Malta, Gozo and Comino. This small island, with an area of just 316km, is located in the passageway between Africa and Europe, 93km south of Sicily and 288km north of Libya.

Malta is considered to be one of the smallest countries in the world, however has a population of 429,000 persons, therefore it is also one of the densest in Europe.

Malta is politically stable, a parliamentary republic with a bi-partisan party system. Malta joined the European Union on 1 May 2004 and has the Euro as its official currency, since 2008.

Maltese and English are official languages in Malta and most Maltese are also conversant in another language.

## KEY FACTS – MALTA

| | |
|---|---|
| **Official name** | **Republic of Malta** |
| **Population** | **429,344 persons (2014)** |
| **Population density** | **1,359 persons per km2** |
| **Area** | **316 km2** |
| **Shore line** | **200 km** |
| **Median age** | **41 years** |
| **Capital city** | **Valletta** |
| **Official languages** | **Maltese and English** |
| **Currency** | **Euro (€)** |

*Key facts about Malta*
*Source: NSO publication, Malta in Figures, 2014*
*NSO publication, World Population Day, 2015*

# ECONOMIC OVERVIEW

Overall, Malta's economic growth exceeded the euro area average for several years, led by robust domestic demand and exports, indicative of a strengthening economy[1].

| | EU-28 Average 2015 | Malta 2015 |
|---|---|---|
| Real GDP Growth Rate (%) | 2.0 | 6.4 |
| Unemployment Rate (%) | 9.4 | 5.4 |
| Inflation (%) | 0.0 | 1.2 |

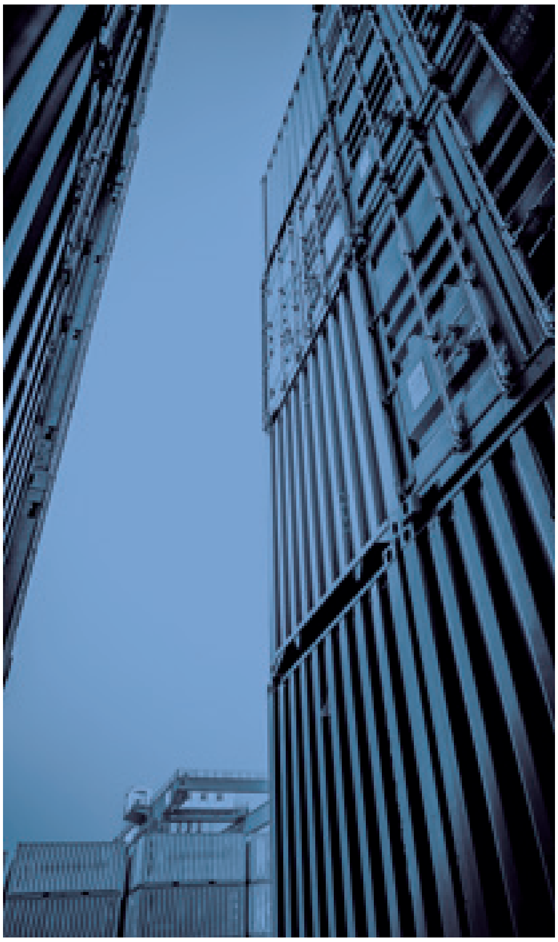
[1] Euro Challenges, 'An Overview of Malta's Economy', November 2014
Economic and Financial Affairs, European Commission
European Economic Forecast, European Commission, Winter 2015

# KEY ECONOMIC INDICATORS 2012 – 2015

| | 2013 | 2014 | 2015 | 2016 (budget) |
|---|---|---|---|---|
| GDP at real prices (€billion) | 7.1 | 7.4 | 7.9 | 8.3 |
| GDP per capita real prices (€) | 17,029 | 17,464 | 18,395 | 19,877 |
| Real GDP Growth rate (%) | 4.3 | 3.5 | 6.4 | 5.3 |
| Inward FDI stock position (€billion) | 133.7 | 143.1 | 148.2[2] | n/a |
| Annual Inflation rate – (HICP %) | 1.0 | 0.8 | 1.2 | 1.2 |
| Unemployment rate (%) | 6.4 | 5.9 | 5.7 | 6.0 |
| Total Exports of Goods and Services (€billion) | 11.1 | 11.1 | 11.3 | 11.7 |
| Total Imports of Goods and Services (€billion) | 10.6 | 10.6 | 11.2 | 11.5 |
| Balance of trade (€billion) | 0.5 | 0.5 | 0.2 | 0.2 |
| Average disposable income (€) | 23,498 | 24,730 | 25,171 | 26,052 |
| Average total bank deposits by residents (€billion) | 11.8 | 13.1 | 15.2 | n/a |
| Growth rate in average total bank deposits by residents (%) | 7.3 | 11.2 | 15.6 | n/a |

*Malta's Key Economic Indicators*
*Source: Various NSO publications, Central Bank of Malta and Eurostat data*

[2] The figure represents the latest available result and is for the period up to June 2015.



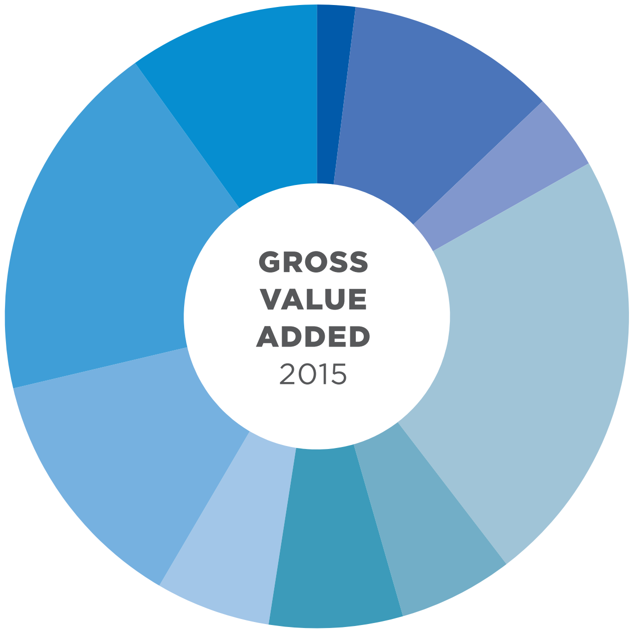
## INTERNATIONAL TRADE

As a small economy, the Maltese one depends heavily on foreign trade. It has the highest degree of openness in the EU, with exports and imports of goods and services amounting to around 276% of GDP. The economy is characterised by a high degree of export concentration and is almost entirely dependent on foreign trade, manufacturing, and tourism.

Malta's main trading partners are in the European region, with 70% of imports and 32% of exports being traded with them.

## GROSS VALUE ADDED (GVA)

Sectorial distribution of Malta's GVA for 2015[3]




| | |
|---|---|
| 1% | Agriculture, Forestry and Fishing |
| 11% | Manufacturing and Energy utilities |
| 4% | Construction |
| 23% | Wholesale and retail trade, transport & accomodation |
| 6% | Information and Communication |
| 7% | Financial and Insurance activities |
| 6% | Real Estate Activities |
| 13% | Professional, scientific and technical activities |
| 19% | Public administration, education and health |
| 10% | Arts, entertainment and recreation |

[3] NSO, March 2016 – GDP release 041/2016

# REASONS TO INVEST IN MALTA

- Malta is very strategically located at the heart of the Mediterranean with very close ties to mainland Europe, North Africa and the Middle East.

- Successive governments have actively sought to strengthen Malta's attractiveness as an open market economy.

- On its economic, banking and institutional strengths, Malta emerged from the global recession virtually unscathed and in a stronger position.

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

- Malta is now an internationally recognised financial services hub and is fast becoming a regional centre of ICT excellence.

- Favourable tax rates at corporate and individual level. Malta scores highly on all quality of life aspects.

- Travelling distances are minimal, healthcare facilities rank amongst the best in Europe and the crime rate is very low.

- The country also offers one of the richest diverse cultures in the region, a 7,000 year-old history, welcoming people combined with all the features of contemporary cosmopolitan lifestyles, from shopping to restaurants to a bustling nightlife.

## CITIZENSHIP BY INVESTMENT

In 2014 Malta introduced the Individual Investor Programme, which allows for the granting of Maltese citizenship to any foreign individuals and their families who contribute to the economic development of Malta and meet the requirements of the programme. 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 both on five-year contracts.
- would need to make a lump sum contribution of €650,000 and additional payments according to the number of dependants.
- commits to invest at least €150,000, amongst others, 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.

As at June 2015, the number of applicants in the Maltese citizenship program was just over 620, out of the cap of 1800 applications in place for the whole program.

# TAX INCENTIVES AND OTHER PROGRAMMES FOR FOREIGN INVESTORS

A long-standing, full imputation 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 6/7th of the tax paid, thus resulting in an effective tax rate of 5%.

Malta provides various incentives to foreigners, which have attracted over 20,000[4] expats, most of whom are professionals.

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 in Malta even when received in Malta. Furthermore, Malta does not impose any 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).

Malta offers various tax programmes available to high value expatriates, which provide for an advantageous tax rate. In order to qualify for one of the below special tax programmes available, the particular individual must satisfy certain criteria. Amongst others, the individual must hold a ‘Qualifying Owned Property’ of not less than €275,000 or lease a ‘Qualifying rented property’ of not less than €9,600 per annum 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 nationals) or the **Residence Programme Rules** (for EU / EEA nationals) all foreign sourced income, which is remitted to Malta, is taxed at 15% subject to a minimum tax payment. 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 or intend to establish domicile in Malta.

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 income tax of €10,000, after double tax relief.

Malta also offers tax programmes to attract highly qualified foreign individuals to come and work in specific sectors of the Maltese industry. Under the **Highly Qualified Persons Rules**, expatriates satisfying certain requirements and employed

[4] Census of population and housing, 2011, NSO

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, 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 further apply for a 5 year extension and for a period of 4 years in the case of third country nationals. Two similar programs, namely, **Qualifying Employment in Innovation and Creativity (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 exercised in Malta taxed at a rate of 15% subject to certain terms.

Furthermore, a high value individual may obtain Maltese citizenship through the **Malta Individual Investor Programme (MIIP)** or 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 of applying for a visa.

The main applicant must satisfy the following three-tier structure:

1. 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).
2. Invest an initial value of €250,000 in a form as determined, from time to time, by Identity Malta.
3. 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).

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.

# THE BOARD OF DIRECTORS

*from left*

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

# HOSPITALITY

# & LEISURE

# HOSPITALITY AND LEISURE MARKET IN MALTA

The tourism sector is a main pillar of the Maltese economy, attracting around 1.7 million tourists a year and accounting for 27.1% of GDP, with a direct contribution of 15.1% at €1,160 million (2015)[5]. Over the last seven years, tourist arrivals increased by an annual average of 5%, exceeding the average growth rates for Europe as a region.[6]

**Key indicators for Malta's tourism sector for 2015 and projections for 2016 and 2026:**

| | 2015 | 2016 | 2026 |
|---|---|---|---|
| Direct contribution of travel and tourism as a % of GDP | 15% | 20% | 20% |
| Direct contribution of travel and tourism to GDP (€ million) | €1,260 | €1,324 | €1,962 |
| Total contribution of travel and tourism as a % of GDP | 28% | 32% | 34% |
| Total contribution of travel and tourism to GDP (€ million) | €2,311 | €2,413 | €3,507 |
| Direct jobs generated in travel and tourism | 29,000 | 34,539 | 39,000 |
| Travel and tourism direct jobs as a % of total employment | 16.5% | 19.1%% | 22% |
| Total jobs generated in travel and tourism | 51,000 | 51,500 | 65,000 |
| Travel and tourism total jobs as a % of total employments | 28.8% | 30.6% | 36.4% |
| Money spent by foreign visitors (€ million) | €1,450 | €1,530 | €2,355 |
| Investment attracted by travel and tourism (€ million) | [7]€171.3 | €177.3 | €228.3 |

*Tourism Sector Key Indicators*
*Source: World Travel and Tourism Council, Travel and Tourism Economic Impact 2015, Malta*

Economic growth in Malta in 2016 is expected to be driven by a positive performance in the services sector. Tourism is expected to continue performing strongly as the projected expansion in the supply side of the industry through increased airline and cruise ship seat capacity and bed capacity, is expected to be met by higher demand[8].

| | 2013 | 2014 | 2015 | % change 14/15 |
|---|---|---|---|---|
| Inbound tourists (million) | 1,582 | 1,690 | 1,791 | 6.0% |
| Tourist guest nights (million) | 12,890 | 13,522 | 14,217 | 5.1% |
| Average length of stay (days) | 8.1 | 8.0 | 7.9 | -0.8% |
| Tourist expenditure (€ million) | 1,440 | 1,529 | 1,644 | 7.5% |

*Main Indicators for Inbound Tourism for Malta 2013 - 2015*
*Source: Malta Tourism Authority, Tourism in Malta – Edition 2016*

[5] World Travel and Tourism Council, Travel and Tourism Economic Impact 2016, Malta
[6] Ministry for Tourism, Draft National Tourism Policy 2015-2020
[7] Ministry for Finance, Malta's National Reform Programme under the Europe 2020 Strategy, April 2015
[8] Malta Tourism Authority, Tourism in Malta – Edition 2016

In 2015, the peak months remained those between June and October, with the highest activity registered in August. The UK remains Malta's main source market accounting for 29.4% of annual arrivals. 16.1% of incoming tourists visit from Italy, 7.9% from Germany and 7.1% come from France. Tourists coming from EU Member States account for 78% of all inbound visits[9].

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. With respect to age, the majority of tourists fall within the 25 – 44 age group. Tourist arrivals in this category increased by 5.9% over 2014. The second largest category of tourist arrivals was in the 45 – 64 age group.

Malta and Gozo have over 100 hotels with over 35,000 beds. The majority are 4 and 3 star, accounting for and house 16,000 and 10,000 beds respectively. In 2015, 46% of hotel guests stayed at 4 star hotels and 20% at 5 star ones.

# ACCESSIBILITY

Malta is an EU micro island state, with the attendant features of insularity and peripherality; hence, tourism is highly dependent on established route networks.

**AIR CONNECTIVITY** – In 2015, 97% of all tourists travelled to Malta by air. The Malta International Airport (MIA) registered 4.4 million passenger movements, a 6.4% increase over the previous year. The growth is the result of further capacity being deployed by Malta from operating airlines and also due to a number of new airlines and routes which have already been announced.

**SEA CONNECTIVITY** – The remaining percentage arrived by sea through a number of maritime market segments, which have the potential to add to and diversify Malta's tourism inflows. One such sector is the home porting of cruise ships whose passengers increased by 27.3% between 2014, from 471,554 to 600,156. 75.8% came from EU Member States. Nearly 40,000 passengers arrived in Malta in the first quarter of 2016, an increase of 90 % over the same period of 2015. Another sector on the rise is yachting. Malta has a long tradition as a yachting destination and offers a range and volume of its berthing facilities[6].

[9] Ibid.

# DB SEABANK RESORT & SPA
## KEY MILESTONES

### 1984

Silvio Debono buys a guest house in Mellieħa, expanding and embellishing it in subsequent years

### 1992

The guest house 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 €40m 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. The hotel spreads over around 23,000m of land, 19,000m of which are landscaped. It is Malta's first fully all-inclusive resort offering a superior service.

With an injection of €40million, the resort has been renovated and extended to a 540-room facility. It now offers 7 themed restaurants, 4 bars, Malta's largest hotel pool, state of the art fitness centre and a spa with a heated indoor pool having panoramic views. In 2015, a new entertainment complex was opened at the db Seabank Resort + Spa, including 3 restaurants, a bowling alley, a sports bar and a teens and kids clubs.

---

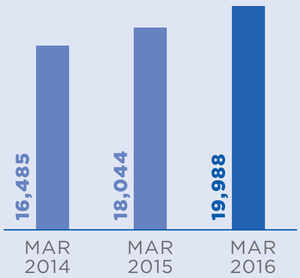
**Over the years, the hotel has been awarded a number of prestigious awards by leading tour operators and certification bodies:**

- **Certificate of Excellence** by Trip Advisor – 2016 Winner
- **Traveller's Choice** by Trip Advisor – 2016 Winner
- **Certificate of Excellence** by Trip Advisor – 2015 Winner
- **Traveller's Choice** by Trip Advisor – 2015 Winner
- **Sunny Heart Silver Award Nominee** Thomas Cook (2015)
- **Top 10 All-Inclusive Resort in Europe** by Trip Advisor – 2014 Winner
- **Traveller's Choice** by Trip Advisor – 2014 Winner
- **Certificate of Excellence** by Trip Advisor – 2014 Winner
- **Most popular Hotel in Mellieħa** HolidayCheck.com (2014)
- **Gold Award Accessible Tourism** Travelife (2014)
- **Top 25 All-Inclusive Resort in Europe** by Trip Advisor – 2013 Winner
- **Traveller's Choice** by Trip Advisor – 2013 Winner
- **Certificate of Excellence** by Trip Advisor – 2013 Winner
- **Quality Selection Certificate** HolidayCheck.com (2013)
- **Certificate of Excellence** by Trip Advisor – 2012 Winner
- **Certificate of Excellence** by Trip Advisor – 2011 Winner

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

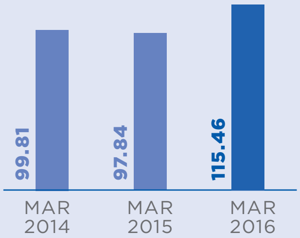
## 2016 RESULTS & KPIS

### REVENUE
(€000S)



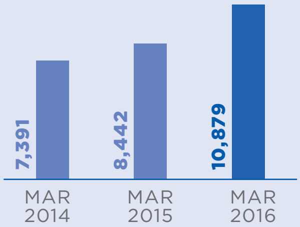

% CHANGE
FY2015/FY2016
**+10.8%**

### AVERAGE ACHIEVED ROOM RATE
(€)



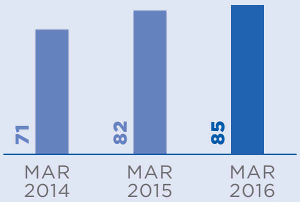

% CHANGE
FY2015/FY2016
**+18%**

### GROSS OPERATING PROFIT
(€000S)




% CHANGE
FY2015/FY2016
**+14.2%**

### OCCUPANCY
(%)




% CHANGE
FY2015/FY2016
**+3.7%**

**50,000**
visitors in 2015

Malta Average for 4 star hotels (2015) **83.7%**

# 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 €33m, the db San Antonio Hotel + Spa is refurbished and turned into a 500-room all-inclusive hotel. 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, this 4-star, all-inclusive hotel is architecturally built in Moorish style with 500 rooms spread across 10 floors. It has 5 themed restaurants, indoor, outdoor and rooftop pools, a fitness centre, a Hammam spa and extensive conference facilities.

The hotel targets the 4-star plus market and today forms part of the db hotel chain. It has been operating since 2002 but has recently been substantially upgraded. With an investment of €33million, the number of rooms was increased from 300 to 500. In addition, a number of apartments are being offered on a timeshare basis. Furthermore, in line with this upgrade, the hotel has been converted to an all-inclusive hotel.

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

tripadvisor ECO certification Lufthansa Holidays zoover Expedia+ venere.com

- **Certificate of Excellence**
  by Trip Advisor – 2016 Winner
- **ECO certified**
  by the Malta Tourism Authority – 2016
- **Traveller's Choice**
  by Trip Advisor – 2015 Winner
- **Certificate of Excellence**
  by Trip Advisor – 2015 Winner
- **Certified by Lufthansa Holidays**
  2015
- **Bronze Award Winner 2015**
  by Zoover
- **Top Producer Package Rooms**
  Expedia.com 2015
- **Certificate of Excellence**
  by Trip Advisor – 2013 Winner
- **Recommended Hotel**
  by Zoover - 2013
- **Top Overall Ratings**
  venere.com 2013
- **Top Clean Award**
  venere.com 2013
- **Certificate of Excellence**
  by Trip Advisor – 2012 Winner
- **Certificate of Excellence**
  by Trip Advisor – 2011 Winner
- **Best Hotel in Qawra**
  by Zoover - 2013

## 2016 RESULTS & KPIS

### REVENUE (€000S)

| DEC 2013 | MAR 2015[10] | MAR 2016 |
|---|---|---|
| 5,456 | 9,393 | 14,727 |

% CHANGE FY2015/FY2016
**+56%**

### AVERAGE ACHIEVED ROOM RATE (€)

| DEC 2013 | MAR 2015[10] | MAR 2016 |
|---|---|---|
| 48.68 | 60.14 | 106.79 |

% CHANGE FY2015/FY2016
**+77.6%**

### GROSS OPERATING PROFIT (€000S)

| DEC 2013 | MAR 2015[10] | MAR 2016 |
|---|---|---|
| 1,455 | 2,940 | 6,730 |

% CHANGE FY2015/FY2016
**+137%**

### OCCUPANCY (%)

| DEC 2013 | MAR 2015[10] | MAR 2016 |
|---|---|---|
| 72 | 66 | 78 |

% CHANGE FY2015/FY2016
**+18%**

**40,000**
visitors in 2015

Malta Average for 4 star hotels (2015) **83.7%**

[10] First year the db San Antonio Hotel + Spa was operational after refurbishment – was closed during Q1 and Q2 2014

# 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 Porto Azzurro Complex

# TUNNY NET COMPLEX
## KEY MILESTONES

**1993**

Group acquires the 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 as a complex including a restaurant, pub, club, beach lido and water sports facilities

**2014**

Complete refurbishment of the Tunny Net Complex


# PORTO AZZURRO HOTEL

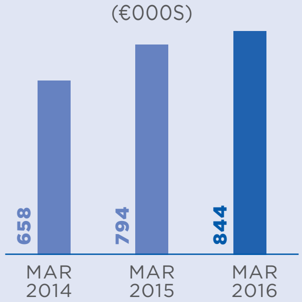
Porto Azzurro is a 3-star, 125-room, aparthotel and overlooking St. Paul's Bay. The rooms and apartments are stylish and comfortable, with ensuite bathrooms, air conditioning, a fully equipped kitchenette and other amenities.

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

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

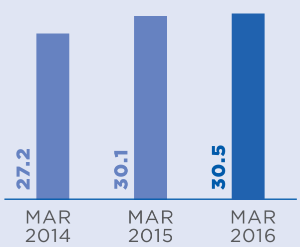
## 2016 RESULTS & KPIS

### REVENUE
(€000S)



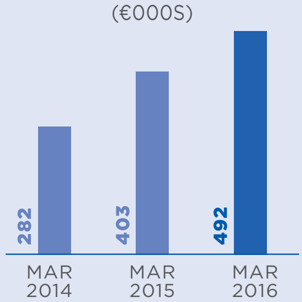

% CHANGE
FY2015/FY2016
**+6%**

### AVERAGE ACHIEVED ROOM RATE
(€)



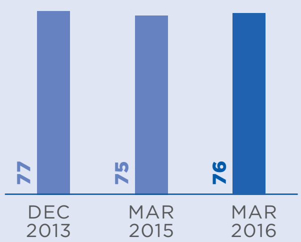

% CHANGE
FY2015/FY2016
**+1.3%**

### GROSS OPERATING PROFIT
(€000S)




% CHANGE
FY2015/FY2016
**+22.1%**

### OCCUPANCY
(%)

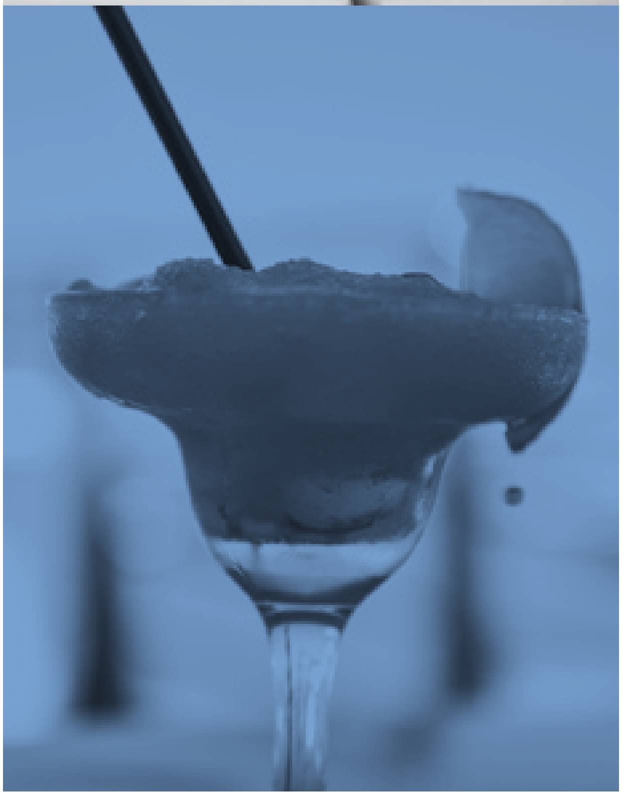



% CHANGE
FY2015/FY2016
**+1.3%**

Malta Average for 4 star hotels (2015) **83.7%**

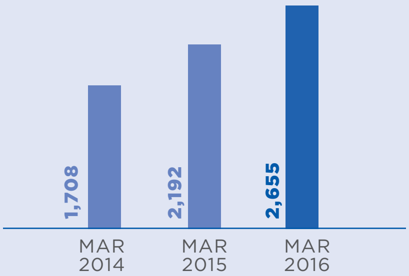
## TUNNY NET COMPLEX

The Tunny Net complex brings together various entertainment and leisure facilities under one roof at Mellieħa's water's edge, some 200 metres away from the Group's db Seabank Resort + Spa. These include a Latino-Mexican restaurant, Maya Beach lounge bar, La Barca Italian trattoria, major water sports facilities and a number of retail outlets.



### 2016 RESULTS & KPIS

REVENUE
(€000S)




% CHANGE
FY2015/FY2016
**+21%**

# 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 refurbished the Hard Rock Bar at the Malta International Airport


# HARD ROCK CAFÉ - MALTA

In 2000, the Seabank Group obtained the prestigious franchise to open Malta's Hard Rock Café and today operates 3 of its outlets:

## ST. JULIAN'S

Hard Rock Café, Bay Street Complex, St. Georges Bay, St. Julian's – Covering 600sqm this restaurant seats 180 and includes a bar area, merchandise shop and world famous rock 'n' roll memorabilia.

## MALTA INTERNATIONAL AIRPORT

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


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

tripadvisor®

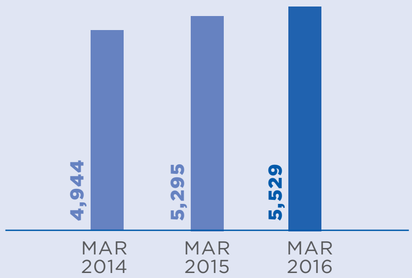
- **Certificate of Excellence**
  by TripAdvisor - Hard Rock Bar in Valletta, 2014
- **Best Franchise of the Year Award**
  Hard Rock Café Malta, 2007,
- **Top of the Rock Award**
  Hard Rock Café Malta, 2004, 2007 and 2010.

## VALLETTA

Hard Rock Café, Valletta Waterfront – The third Hard outlet to be opened, it has a seating capacity of 140 as well as a cocktail bar.

## 2016 RESULTS & KPIS

REVENUE
(€000S)




% CHANGE
FY2015/FY2016
**+4%**

# 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 hired out functions, activities and events.

## CATERING

db Catering and Events caters for any type of occasion, venue and event size, including home and private dining, office, weddings & civil unions, charity events, business meetings, corporate functions, amongst others.

## CORPORATE SERVICES

The corporate services branch assists companies to create and implement 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 have ample facilities to cater for weddings of varying sizes. They offer both indoor and outdoor venues with a capacity of up to 800 guests.

HOSPITALITY & LEISURE

# WHERE ARE WE HEADING?

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

Looking forward, the Group plans to grow both locally and internationally and is planning to increase the number of hotels falling under 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, the Group also plans to target the 5-star sector.

In fact, the Group is currently in an advanced planning phase to open the first ever 5-star Hard Rock Hotel in Malta. The Hotel, which will be located in St. Julian's on the former ITS site in St. George's bay, will be part of an upmarket mixed tourism and leisure project. It will feature a shopping mall on 3 levels, 2 residential towers, offices, restaurants, a casino, a marina, a café on the beach and a sky roof top bar with panoramic views apart from the 5 star Hard Rock Hotel.

The proposed Hard Rock Hotel is planned to span over 12 levels and will have 230 rooms, the majority of which will have a sea view. It will feature a fully equipped spa and gym, indoor and outdoor pools, as well as a number of complementing hotel, bars and restaurants.

# HEALTHCARE


DIVISION

# OVERVIEW OF THE HEALTHCARE SECTOR IN MALTA

## 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 are specialised, as well as another two private ones.

In 2014, the country had a total of around 2,000[11] hospital beds with a ratio of 467 available beds per 100,000 of total population[12]. This number has 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 beds, through a private public partnership, which Government has announced last year.

## 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, 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, Government has signed various contracts with the private sector.

[11] Azzopardi Muscat, N., Calleja, N., Calleja, A., Cylus, J. (Vol. 16 No.1 2014), Health Systems in Transition – Malta Health System Review.
[12] WHO (2015) European Health for all Database (HFA-DB) Updated December 2015.

## LONG-TERM CARE FACILITIES

| Homes for the elderly | EU-28 Average 2015 | Malta 2015 |
|---|---|---|
| Church Homes | 16 | 763 |
| Private Homes | 15 | 1,460 |
| Government Homes | 14 | 2,667 |
| **Total** | **45** | **4,890** |

*Source: Ministry for Health Annual report 2014*

## NURSING AND ELDERLY HOME BEDS

The number of nursing and elderly home beds per 100,000 population in 2012 stood at 1,093.7, up from 635.4 in 2008.[13]

## WAITING LISTS FOR LONG-TERM CARE

In October 2015, it was reported that long-term care services waiting list was reduced by nearly 30% when compared to 2014. The waiting list stood at 1,490, down from 2,121 in 2014[14]. The list is said to have decreased due to a more efficient admissions procedure.

[13] http://www.independent.com.mt/articles/2013-01-24/local-news/IncreNumber-of-beds-in-homes-for-the-elderly-increase-by-1,000-since-2008-745766920
[14] http://www.independent.com.mt/articles/2015-10-06/local-news/Long-term-care-services-waiting-list-reduced-by-nearly-30-over-previous-year-6736143133

# HEALTHCARE
# KEY MILESTONES

## 2014

The Group acquires the two largest healthcare companies in Malta and sets up Healthmark Care Services Limited to supply healthcare workers to public hospitals and clinics and provide home care and support services.

## 2015

The Group acquires land to develop a 300-bed home for the elderly in Santa Lucija, and a historical building in Mtafa which was subsequently converted into a 150-bed residence for the elderly suffering from dementia. The Group also took over the former MMDNA operation, significantly increasing its service offering.


# 2016

The Group expands its service offering to include domiciliary care for the elderly.

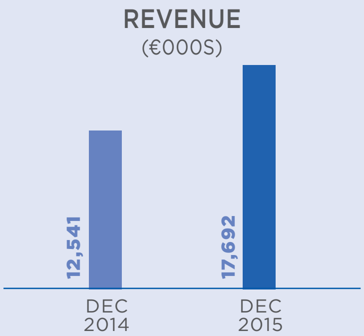
# HEALTHMARK CARE SERVICES LIMITED

In 2013, the Group acquired two existing healthcare sector companies and set up Healthmark Care Services Limited. This company was set up to supply healthcare workers to public hospitals and clinics and provide home care and support services. Subsequently, in November 2015 Healthmark took over the former MMDNA operation, substantially increasing its headcount and service offering. Furthermore, in January 2016, the company saw further expansion when it started to offer domiciliary care for the elderly.

Today, Healthmark Care Services Limited has a pool of 150 professional Nurses, a further 150 staff members providing domiciliary care for the elderly and around 1,200 trained Care Assistants. These numbers are on the increase in light of the high demand for these services in Malta. In fact, HealthmarkCare is the largest employer of healthcare professionals in Malta and has increased its headcount by 50% over the last year.

Operationally, Healthmark Care Services Limited staff work on contracts in various hospitals, clinics, retirement homes, schools and in clients' homes.

In 2015, the companies constituting the Group's Healthcare Division, including Healthmark Care Services Limited, Health Services Group Limited and Support Services Limited had the following results:




% CHANGE
FY2014/FY2015
**+41.1%**

HEALTHCARE

# WHERE ARE WE HEADING?

Due to the ever-increasing demand for long-term care and in light of Malta's aging population, the demand for nursing and healthcare staff is constantly on the increase. Consequently, the Group foresees steady growth in this sector. As new projects in the pipeline in this sector come on stream, particularly those addressing the insufficient availability of acute and long term care beds, the demand for nursing and healthcare staff is expected to steadily intensify. Additionally, initiatives being undertaken by Government to attract women to enter or re-enter employment, may lead to an increase in the number of the elderly requiring non-family care. Therefore, the need for home carers is also expected to increase substantially.

In line with Government's plans to increase the number of available elderly care beds, in 2015, the Group won the tender to conserve and regenerate the limits of Mtarfa site occupied by a former Isolation Hospital and its surroundings. This site will be turned into a 150-bed residence for the elderly suffering from dementia.

The Group is also currently working on a project to provide residential services to around 300 elderly persons in Santa Lucija. This initiative is at application for planning permission stage.

# 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 LTD
## 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

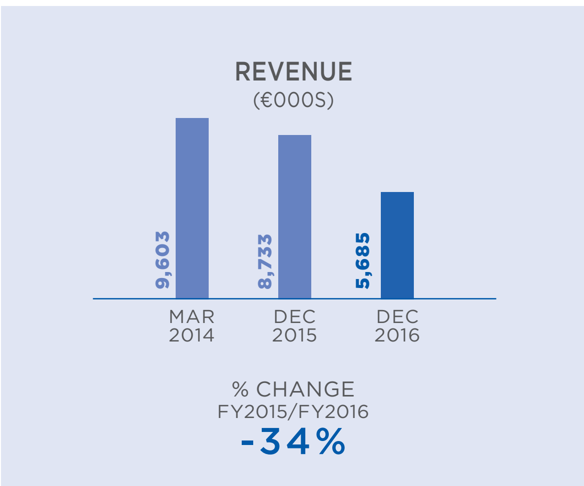
# OVERVIEW OF THE CONTRACT CATERING MARKET

Contract catering in Malta has developed substantially over the last ten years. The highest demands for contract catering come from the healthcare, the aviation industry and canteen catering sectors.

In the healthcare sector, demand for catering comes from state and privately owned hospitals as well as old people's 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.

# SKY GOURMET MALTA LIMITED

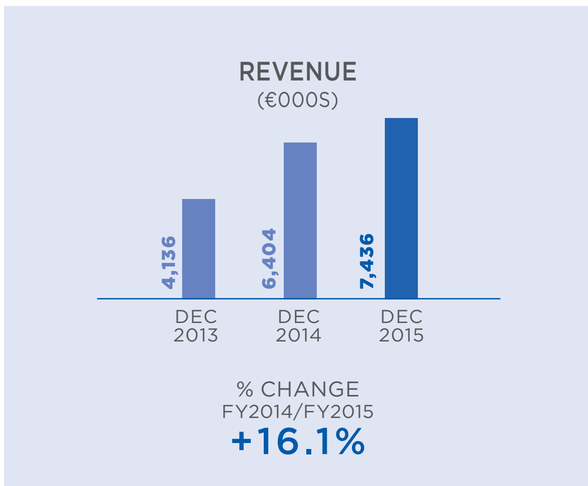
Sky Gourmet services Airmalta, Malta's national airline, Emirates, Ryanair, and other top end carriers on a regular or ad hoc basis. The company serves over 2 million airline meals and snacks a year. In addition, it also provides Air Malta with commissary and transport services for on/off loading of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





# MALTA HEALTHCARE CATERERS LIMITED

Malta Healthcare Caterers, a joint venture led by the Seabank 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 this type in the country. The company has been successfully executing this contract for Mater Dei, St Luke's and Sir Paul Boffa hospitals since 2007, for the Gozo General Hospital since 2013 and for St. Vincent de Paule Residence since 2014. The Company has recently started providing meals for the new oncology hospital, which started operating in September 2015.



### CONTRACT CATERING

# WHERE ARE WE HEADING?

The Group has an ambitious forward-looking strategy in this sector. It expects contract catering, particularly in the healthcare sector, to grow considerably in the next few years. This is due to the various announced Government projects to increase the number of available hospital beds.

Additionally, the company has also recently submitted a bid, which if successful would allow it to increase its service offering further going forward.

# PROPERTY

# DEVELOPMENT

# PROPERTY DEVELOPMENT
# KEY MILESTONES

## 1991

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

## 2009

Completion of a block of upmarket apartments in St Paul's Bay

## 2012

Kika Construction Limited completed the extension of the db Seabank Resort + Spa in a record 8 month timeframe

## 2013

Submission of land reclamation proposal to the Maltese Government

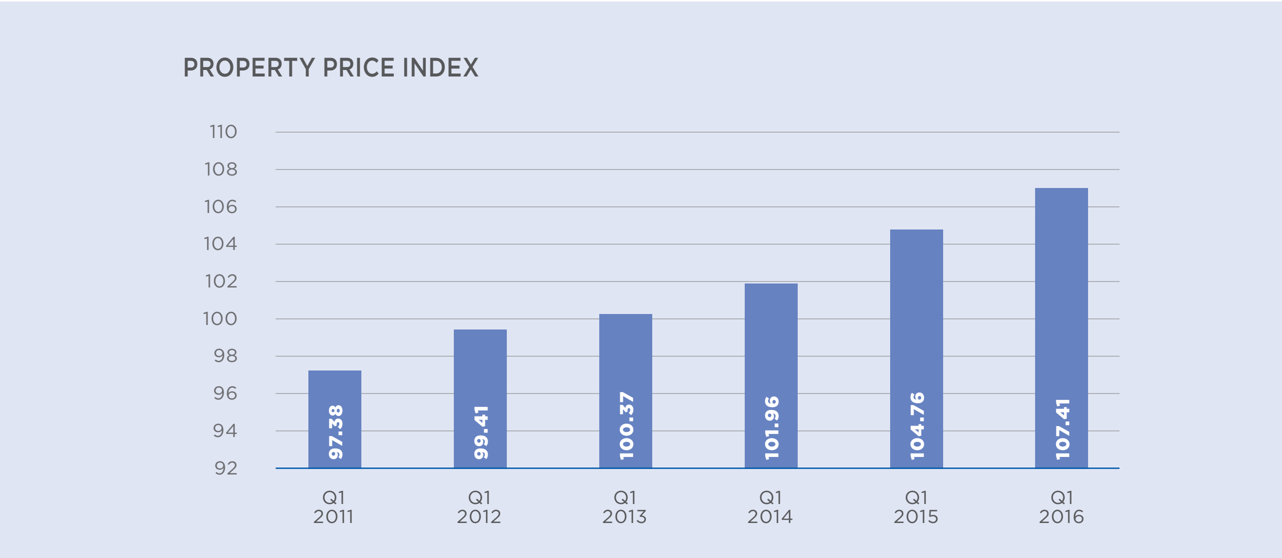
## 2015

Completion of a block of luxury apartments in Mellieħa Bay

# MALTA'S RESIDENTIAL PROPERTY MARKET

The Maltese real estate market has had a three-decade long capital appreciation curve, even during the global economic crisis.

In the first quarter of 2016, the Property Price Index stood at 107.41, a rise of 2.6% compared with the corresponding period in 2015. The main driver was a rise of 2.6% in the Apartments Index compared with the corresponding quarter of 2015.[15]




*Source: NSO publication, Property Price Index and Property Volume Index: Q1/2016*

Looking ahead, the residential market is expected to continue to grow significantly in the future. This will be a result of an increasing number of expats in Malta, mainly due to increased employment in the iGaming, financial services, and technology-related industries. The amount of foreigners living in Malta has increased from 1.9% of the population in 2005 to 5.9% in 2015. Due to more foreign investment, the apartment market, particularly in the northern harbour region, has in fact been growing healthily. Such growth in the service industry has also positively affected other areas of the property development market, including high-grade offices and leisure facilities.

**The Government Schemes to increase foreign investment through the Global Residence Programme and the Individual Investment Programme are schemes which the Government has put in place in order to boost the property market in Malta.** These two schemes will continue to drive the upper end of the market forwards at a fast rate. Developers are in fact shifting towards high-end properties with much higher sales prices than the national average.

Sales to non-nationals have tended to be concentrated in new larger developments (typically enjoying Special Designated Area (SDA) status, prime residency areas 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.

15 Property Price Index and Property Volume Index, NSO News Release, 2016

There has also been a strong element of local investment in these locations, typically comprising around half of all purchases. Although the value/sqm of the individual units varies greatly - primarily because of location, apartment size and views - the properties in these developments command higher values compared to the averages of other residential areas. The average price/sqm in these developments, particularly in the northern harbour area, is on balance, considerably higher than the national average. The latest properties coming on the market in these areas include some blocks in Tigne Point and Portomaso developments, hitting sales prices of up to €9,000/sqm.

## PROPERTY DEVELOPMENT WITH SPECIAL DESIGNATED AREA STATUS


1. Tas-Sellum Residence, Mellieħa
2. Madliena Village Complex
3. Pender Place and Mercury House Site,St Julian's
4. Portomaso Development, St Julian's
5. Manuel Island/ Tignè Point, Limits of Gżira and Sliema
6. Metropolis Plaza, Gżira
7. Fort Cambridge Zone, Tignè
8. Cottonera Development
9. SmartCity
10. Ta' Monita Residence, Marsascala
11. Kempinski Residence, San Lawrenz, Gozo
12. Fort Chambray, Għajnsielem, Gozo
13. Vista Point, Marsalforn, Gozo

Other upmarket properties include luxury apartments in standalone 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/sqm of apartments in these categories would also be substantially higher than average prices.

# 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 projects.

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 eight-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?

Going forward, the Seabank Group intends to continue penetrating the real estate sector in Malta with a number of projects. The Group recognises the demand for luxury properties in the country and has in fact, submitted a proposal to Government for a major land reclamation.

The Marina Park Land Reclamation Project is earmarked for the heart of Buġibba, 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.

The Marina Park will provide a public park and the coastline will be extended. Using a floating breakwater and pontoons, the Marina will become the area's destination harbour. This development will also include a 120 room hotel with ample surrounding landscaped grounds, as well as 30 villas and 124 terraced villas.

Although bounded by the sea along its northern perimeter, Buġibba has very little green spaces for public use.

# WHERE ARE WE HEADING?

Additionally, the Seabank Group is currently in an advanced planning phase to develop the Hard Rock City Centre on the former ITS site in St. George's bay in St. Julian's.

The St George's Bay area already hosts a number of hotels, food, shopping and leisure outlets. Additionally, a number of new projects are currently underway in the area. The City Centre project will complement these projects and will be the hub of the newly transformed location.

The project is envisaged as a destination which will offer a total lifestyle experience with the hotel and residences as part of the destination, backed up by retail, entertainment and leisure offerings to complete the centre's uniqueness. In fact, the City Centre is designed to be a hive of activity typical of the world's most cutting edge capitals.

Passionate to come up with the best possible design for the City Centre, the Seabank Group has commissioned no less than four different architectural firms from around the globe to submit their ideas and have recently decided to commission MYGG. MYGG have 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:

- Two towers pictured 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 a city centre of an emerging destination, set to be the most sophisticated place to go to in Malta.

The City Centre at St George's Bay will consist of a large shopping mall featuring new upmarket brand stores and globally known restaurants making it a chic and cosmopolitan shopping and leisure destination.

It will house the Hard Rock Hotel which will consist of 450 suites, the largest spa in Malta, a multi-purpose conference and concert hall which can be extended up to 1500 sq meters and a perched rooftop bar overlooking the sea.

Furthermore, two towers will house 209 residences and five floors of office spaces.

## THE HARD ROCK HOTEL BRAND

Hard Rock is one of the most recognised brands in the world with 200 outlets in over 60 countries. Every year, over 100 million guests around the world visit Hard Rock.

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, such as Ringo Starr, Jon Bon Jovi, Eric Clapton and Rihanna, to name a few, associate themselves with the Hard Rock Brand. Hard Rock is also closely partnered with Microsoft, Nobu, Fender, Starbucks, MTV and Universal Studios.

232 Hard Rock Hotels already dot the globe. From Ibiza to Chicago to Bali. 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. From Abu Dhabi to Aruba, to Malta.

# CORPORATE SOCIAL RESPONSIBILTY

## ENHANCING AND PROTECTING THE ENVIRONMENT

The Seabank Group makes every effort to minimise the environmental impact of its operations and encourages responsible tourism in order to have a positive effect on the environment.

In particular, 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 which they are encouraged to refill 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 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 and thus reducing packaging, reducing the use of grass 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 which are 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 water primary circuit, rather than relying on the use of fluorocarbon gases.

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

## WATER SAVING

Hotels and resorts, almost by definition, consume vast amounts of water. Yet in this respect, those 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/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 5,700,000 litres of water a year. Additionally, all storm water is collected and used for irrigation and to supplement the 2nd 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 (reusing bottled water, 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.

## HELPING THE LOCAL COMMUNITY

The Group is aware of its responsibility to contribute to the community in which it operates.

The hospitality offering of the Group is mainly located in the north of the island. Consequently, initiatives to improve these communities, their neighbourhoods and beyond are regularly undertaken.

To this end, the Group creates a number of hospitality jobs, which attract many locals. Furthermore, preference is given to local business

in the purchase of goods and services.
Finally, the Group gives donations to local charities, organisations and individuals. The Group has partnered with the Malta Community Chest Fund, the country's President's national charity, to raise €100,000 through activities organised in its hospitality and leisure establishments.

## OTHER INITIATIVES

In February 2013, the Kika Shuba Day Centre of the 'Jesus in thy neighbour' missionary movement was inaugurated with the support of the db Seabank Resort + Spa and Hard Rock Café Malta.

The Group contributed towards the creation of the Francis Xavier Cardinal Van Thuan Home in Ethopia, a facility for disabled children. The home houses dormitories, kitchen and dining facilities, a chapel, offices, a convent, a physiotherapy unit, a workshop and operations and recreation centres.

## VALUING STAFF

The Group owes its success to its human resources team and the bonds between them. In fact, this sense of family is instilled by the directors and runs down to every member of staff. To this end, the Group has a solid and transparent staff policy benefiting all staff. In turn, this positive spirit is transmitted to clients and guests.

The Group is an equal opportunities employer and 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.

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.

SEABANK
GROUP

# CONSOLIDATED FINANCIAL STATEMENTS

## CONTENTS

# DIRECTOR'S REPORT

The directors present their report and the audited financial statements for the year ended 31 March 2016.

## Principal activities

The group operates in the local market and predominantly in hospitality, leisure and catering activities. It operates and owns the Seabank Hotel situated at Għadira Bay, Mellieħa and the San Antonio Hotel, situated in Buġibba. It also operates and owns the restaurant amenities at the Tunny Net Complex and operates three outlets under the Hard Rock Café franchise.

The group also holds investments in the following associates: Malta Healthcare Caterers Limited, which provides catering services to hospitals and retirement homes, together with other healthcare services; and Sky Gourmet Malta Limited which provides catering services primarily to Air Malta and other airlines operating from Malta.

## Review of the business

The level of business of the group remains at sustained levels and the present level of activity will be sustained for the foreseeable future. Furthermore, after considering the financing options available to the group, the directors consider that the group's financial position remains satisfactory.

## Results and dividends

The consolidated financial results are set out on page 86. The directors do not recommend the payment of a dividend.

## Director

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

Silvio Debono
Arthur Gauci – appointed on 5 August 2015
Robert Debono – appointed on 5 August 2015
Victoria Debono – appointed on 5 August 2015
Vincent Degiorgio – appointed on 5 August 2015
Jesmond Vella – appointed on 5 August 2015

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

# DIRECTOR'S REPORT – CONTINUED

## Statement of directors' responsibilities for the financial statements

The directors are required by the Companies Act, 1995 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.

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 Companies Act, 1995. 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 2016 are included in the Annual Report and Consolidated Financial Statements 2016, which is published in hard-copy printed form and made available on the group's website. The directors of the entities constituting the Seabank 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

| | |
|---|---|
| Silvio Debono | Arthur Gauci |
| Director | Director |

Registered office:
Seabank Hotel, Marfa Road, Għadira, Malta
26 August 2016

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SD Holdings Limited

## Report on the Financial Statements for the year ended 31 March 2016

We have audited the consolidated and the stand-alone parent company financial statements (together the "financial statements") of SD Holdings Limited on pages 86 to 139 which comprise the consolidated and parent company statements of financial position as at 31 March 2016 and the consolidated and parent company statements of comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

### Director's Responsibility for the Financial Statements

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on pages 82 and 83, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

# INDEPENDENT AUDITOR'S REPORT - CONTINUED

To the Shareholders of SD Holdings Limited

## Report on the Financial Statements for the year ended 31 March 2015 - continued

### Opinion

In our opinion the financial statements

- give a true and fair view of the financial position of the group and the parent company as at 31 March 2016, and of the group's and the parent company's financial performance and cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

## Report on Other Legal and Regulatory Requirements for the year ended 31 March 2016

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- 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 August 2016

# STATEMENT OF FINANCIAL POSITION

| | Notes | As at 31 March 2016 € | 2015 € |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | **136,666,533** | 113,436,081 |
| Intangible assets | 5 | **969,582** | 1,211,338 |
| Investments in associates | 7 | **4,356,171** | 3,932,367 |
| Deferred tax assets | 8 | **3,900,747** | 9,382,400 |
| Trade and other receivables | 10 | **327,816** | - |
| Total non-current assets | | **146,220,849** | 127,962,186 |
| **Current assets** | | | |
| Inventories | 9 | **916,643** | 832,057 |
| Trade and other receivables | 10 | **8,787,160** | 6,957,817 |
| Current tax assets | | **-** | 933 |
| Cash and cash equivalents | 11 | **507,872** | 1,750,000 |
| Total current assets | | **10,211,675** | 9,540,807 |
| **Total assets** | | **156,432,524** | 137,502,993 |

# STATEMENT OF FINANCIAL POSITION - CONTINUED

| | Notes | As at 31 March 2016 € | 2015 € |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 12 | **520,000** | 520,000 |
| Revaluation reserve | 13 | **22,585,765** | - |
| Hedging reserve | 14 | **(177,906)** | (288,091) |
| Other reserves | 15 | **2,000,700** | 2,000,700 |
| Retained earnings/(accumulated losses) | | **20,720,873** | 15,134,952 |
| | | **45,649,432** | 17,367,561 |
| Non-controlling interest | 16 | **11,047,133** | 11,006,108 |
| Total equity | | **56,696,565** | 28,373,669 |
| **Non-current liabilities** | | | |
| Trade and other payables | 17 | **6,490,965** | 8,165,873 |
| Borrowings | 18 | **50,965,117** | 58,162,327 |
| Amounts owed to ultimate shareholder | 19 | **3,779,493** | 3,779,493 |
| Deferred Government grants | 20 | **32,104** | 40,925 |
| Derivative financial instruments | 21 | **-** | 263,056 |
| Total non-current liabilities | | **61,267,679** | 70,411,674 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **26,803,466** | 27,561,149 |
| Current tax liabilities | | **180,619** | 115,099 |
| Borrowings | 18 | **10,208,095** | 9,970,542 |
| Deferred Government grants | 20 | **8,821** | 8,821 |
| Derivative financial instruments | 21 | **273,702** | 180,161 |
| Other loans payable | 22 | **993,577** | 881,878 |
| Total current liabilities | | **38,468,280** | 38,717,650 |
| Total liabilities | | **99,735,959** | 109,129,324 |
| **Total equity and liabilities** | | **156,432,524** | 137,502,993 |

The notes on pages 92 to 139 are an integral part of these financial statements.
The financial statements on pages 86 to 139 were authorised for issue and signed by the board of directors on 26 August 2016 and were signed on its behalf by:

Silvio Debono
Director

Arthur Gauci
Director

# INCOME STATEMENT

| | | Year ended 31 March | |
|---|---|---|---|
| | | 2016 | 2015 |
| | Notes | € | € |
| **Revenue** | 23 | **42,963,375** | 34,946,608 |
| Cost of sales | | **(29,027,722)** | (26,929,251) |
| **Gross profit** | | **13,935,653** | 8,017,357 |
| Selling expenses | | **(399,795)** | (315,938) |
| Administrative expenses | | **(2,091,671)** | (1,504,900) |
| Other operating income | 26 | **266,386** | 250,296 |
| **Operating profit/(loss)** | | **11,710,573** | 6,446,815 |
| Finance income and other related income | 27 | **3,319** | - |
| Finance costs | 27 | **(3,697,123)** | (4,031,671) |
| Share of results of associates | 7 | **423,804** | 601,225 |
| **Profit/(loss) before tax** | | **8,440,573** | 3,016,369 |
| Tax (expense)/income | 28 | **(2,813,627)** | 3,667,725 |
| **Profit/(loss) for the year** | | **5,626,946** | 6,684,094 |
| | | | |
| **Profit attributable to:** | | | |
| Owners of the parent | | **5,585,921** | 6,653,999 |
| Non-controlling interest | 16 | **41,025** | 30,095 |
| | | **5,626,946** | 6,684,094 |

The notes on pages 92 to 139 are an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

| | | Year ended 31 March | |
|---|---|---|---|
| | | 2016 | 2015 |
| | Notes | € | € |
| **Profit for the year** | | **5,626,946** | 6,684,094 |
| **Other comprehensive income:** | | | |
| Items that may be subsequently reclassified to profit or loss | | | |
| Revaluation surplus on property arising during the year, net of deferred tax | 4 | **22,585,765** | - |
| Items that may be subsequently reclassified to profit or loss | | | |
| Cash flow hedges, net of deferred tax | 14 | **110,185** | 18,582 |
| **Total other comprehensive income** | | **22,695,950** | 18,582 |
| **Total comprehensive income for the year** | | **28,322,896** | 6,702,676 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | | **28,281,871** | 6,672,581 |
| Non-controlling interest | 16 | **41,025** | 30,095 |
| | | **28,322,896** | 6,702,676 |

The notes on pages 92 to 139 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

| | Notes | Share capital | Hedging reserve | Other reserves | Retained earnings | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the parent | | | | | |
| | | € | € | € | € | € | € |
| Balance at 1 April 2014 | | 520,000 | (306,673) | 2,000,700 | 8,480,953 | 10,976,013 | 21,670,993 |
| **Comprehensive income** | | | | | | | |
| Profit for the year | | - | - | - | 6,653,999 | 30,095 | 6,684,094 |
| **Other comprehensive income:** | | | | | | | |
| Cash flow hedges, net of deferred tax | 14 | - | 18,582 | - | - | - | 18,582 |
| **Total comprehensive income** | | - | 18,582 | - | 6,653,999 | 30,095 | 6,702,676 |
| Balance at 31 March 2015 | | 520,000 | (288,091) | 2,000,700 | 15,134,952 | 11,006,108 | 28,373,669 |

| | 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 2015 | | 520,000 | - | (288,091) | 2,000,700 | 15,134,952 | 11,006,108 | 28,373,669 |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | | - | | - | - | 5,585,921 | 41,025 | 5,626,946 |
| **Other comprehensive income:** | | | | | | | | |
| Revaluation of property, net of deferred tax | 4 | - | 22,585,765 | - | - | - | - | 22,585,765 |
| Cash flow hedges, net of deferred tax | 14 | - | - | 110,185 | - | - | - | 110,185 |
| **Total other comprehensive income** | | - | 22,585,765 | 110,185 | - | - | - | 22,695,950 |
| **Total comprehensive income** | | - | 22,585,765 | 110,185 | - | 5,585,921 | 41,025 | 28,322,896 |
| **Balance at 31 March 2016** | | **520,000** | **22,585,765** | **(177,906)** | **2,000,700** | **20,720,873** | **11,047,133** | **56,696,565** |

The notes on pages 92 to 139 are an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

| | Notes | Year ended 31 March 2016 € | 2015 € |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 30 | **19,806,898** | 13,900,516 |
| Dividends received | | **-** | 300,000 |
| Net interest (paid)/received | | **(3,693,804)** | (4,031,671) |
| Tax (paid)/refunded | | **(123,965)** | (49,628) |
| Net cash generated from/(used in) operating activities | | **15,989,129** | 10,119,217 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(10,271,600)** | (21,370,667) |
| Net cash used in investing activities | | **(10,271,600)** | (21,370,667) |
| **Cash flows from financing activities** | | | |
| Proceeds from bank borrowings | 18 | **-** | 14,114,738 |
| Repayments of bank borrowings | 18 | **(6,082,578)** | (4,350,435) |
| Movements in amounts owed to shareholder | | **-** | 240 |
| Net cash (used in)/generated from financing activities | | **(6,082,578)** | 9,764,543 |
| **Net movements in cash and cash equivalents** | | **(365,049)** | (1,486,907) |
| **Cash and cash equivalents at beginning of year** | | **(1,178,555)** | 308,352 |
| **Cash and cash equivalents at end of year** | 11 | **(1,543,604)** | (1,178,555) |

The notes on pages 92 to 139 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 Companies Act, 1995. They have been prepared under the historical cost convention.

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 2016, the group's current liabilities exceeded its current assets by €22,661,919 after adjusting for non-cash items amounting to €5,594,686 in aggregate, which include advance deposits from tour operators, loans to be set-off against suppliers discounts, deferred Government grants and derivative financial instruments. 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 shareholders have 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 2015. 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.

# 1. Summary of significant accounting policies - continued

## 1.1 Basis of preparation - continued

### 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 2015. 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' and IFRS 15 'Revenue from contracts with customers'.

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through Other Comprehensive Income ('OCI') and fair value through profit or loss. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9, 'Financial instruments', also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. Subject to the endorsement process by the EU, the standard is effective for accounting periods beginning on or after 1 January 2018, although early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' 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 a customer obtains control of a 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 annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to endorsement by the EU. The group is assessing the impact of IFRS 15.

# 1. Summary of significant accounting policies - continued

## 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.

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.

# 1. Summary of significant accounting policies - continued

## 1.2 Consolidation - continued

### (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 1.5[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.

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. Summary of significant accounting policies - continued

## 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 1.21).

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.

## 1. Summary of significant accounting policies - continued

### 1.4 Property, plant and equipment - continued

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

Property, plant and equipment is 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). Property, plant and equipment that suffered an impairment is reviewed for possible reversal of the impairment at the end of each reporting period.

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 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.

## 1.6 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 1.7, 1.9 and 1.10).

# 1. Summary of significant accounting policies - continued

## 1.6 Financial assets - continued

### 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.

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 1.9.

# 1. Summary of significant accounting policies - continued

## 1.7 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.

## 1.8 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.

## 1.9 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.

## 1.10 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.

## 1.11 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. Summary of significant accounting policies - continued

## 1.12 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.

## 1.13 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.

## 1.14 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.

## 1.15 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. Summary of significant accounting policies - continued

## 1.16 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.

## 1.17 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.

## 1.18 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

## 1.19 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) Interest income

Interest income is recognised in profit or loss for all interest-bearing instruments as it accrues, on a time-proportion basis using the effective interest method.

### (d) Dividend income

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

## 1.20 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'.

### (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. Summary of significant accounting policies - continued

## 1.21 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment 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.

## 1.22 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 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.

### (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.

# 2. Financial risk management - continued

## 2.1 Financial risk factors - continued

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 comprise, bank factoring loans (Note 18). In this respect, the group is 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.

### (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 18) and amounts owed by subsidiary also subject to variable rates (refer to Note 17). The interest expense arising from the borrowings is equivalent to 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 17) 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. 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:

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Loans and receivables category: | | |
| Trade and other receivables (Note 10) | **8,787,160** | 6,957,817 |
| Cash and cash equivalents (Note 11) | **507,872** | 1,750,000 |
| | **9,295,032** | 8,707,817 |

# 2. Financial risk management - continued

## 2.1 Financial risk factors - continued

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.

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. 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 2016 and 2015 no significant trade receivables were considered to be impaired.

At 31 March 2016, trade receivables amounting to €2,490,287 (2015: €1,005,399) 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.

As at 31 March 2016, Sky Gourmet Malta Limited (one of the group's associates), had a receivable of €682,670 (2015: €684,782) from Air Malta p.l.c. regarding catering services. Such outstanding amounts are being honoured in line with agreed repayment terms. Management does not expect any losses from non-performance of this customer.

# 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 interest-bearing borrowings (Note 18), and trade and other payables (Note 17). 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 Seabank 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.

# 2. Financial risk management - continued

## 2.1 Financial risk factors - continued

| | Less than one year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| | € | € | € | € | € |
| **At 31 March 2016** | | | | | |
| Bank loans and overdrafts | 12,162,855 | 10,151,556 | 26,080,275 | 21,927,488 | 70,322,174 |
| Factoring loans | 48,869 | - | - | - | 48,869 |
| Trade and other payables | 22,484,881 | - | - | - | 22,484,881 |
| **At 31 March 2015** | | | | | |
| Bank loans and overdrafts | 11,273,895 | 10,089,198 | 28,571,395 | 30,807,373 | 80,741,861 |
| Factoring loans | 111,017 | 48,869 | - | - | 159,886 |
| Trade and other payables | 24,209,805 | 4,000,000 | - | - | 28,209,805 |

The table below analyses the group's derivative financial liabilities that will be settled on a net basis 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 are the contractual undiscounted cash flows.

| | Less than one year | Between 1 and 2 years | Total |
|---|---|---|---|
| | € | € | € |
| **At 31 March 2016** | | | |
| Interest rate swap | 273,595 | - | 273,595 |
| **At 31 March 2015** | | | |
| Interest rate swap | 219,402 | 224,722 | 444,124 |

# 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:

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Total external borrowings | 61,173,212 | 68,132,869 |
| Less: cash at bank and in hand | (507,872) | (1,750,000) |
| **Net debt** | 60,665,340 | 66,382,869 |
| Equity – as shown in the consolidated statement of financial position | 56,696,565 | 28,373,669 |
| Amounts owed to ultimate shareholder earmarked as additional capital | 3,779,493 | 3,779,493 |
| **Total equity** | 60,476,058 | 32,153,162 |
| **Total capital** | 121,141,398 | 98,536,031 |
| **Net debt/total capital** | 50.1% | 67.4% |

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).

The group's interest rate swap agreement (refer to Note 21), is 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 2016 and 2015 the carrying amounts of cash and cash equivalents, receivables, payables, accrued expenses, short-term borrowings and other short-term loans payable, 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 company for similar financial instruments. The fair value of the company's non-current payables and borrowings at floating and fixed interest rates as at the reporting date is not significantly different from the carrying amounts.

# 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 annually 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

| | Land & buildings | Assets in course of construction and payments on account | Computer equipment | Furniture, fixtures & fittings | Motor vehicles | Plant, machinery & operational equipment | Audio visual equipment | Total |
|---|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € | € |
| **At 1 April 2014** | | | | | | | | |
| Cost | 60,156,489 | 4,812,852 | 288,564 | 19,183,309 | 394,332 | 10,418,074 | 78,803 | 95,332,423 |
| Accumulated depreciation | (1,484,773) | - | (208,065) | (2,798,867) | (226,060) | (2,077,334) | (59,103) | (6,854,202) |
| Net book amount | 58,671,716 | 4,812,852 | 80,499 | 16,384,442 | 168,272 | 8,340,740 | 19,700 | 88,478,221 |
| **Year ended 31 March 2015** | | | | | | | | |
| Opening net book amount | 58,671,716 | 4,812,852 | 80,499 | 16,384,442 | 168,272 | 8,340,740 | 19,700 | 88,478,221 |
| Additions | 5,704,405 | - | 1,694 | 24,045,902 | 105,500 | 319,947 | - | 30,177,448 |
| Reclassifications | 744,365 | (3,290,762) | - | 2,545,538 | - | 859 | - | - |
| Depreciation charge | (553,090) | - | (28,330) | (3,666,742) | (75,716) | (890,766) | (4,944) | (5,219,588) |
| Closing net book amount | 64,567,396 | 1,522,090 | 53,863 | 39,309,140 | 198,056 | 7,770,780 | 14,756 | 113,436,081 |
| **At 31 March 2015** | | | | | | | | |
| Cost | 66,605,259 | 1,522,090 | 290,258 | 45,774,749 | 499,832 | 10,738,880 | 78,803 | 125,509,871 |
| Accumulated depreciation | (2,037,863) | - | (236,395) | (6,465,609) | (301,776) | (2,968,100) | (64,047) | (12,073,790) |
| Net book amount | 64,567,396 | 1,522,090 | 53,863 | 39,309,140 | 198,056 | 7,770,780 | 14,756 | 113,436,081 |
| **Year ended 31 March 2016** | | | | | | | | |
| Opening net book amount | 64,567,396 | 1,522,090 | 53,863 | 39,309,140 | 198,056 | 7,770,780 | 14,756 | 113,436,081 |
| Additions | 454,332 | 860,920 | 3,270 | 1,928,384 | 87,500 | 363,062 | - | 3,697,468 |
| Reclassifications | - | (232,102) | - | 232,102 | - | - | - | - |
| Revaluation surplus (Note 13) | 25,384,879 | - | - | - | - | - | - | 25,384,879 |
| Disposals | - | - | - | - | (8,106) | - | - | (8,106) |
| Depreciation charge | (534,751) | - | (39,823) | (4,384,752) | (71,805) | (815,820) | (4,944) | (5,851,895) |
| Depreciation release on disposals | - | - | - | - | 8,106 | - | - | 8,106 |
| Closing net book amount | **89,871,856** | **2,150,908** | **17,310** | **37,084,874** | **213,751** | **7,318,022** | **9,812** | **136,666,533** |
| **At 31 March 2016** | | | | | | | | |
| Cost or valuation | 89,871,856 | 2,150,908 | 293,528 | 47,935,235 | 587,332 | 11,101,942 | 78,803 | 152,019,604 |
| Accumulated depreciation | - | - | (276,218) | (10,850,361) | (373,581) | (3,783,920) | (68,991) | (15,353,071) |
| Net book amount | **89,871,856** | **2,150,908** | **17,310** | **37,084,874** | **213,751** | **7,318,022** | **9,812** | **136,666,533** |

## 4. Property, plant and equipment - continued

### Fair valuation of property

The principal elements of the group's land and buildings, within property, plant and equipment were revalued on 31 March 2016 by independent professionally qualified valuers. The book value of the property has been adjusted to the revaluation and the resultant surplus, net of applicable deferred income taxes, has been credited to the revaluation reserve in shareholders' equity (Note 13).

Valuations were made on the basis of open market value taking cognisance of the specific location of the property, the size of the site together with its development potential, the availability of similar properties in the area, and whenever possible, having regard to recent market transactions for similar properties in the same location.

The directors have reviewed the carrying amount of the properties as at 31 March 2016, on the basis of assessments carried out by the independent professionally qualified valuers. Other than the revaluation surplus noted above, no adjustments to the carrying amounts of the remaining property were deemed necessary as at 31 March 2016. Such remaining property has not been revalued since acquisition or initial recognition and following an assessment by the directors on the fair values of these properties at 31 March 2016, 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 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 land and buildings, consist of the Seabank Hotel and the San Antonio Hotel, 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 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.

# 4. Property, plant and equipment - continued

## Valuation techniques

The external valuations of the Level 3 property as at 31 March 2016 have been performed using a multi-criteria approach, with every property being valued utilising the valuation technique considered by the external valuer to be the most appropriate for the respective property.

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 to the approaches 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 hotel, but prior to depreciation and financing charges. |
| Growth rate | based on management's estimated average growth of the 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

## Valuation techniques - continued
## Information about fair value measurements using significant unobservable inputs (Level 3), as at 31 March 2016

| Description by class based on highest and best use | Fair value at 31 March 2016 €000 | Valuation technique | Significant unobservable input | Range of unobservable Inputs |
|---|---|---|---|---|
| Current use as commercial premises (hotel operations) | **88,600** | DCF | EBITDA | €6,700,000 to |
| | | Approach | | €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 2016, 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:

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Cost | **67,059,591** | 66,605,259 |
| Accumulated depreciation | **(2,572,614)** | (2,037,863) |
| Net book amount | **64,486,977** | 64,567,396 |

Bank borrowings in the name of group undertakings are secured on the group's land and buildings (see Note18).

# 5. Intangible assets

## Franchise license rights

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| **Year ended 31 March** | | |
| Opening net book amount | **1,211,338** | 1,453,094 |
| Amortisation charge | **(241,756)** | (241,756) |
| Closing net book amount | **969,582** | 1,211,338 |
| **At 31 March** | | |
| Cost | **2,965,266** | 2,965,266 |
| Accumulated amortisation | **(1,995,684)** | (1,753,928) |
| Net book amount | **969,582** | 1,211,338 |

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.

# 6. Investments in subsidiaries

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 | Percentage of shares held 2016 | 2015 |
|---|---|---|---|---|
| DB Catering and Events Limited | San Antonio Hotel and Spa Triq it-Turisti, St. Paul's Bay, 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 | **100%** | 100% |
| | | Preference A shares | **100%** | 100% |
| | | Preference B shares | **100%** | 100% |
| J.D. Catering Limited | Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta | Ordinary shares | **98.6%** | 98.6% |
| SA Marketing Company Limited | Grand Hotel Mercure San Antonio Tourists Street, St. Paul's Bay, Malta | Ordinary shares | **99.4%** | 99.4%- |
| S.R.G.N. Company Limited | Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta | Ordinary shares | **98.8%** | 98.8% |
| Sea Port Franchising Limited | Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta | Ordinary shares | **93.8%** | 93.8% |
| Seabank Hotel and Catering Limited | Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta | Ordinary shares | **98.8%** | 98.8% |
| | | Preference shares | **26.2%** | 26.2% |
| Silverstars Boat Chartering Limited | Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta | Ordinary shares | **100%** | 100% |
| TN Holdings Limited | Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta | Ordinary shares | **99.9%** | 99.9% |

## 6. Investments in subsidiaries - continued

The shareholdings in DB Catering and Events Limited, Seabank Hotel and Catering Limited, Silverstars Boat Chartering Limited and TN Holdings Limited are held directly by SD Holdings 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.

## 7. Investments in associates

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| **Year ended 31 March** | | |
| Opening carrying amount | **3,932,367** | 3,631,142 |
| Share of results | **423,804** | 601,225 |
| Dividends received | **-** | (300,000) |
| Closing carrying amount | **4,356,171** | 3,932,367 |
| **At 31 March** | | |
| Cost | **1,675,763** | 1,675,763 |
| Share of results and reserves | **2,680,408** | 2,256,604 |
| Closing carrying amount | **4,356,171** | 3,932,367 |

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.

# 7. Investments in associates - continued

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 | Percentage of shares held 2016 | Percentage of shares held 2015 |
|---|---|---|---|---|
| Costa San Andrea Resort Club Limited (in dissolution) | Sea Bank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta | Ordinary shares | **26.3%** | 26.3% |
| DP Road Construction Limited | Sea Bank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta | Ordinary A shares | **45.0%** | 45.0% |
| Malta Healthcare Caterers Limited | James Confectionery, Velleran Street Fgura, Malta | Ordinary shares | **49.4%** | 49.4% |
| Porto Azzurro Limited | Sea Bank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta | Ordinary shares | **32.9%** | 32.9% |
| Porto Azzurro Resort Club Limited | Sea Bank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta | Ordinary shares | **32.9%** | 32.9% |
| Sky Gourmet Malta Inflight Services Limited | James Confectionery, Velleran Street, Fgura, Malta | Ordinary shares | **29.6%** | 29.6% |
| Sky Gourmet Malta Limited | James Confectionery, Velleran Street, Fgura, Malta | Ordinary shares | **29.6%** | 29.6% |

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.

# 7. Investments in associates - continued

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

The principal activities of Malta Healthcare Caterers Limited, 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. 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 Malta Healthcare Caterers Limited is 31 December 2015 and accordingly the financial information made available to shareholders relates to financial year ended 31 December. 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 2015, which year end is different from that of the reporting entity.

Set out below are the summarised financial information for 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 | |
| | 2015 | 2014 | 2016 | 2015 |
| | € | € | € | € |
| Non-current assets | 2,053,984 | 1,984,661 | 795,229 | 782,244 |
| Current assets | 12,704,413 | 9,919,945 | 1,947,269 | 2,131,203 |
| Non-current liabilities | (386,376) | (530,736) | - | (32,039) |
| Current liabilities | (11,925,124) | (9,116,631) | (1,877,298) | (1,789,633) |
| Net assets | 2,446,897 | 2,257,239 | 865,200 | 1,091,775 |

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.

# 7. Investments in associates - continued

## Summarised statements of comprehensive income

| | Malta Healthcare Caterers Limited | Year ended 31 December | Sky Gourmet Malta Limited | Year ended 31 March |
|---|---|---|---|---|
| | 2015 | 2014 | 2016 | 2015 |
| | € | € | € | € |
| Revenue | 25,127,724 | 12,903,754 | 5,684,832 | 8,732,897 |
| Profit for the year - total comprehensive income | 847,607 | 711,594 | (226,575) | 531,940 |
| Dividends received from associate | - | - | - | 150,000 |

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 |
|---|---|---|---|---|
| | € | € | € | € |
| **2016** | | | | |
| Porto Azzurro Limited | 825,375 | (284,336) | 281,420 | 83,006 |
| Sky Gourmet Malta Inflight Services Limited | 121,688 | (9,569) | 543,994 | 31,814 |
| **2015** | | | | |
| Porto Azzurro Limited | 694,432 | (250,204) | 264,741 | 51,790 |
| Sky Gourmet Malta Inflight Services Limited | 91,835 | (11,549) | 584,135 | 34,056 |

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

# 8. 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 balance sheet date. 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%.

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| **Year ended 31 March** | | |
| At beginning of year | 9,382,400 | 5,591,502 |
| Credited/(charged) to profit or loss: | | |
| Temporary differences on intra-group transactions (Note 28) | 9,266 | 9,266 |
| Temporary differences on property, plant and equipment and unutilised tax credits (Note 28) | (2,632,475) | 3,791,638 |
| Charged to other comprehensive income: | | |
| Tax effect of re-measurement of derivatives (Note 14) | (59,330) | (10,006) |
| Tax effect of revaluation on property, plant and equipment (Note 13) | (2,799,114) | - |
| At end of year | 3,900,747 | 9,382,400 |

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:

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Unutilised tax credits arising from: | | |
| Unabsorbed capital allowances | 2,248,456 | 2,871,002 |
| Unabsorbed tax losses | 791,852 | 791,852 |
| Investment tax credits | 9,146,893 | 10,618,753 |
| Taxable temporary differences arising from depreciation of property, plant and equipment | (4,506,223) | (3,968,154) |
| Taxable temporary differences arising from revaluation of property, plant and equipment | (2,799,114) | - |
| Taxable temporary differences arising from intra-group transactions | (136,555) | (145,821) |
| Deductable temporary differences arising from derivative financial instruments | 95,796 | 155,126 |
| Deferred taxation arising on transfer of property on acquisition of subsidiary | (950,384) | (950,384) |
| Other temporary differences | 10,026 | 10,026 |
| | 3,900,747 | 9,382,400 |

As at 31 March 2015, a group undertaking also had unrecognised taxable temporary differences arising on property, plant and equipment amounting to €35,252. The related unrecognised deferred tax amounting to €12,338 was not deemed significant to be reflected in the financial statements.

# 9. Inventories

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Food and beverage | **490,228** | 458,952 |
| Merchandise | **257,695** | 206,390 |
| Other goods for resale | **60,919** | 46,797 |
| Consumables and other inventory | **107,801** | 119,918 |
| | **916,643** | 832,057 |

# 10. Trade and other receivables

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| **Non-Current** | | |
| Finance lease receivable (net of unearned finance income) | **327,816** | - |
| **Current** | | |
| Trade receivables | **6,265,388** | 4,232,478 |
| Payments in advance to suppliers | **212,080** | 136,405 |
| Finance lease receivable (net of earned finance income) | **230,423** | - |
| Amounts owed by subsidiaries | **-** | - |
| Amounts owed by associates | **277,570** | 352,531 |
| Amounts owed by other related parties | **124,447** | 152,982 |
| Other receivables | **800,293** | 1,320,822 |
| Indirect taxation | **105,938** | 47,312 |
| Prepayments and accrued income | **771,021** | 715,287 |
| | **8,787,160** | 6,957,817 |

A group undertaking entered into a finance lease arrangement 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:

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| **Gross finance lease receivables:** | | |
| Not later than one year | **233,743** | - |
| Later than one year and not later than five years | **331,136** | - |
| | **564,879** | - |
| Unearned future finance income | **(6,640)** | - |
| Net investment in finance leases | **558,239** | - |

## 10. Trade and other receivables - continued

The net investment in finance leases is analysed as follows:

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Not later than one year | **230,423** | - |
| Later than one year and not later than five years | **327,816** | - |
| | **558,239** | - |

Amounts receivable from finance lease debtors are subject to an effective interest rate of 1% (2015: nil).

## 11. Cash and cash equivalents

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

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Cash at bank and in hand | **507,872** | 1,750,000 |
| Bank overdrafts (Note 18) | **(2,051,476)** | (2,928,555) |
| | **(1,543,604)** | (1,178,555) |

## 12. Share capital

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| **Authorised** | | |
| 520,000 Ordinary shares of €1 each | **520,000** | 520,000 |
| **Issued and fully paid** | | |
| 520,000 Ordinary shares of €1 each | **520,000** | 520,000 |

# 13. Revaluation reserve

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| **Surplus arising on fair valuation of property** | | |
| Revaluation surplus arising during the year (Note 4) | 25,384,879 | - |
| Deferred tax on revaluation surplus arising during the year (Note 8) | (2,799,114) | - |
| At end of year | 22,585,765 | - |

The tax impact relating to components of other comprehensive income is presented in the above tables.

The revaluation reserve is non-distributable.

# 14. Hedging reserve

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

**Interest rate swaps**

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| **At 1 April** | | |
| Gross amounts of losses | 443,217 | 471,805 |
| Deferred income tax | (155,126) | (165,132) |
| | 288,091 | 306,673 |
| **Movements in year ended 31 March** | | |
| Net losses from changes in fair value | 41,533 | 163,728 |
| Deferred income tax | (14,537) | (57,305) |
| | 26,996 | 106,423 |
| Reclassified to profit or loss as a reclassification adjustment | (211,048) | (192,316) |
| Deferred income tax | 73,867 | 67,311 |
| | (137,181) | (125,005) |
| **At 31 March** | | |
| Gross amounts of losses | 273,702 | 443,217 |
| Deferred income tax | (95,796) | (155,126) |
| | 177,906 | 288,091 |

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

The net fair value losses as at 31 March 2016 and 2015 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.

# 15. Other reserves

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Capital redemption reserve | **698,815** | 698,815 |
| Incentives and benefits reserve | **1,301,885** | 1,301,885 |
| | **2,000,700** | 2,000,700 |

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 Companies Act, 1995. The capital redemption reserve may be applied in paying up unissued shares to be issued to members as fully paid bonus shares. There were no redemptions during the current and the preceding financial years.

In accordance with Articles 24B and 36 of the Business Promotion Act, transfers are effected by a subsidiary to an incentives and benefits reserve representing the net amount of profits subject to income tax at a reduced rate of tax. 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.

# 16. Non-controlling interest

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| At beginning of year | **11,006,108** | 10,976,013 |
| Share of results of subsidiaries | **41,025** | 30,095 |
| At end of year | **11,047,133** | 11,006,108 |

# 17. Trade and other payables

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| **Non-current liabilities** | | |
| Amounts owed to subsidiary | **-** | - |
| Amounts owed to third parties | **-** | 4,000,000 |
| Deferred income arising on long term rights of use sales | **6,490,965** | 4,165,873 |
| | **6,490,965** | 8,165,873 |
| **Current liabilities** | | |
| Trade payables | **6,226,902** | 6,239,255 |
| Payables and accruals with respect to capital expenditure | **4,867,059** | 11,441,191 |
| Advance deposits from tour operators and other customers | **4,318,586** | 3,327,407 |
| Amounts owed to director | **472,939** | 1,348,125 |
| Amounts owed to shareholders | **131,815** | 435,570 |
| Amounts owed to subsidiaries | **-** | - |
| Amounts owed to associates | **2,249,338** | 1,417,692 |
| Amounts owed to other related parties | **342,646** | 376,118 |
| Amounts owed to third parties | **4,000,000** | - |
| Other payables | **311,996** | 214,814 |
| Indirect taxation and social security | **389,839** | 305,802 |
| Accruals and deferred income | **3,492,346** | 2,455,175 |
| | **26,803,466** | 27,561,149 |

## 17. Trade and other payables- continued

Current 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 payment until alternative financing is available. Included in such advances are offsettable amounts of €718,779 (2015: €1,125,345) owed by a subsidiary to the parent company which are subject to interest at 5.8% (2015: 5.8%). All the other amounts are interest free.

As at 31 March 2015, non-current amounts owed to subsidiary for the company and amounts owed to third parties for the group, amounting to €4,000,000, represent the outstanding balance on the consideration for the acquisition of shares in Hotel San Antonio Limited in prior years. As at 31 March 2016, the respective amounts have been classified as current liabilities, in view of the fact that as stated in the related share purchase agreement such amount is repayable by December 2016. The outstanding amount is subject to interest at 6.5% in accordance with the terms of the same agreement and secured by a special hypothec over specific immovable property of the Hotel San Antonio Complex. At the end of the reporting period, in the opinion of the directors, the fair value of this liability approximated its carrying amount.

# 18. Borrowings

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| **Non-current** | - | 47,198 |
| Factoring loans | **50,965,117** | 58,115,129 |
| Bank loans | **50,965,117** | 58,162,327 |
| **Current** | | |
| Bank overdrafts | **2,051,476** | 2,928,555 |
| Factoring loans | **47,176** | 102,435 |
| Bank loans | **8,109,443** | 6,939,552 |
| | **10,208,095** | 9,970,542 |
| Total borrowings | **61,173,212** | 68,132,869 |

The group's banking facilities as at 31 March 2016 amounted to €64,125,948 (2015: €69,409,726). Such bank facilities are secured by:

a. general and special hypothecs over the group's present and future assets;
b. guarantees provided by group undertakings;
c. guarantees given by a director;
d. pledges over the insurance policies of group undertakings;
e. pledges over a director's life insurance policies;
f. letters of undertaking.

The interest rate exposure of the borrowings of the group is as follows:

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Total borrowings: | | |
| At fixed rates | **47,176** | 149,633 |
| At floating rates | **61,126,036** | 67,983,236 |
| | **61,173,212** | 68,132,869 |

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

| | 2016 | 2015 |
|---|---|---|
| Bank overdrafts | **5.0%** | 4.8% |
| Factoring loans | **8.2%** | 8.2% |
| Bank loans | **4.1%** | 4.3% |

## 18. Borrowings - continued

Maturity of non-current borrowings:

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Between 1 and 2 years | **8,226,400** | 7,969,489 |
| Between 2 and 5 years | **22,259,472** | 23,706,443 |
| Over 5 years | **20,479,245** | 26,486,395 |
| | **50,965,117** | 58,162,327 |

## 19. Amounts owed to ultimate shareholder

Amounts owed to ultimate shareholder amounting to €3,779,493 (2015: €3,779,493) relate to the allotment and acquisition of shares in Seabank Hotel and Catering Limited. These amounts are unsecured, interest free and have been earmarked as additional capital required by the company, the terms of which will be concluded in the foreseeable future.

## 20. Deferred Government grants

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| At beginning of the year | **49,746** | 58,567 |
| Credited to profit or loss - Annual amortisation related to assets (Note 26) | **(8,821)** | (8,821) |
| At end of year | **40,925** | 49,746 |
| **At 31 March** | | |
| Non-current | **32,104** | 40,925 |
| Current | **8,821** | 8,821 |
| At end of year | **40,925** | 49,746 |

# 21. Derivative financial instruments

| | 2016 | 2015 |
|---|---|---|
| | Fair value liabilities | Fair value liabilities |
| | € | € |
| **At 31 March** | | |
| Interest rate derivative - interest rate swap | **273,702** | 443,217 |

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 company's borrowings. The fair value movement during the year was recognised in the cash flow hedge reserve. Realised gains and losses on the derivative have subsequently been transferred to profit or loss and presented within finance costs. The notional amount of the outstanding interest rate swap contract as at 31 March 2016 was €12.6 million (2015: €13.8 million).

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

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| **Derivative financial liabilities** | | |
| Non-current | - | 263,056 |
| Current | **273,702** | 180,161 |
| | **273,702** | 443,217 |

# 22. Other loans payable

Other loans payable amounting to €993,577 (2015: €881,878) 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.

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| **By category** | | |
| Hospitality and ancillary services | **30,477,820** | 23,366,325 |
| Food and beverage | **8,157,317** | 7,847,842 |
| Merchandise and other retailing activities | **3,572,587** | 3,117,525 |
| Other | **755,651** | 614,916 |
| | **42,963,375** | 34,946,608 |

# 24. Expenses by nature

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Employee benefit expense (Note 25) | **8,426,389** | 7,463,940 |
| Amortisation of intangible assets (Note 5) | **241,756** | 241,756 |
| Depreciation of property, plant and equipment (Note 4) | **5,851,895** | 5,219,588 |
| Utilities and similar charges | **1,667,334** | 2,053,919 |
| Operating supplies and related expenses | **8,919,969** | 8,019,234 |
| Repairs and maintenance costs | **1,784,914** | 1,191,319 |
| Marketing, advertising costs and commissions | **925,199** | 957,562 |
| Franchise royalties | **679,254** | 653,464 |
| Operating lease rentals – property | **408,823** | 364,114 |
| Ground rents payable | **6,198** | 6,198 |
| Exchange differences | **1,273** | 4,895 |
| Other expenses | **2,606,184** | 2,574,100 |
| Total cost of sales, selling and administrative expenses | **31,519,188** | 28,750,089 |

## Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 March 2016 and 2015 relate to the following:

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Annual statutory audit | | |
| - parent company auditors | **34,700** | 33,898 |
| - other auditors | **12,750** | 9,650 |
| Tax advisory and compliance services | | |
| - parent company auditors | **1,810** | 1,625 |
| - other auditors | **875** | 2,185 |
| Other non-audit services | **15,460** | 2,550 |
| | **65,595** | 49,908 |

## 25. Employee benefit expense

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Wages and salaries (including director's remuneration) | **7,832,766** | 6,811,248 |
| Social security costs | **663,552** | 632,513 |
| | **8,496,318** | 7,443,761 |
| Recharged from associates | **77,598** | 55,948 |
| Recharged to related parties | **(132,619)** | (22,442) |
| Recharged to third parties | **(14,908)** | (13,327) |
| | **8,426,389** | 7,463,940 |

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

| | 2016 | 2015 |
|---|---|---|
| Direct | **390** | 359 |
| Administration | **68** | 60 |
| Part-timers | **60** | 62 |
| | **518** | 481 |

## 26. Other operating income

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Amortisation of deferred Government grants (Note 20) | **8,821** | 8,821 |
| Operating lease income | **225,724** | 241,475 |
| Other income | **31,841** | - |
| | **266,386** | 250,296 |

# 27. Finance income and finance costs

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| **Finance income** | | |
| Interest on amounts owed by subsidiary | - | - |
| Finance income arising from finance lease arrangement | 3,319 | - |
| | 3,319 | - |

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| **Finance costs** | | |
| Interest on bank borrowings and other loans | 3,602,083 | 3,970,535 |
| Other finance charges | 95,040 | 61,136 |
| | 3,697,123 | 4,031,671 |

# 28. Tax expense/(income)

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Current taxation | 190,418 | 133,179 |
| Deferred taxation (Note 8) | 2,623,209 | (3,800,904) |
| Tax expense/(income) | 2,813,627 | (3,667,725) |

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

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Profit before tax | 8,440,573 | 3,016,369 |
| Tax on profit at 35% | 2,954,201 | 1,055,729 |
| Tax effect of: | | |
| Share of results of associates | (148,331) | (210,429) |
| Expenses not deductible for tax purposes | 149,150 | 145,724 |
| Income not subject to tax | (11,465) | (8,511) |
| Movement in temporary differences | (128,716) | 80,595 |
| Investment tax credits claimed during the year | (8,226) | (4,738,926) |
| Other differences | 7,014 | 8,093 |
| Tax charge/(credit) in the accounts | 2,813,627 | (3,667,725) |

## 29. Directors' remuneration

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Salaries and other emoluments | **175,570** | 71,734 |

## 30. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Operating profit | **11,710,573** | 6,446,815 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment (Note 4) | **5,851,895** | 5,219,588 |
| Amortisation of intangible assets (Note 5) | **241,756** | 241,756 |
| Deferred Government grants | **(8,821)** | (8,821) |
| Changes in working capital: | | |
| Inventories | **(84,586)** | (246,241) |
| Trade and other receivables | **(2,157,159)** | (3,878,323) |
| Trade and other payables | **4,253,240** | 6,125,742 |
| Cash generated from operations | **19,806,898** | 13,900,516 |

# 31. Commitments

## Capital commitments

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

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Contracted but not provided for | **550,000** | 1,300,000 |

The above commitments were entered into by Hotel San Antonio Limited with respect to the extension of the hotel and refurbishment of its hotel rooms.

## Operating lease commitments – where group undertakings act as lessee

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

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Less than one year | **96,974** | 102,828 |
| Between one and five years | **298,089** | 353,919 |
| More than five years | **2,511,471** | 2,559,205 |
| | **2,906,534** | 3,015,952 |

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 outstanding receivables under non-cancellable operating leases, as follows:

| | 2016 | 2015 |
|---|---|---|
| | € | € |
| Less than one year | **79,347** | 111,445 |
| Between one and five years | **48,065** | 46,667 |
| | **127,412** | 158,112 |

Operating lease receivables relate to property concessions.

# 32. Contingencies

At 31 March 2016, the group's major contingent liabilities were:

a. Uncalled share capital amounting to €5,590 (2015: €5,590) relating to shares subscribed in associates by a group undertaking and uncalled share capital amounting to €1,920 (2015: €1,920) relating to shares subscribed in subsidiaries by the parent company.
b. A special hypothec granted by a group undertaking to a third party in respect of certain units allocated to timeshare amounting to €3,000,000 (2015: €3,000,000).
c. Guarantees of up to a maximum of €54,076 (2015: €54,076) issued by a group undertaking to various third parties for a beach concession.
d. A guarantee of €18,650 (2015: €18,635) issued by a group undertaking in favour of the Malta Environment and Planning Authority.
e. The parent company held a guarantee amounting to €1,500,000 issued by the group's bankers on its behalf in favour of third parties 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 Seabank Group are ultimately owned by members of the Debono family. Accordingly, the members of the Debono family, all entities owned or controlled by the members of the Debono family, the associates of the group and the group's key management personnel are the principal related parties of the Seabank 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.

Year-end balances with related parties, arising principally from the transactions referred to previously, are disclosed in Notes 10, 17 and 19 to these financial statements. Such balances are unsecured, interest free and repayable on demand unless otherwise stated in the respective notes.

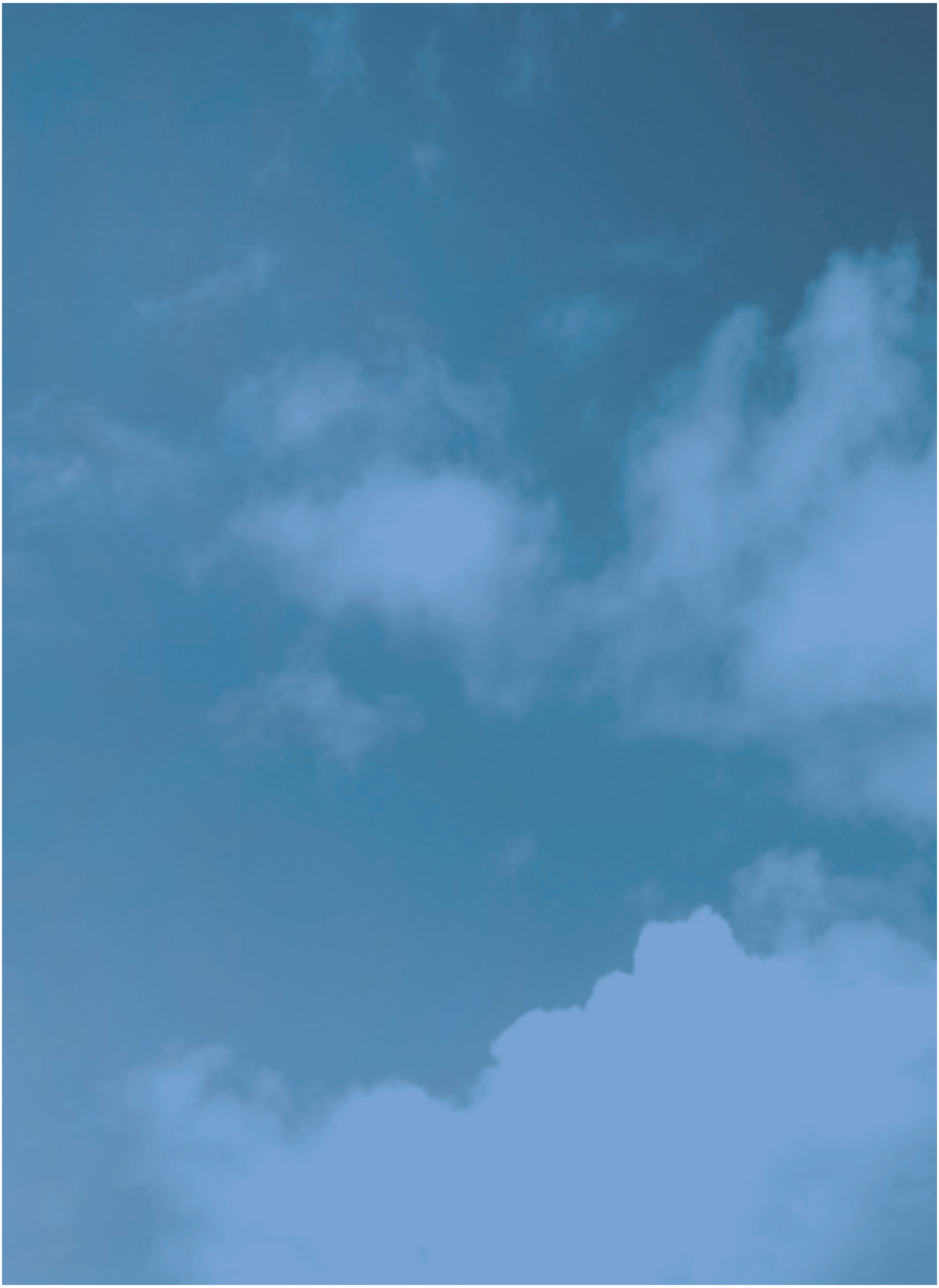
Key management personnel comprise the directors of the parent company and the directors of the other group undertakings. In the preceding financial year, key management personnel compensation in addition to directors' remuneration as disclosed in Note 29, amounted to €30,077.

## 34. Statutory information

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

## 35. 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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